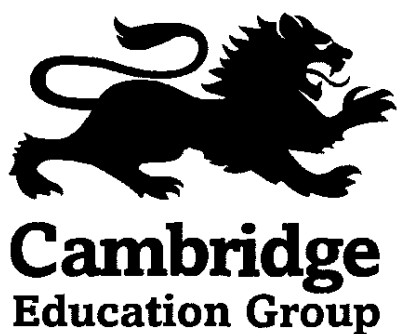




Annual report and financial statements CEG Digital Limited

For the year ended 31 August 2022

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COMPANIES HOUSE

Company no. 10055469

Company information

Company registration number	10055469
Registered office	51-53 Hills Road Cambridge CB2 1NT
Directors	D Johnston B Webb
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

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Strategic report

The directors present their strategic report for CEG Digital Limited ('the group') for the year ended 31 August 2022.

Principal activities

The principal activity of the group during the year was the provision of online and blended learning courses in partnership with UK universities.

Business review

Working closely with partner universities, the group helps create, market and deliver part-time online and blended university programmes to students around the world. It uses cutting-edge technology, sector-leading pedagogy, and first-class student support to provide an outstanding educational experience. The results for the year and financial position of the group are as shown in the financial statements.

The group continued its strong growth trajectory, with revenue of £14.9m (2021: £12.1m). This was achieved through growth in volumes on existing programmes and new programme launches with existing partners, and the successful launch of new university partnerships. During the year, the group provided courses in partnership with the University of Hull, Falmouth University, the University of Southampton, Queen Mary University of London, Bayes Business School, the University of Portsmouth and the University of Central Lancashire.

The group generated profit before tax of £0.5m (2021: £0.4m) inclusive of investment at new centres that are yet to reach full scale, but which the directors anticipate will contribute to significant future growth in both revenue and profitability. Earnings before interest, tax, depreciation and amortisation, excluding operating losses at new centres, ('underlying EBITDA') which the directors consider to be a key measure of the underlying performance of the business, were £3.5m (2021: £2.6m). Capital expenditure for the year totalled £2.4m (2021: £1.8m) developing new course content.

The group continues to invest in building its capability and course portfolio. The group signed new long-term partnerships during the year with the University of Plymouth, Arts University Bournemouth and London South Bank University. In addition to ongoing business development activity with new and prospective university partners, the group continues to add new programmes with existing partners, with additional course launches expected throughout 2022/23.

Future developments

CEG Digital is focused on expanding its online offering and growing student volumes through both new and existing university partnerships.

Financial and non-financial key performance indicators

The board and management use the following key performance indicators (KPIs) to monitor the success of the business:

- student volume;
- turnover growth;
- underlying EBITDA;
- signing and launching new partnerships.

During the year:

- student volume increased by 53%;
- turnover increased 23% from £12.1m to £14.9m;
- underlying EBITDA rose by 35% to £3.5m;
- successfully launched new partnerships with University of Central Lancashire and London South Bank University and signed new partnerships with the University of Plymouth and Arts University Bournemouth.

Directors' duties under section 172 of the Companies Act 2006

When performing their duties under section 172 of the Companies Act 2006 the directors must have regard to the following considerations:

- the likely consequence of any decisions in the long-term;
- the interests of the group's employees;
- the need to foster the group's business relationships with suppliers, customers and others;
- the impact of the group's operations on the community and environment;
- the desirability of the group maintaining a reputation for high standards of business conduct;
- the need to act fairly as between shareholders of the group.

We have detailed below how the directors have done so during the year.

The year to 31 August 2022 was another year of change for CEG Digital and its parent, Cambridge Education Group. This was characterised by rapid growth in student volumes and operational scale across both existing and new university partnerships, including entry into new geographical markets and development of new products. As restrictions on international travel introduced during the Covid-19 pandemic were relaxed and student mobility increased, the group was able to capitalise on its strong financial foundation, robust and diversified portfolio, and high partner satisfaction to accelerate business development in line with the group's objective of developing its online and pathway offerings (including establishment of several new long-term partnerships in both the ONCAMPUS and Digital divisions). These changes were driven by strategic decisions made to ensure we manage our business with a focus on creating long term sustainable value for our shareholders.

Set out in the below table is management's assessment of our key stakeholder groups, detailing how the board has considered the issues and factors that impact them and how engagement has impacted board decisions and company strategies during the financial year.

Stakeholders	Significance to the business	Examples of engagement	Examples of decisions impacted by the engagement
Shareholders	The board is accountable to its shareholders and must act in a way that is likely to promote the success of the group for the benefit of its members as a whole. The group seeks to maintain effective dialogue with its shareholders, to ensure that their views and any concerns they may have are understood and considered.	Regular monthly board meetings, complemented by separate consideration of relevant issues at meetings of the remuneration committee and audit committee.	Signing of new long-term partnerships with London South Bank University, University of Plymouth, Arts University Bournemouth.
Customers (e.g. university partners)	Delivering a service that meets the needs of our customers in all of the markets in which we operate is fundamental to our success. We help universities to succeed in their online education strategy, and to access business-critical international student recruitment.	University 'partner insights' feedback survey with focus on Net Promoter Score metric, regular university board / steering group meetings.	Broadening of existing partnerships with London South Bank University to include online services, providing an end-to-end enterprise solution.
Students	Students are at the heart of what the group is trying to achieve, and as such we rely heavily on their feedback and evaluation of their learning experiences. The group actively engages students, individually and collectively, in the quality of their educational experience.	Induction surveys, end of programme surveys, representation at centre audits and on relevant committees (e.g. staff-student consultative committees).	Continuation of staggered start dates and flexible modes of delivery (e.g. face-to-face, online-only, blended) in response to existing and prospective student requirements during coronavirus disruption.
Debt providers and banking partners	By providing funds for the group's working capital and general corporate purposes, our debt providers play an important role in our business.	Provision of annual budgets and monthly actual financial information to banking providers, annual senior management team presentation to lenders.	Extension of (undrawn) RCF to provide continued liquidity. Robust new centre and investment case appraisal process, focusing on capital allocation and cash flows – decision not to participate in several tenders with unsuitable risk profiles.

Principal risks and uncertainties

In common with other businesses of a similar nature, the group is exposed to a variety of risks and uncertainties. The directors believe the principal risks are adverse movements in interest rates and significant disruption in the trading ability of the group due to one-off global disasters.

Policies are in place to monitor and manage each of these risks.

Financial risk management objectives and policies

The group's financial risk management policies and objectives are integrated into those of the wider group which uses various financial instruments including 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 are summarised below.

Interest rate risk

The parent group finances its operations through a mixture of equity, bank borrowings and loan notes.

The parent group's exposure to interest rate fluctuations on its borrowings is not considered to be significant as the majority of the group's financing is at fixed interest rates.

Liquidity risk

The group seeks to manage financial risk by preparing detailed cash flow forecasts and ensuring sufficient liquidity is available to meet foreseeable needs. Short-term flexibility is achieved by a revolving credit facility held by the parent group.

Price risk

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

Credit risk

The group's principal financial assets are cash and trade debtors. In order to manage credit risk the directors prioritise the credit control function and clear guidelines are in place for dealing with slow payers.

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



D Johnston

Director

23rd December 2022

Directors' report

The directors present their report and the audited financial statements of the group for the year ended 31 August 2022.

A review of the business, including financial key performance indicators and principal risks and uncertainties, together with a summary of future developments are included in the strategic report under s414 of the Companies Act 2006 and are therefore not shown in the directors' report. Directors' duties under section 172 of the Companies Act 2006 are also described in the strategic report and are not included in this directors' report.

Results and dividends

The profit for the financial year amounted to £305,000 (2021: £369,000). No dividend was paid during the year (2021: £nil). The directors do not recommend the payment of a final dividend (2021: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

D Johnston

B Webb

Future developments and risk management

Future developments and the principal risks and uncertainties and arrangements for their management are described in the strategic report on pages 3 to 6.

Disabled employees

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

Employee involvement

Through regular meetings and other internal communications, the group keeps employees informed of and consulted on matters affecting them as employees and of the financial and economic factors affecting the performance of the group. Where relevant and appropriate, employees are eligible for performance related remuneration based on the achievement of personal and corporate objectives.

Development expenditure

Development costs that are directly attributable to the design and testing of certain identifiable software products controlled by the group are recognised as intangible assets.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing the 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;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Independent auditor

BDO 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



D Johnston
Director

23rd December 2022

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CEG DIGITAL LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom *Generally Accepted Accounting Practice*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CEG Digital Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 August 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the company statement of financial position, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company and the sector in which it operates, we identified the principal risks of non-compliance with laws and regulations and we considered the extent to which non-compliance might have a material effect on the Group's and Company's continued operation. We also considered those laws and regulations that have a direct impact on the financial statements.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks we related to posting inappropriate journal entries to manipulate financial results and management bias in making accounting estimates.

The audit procedures to address the risks identified included:

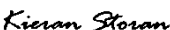
- challenging assumptions made by management in their accounting estimates and judgements
- identifying and testing journal entries selected based on specific risk criteria
- reading minutes of meetings of the board and review of responses received from our circularising external legal counsel.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Kieran Storan (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 23 December 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

For the year ended 31 August 2022

	Note	2022 £'000	2021 £'000
Revenue	6	14,911	12,139
Cost of sales		(3,503)	(2,771)
Gross profit		11,408	9,368
Administrative expenses		(10,954)	(8,926)
Profit before taxation		454	442
Tax charge on profit	9	(149)	(73)
Profit for the financial year		305	369

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

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

Consolidated statement of comprehensive income

for the year ended 31 August 2022

	2022 £'000	2021 £'000
Profit for the financial year	305	369
Total comprehensive income for the year	305	369

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 August 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	10	4,796	3,534
Tangible assets	11	15	3
		<u>4,811</u>	<u>3,537</u>
Current assets			
Debtors	13	2,481	1,531
Cash at bank and in hand		2,516	2,862
		<u>4,997</u>	<u>4,393</u>
Creditors: amounts falling due within one year	14	<u>(20,605)</u>	<u>(19,032)</u>
Net current liabilities		<u>(15,608)</u>	<u>(14,639)</u>
Total assets less net current liabilities		<u>(10,797)</u>	<u>(11,102)</u>
Net liabilities		<u>(10,797)</u>	<u>(11,102)</u>
Capital and reserves			
Called-up share capital	18	-	-
Other reserves		(3,500)	(3,500)
Accumulated losses		(7,297)	(7,602)
Total equity		<u>(10,797)</u>	<u>(11,102)</u>

These financial statements on pages 12 to 31 were approved by the directors and authorised for issue on 23rd December 2022 and are signed on their behalf by:



D Johnston
Director

Company registration number: 10055469

Consolidated statement of changes in equity

for the year ended 31 August 2022

	Called-up share capital £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 September 2020	-	(3,500)	(7,971)	(11,471)
Profit for the financial year	-	-	369	369
Total comprehensive income for the financial year	-	-	369	369
At 31 August 2021	-	(3,500)	(7,602)	(11,102)
At 1 September 2021	-	(3,500)	(7,602)	(11,102)
Profit for the financial year	-	-	305	305
Total comprehensive income for the financial year	-	-	305	305
At 31 August 2022	-	(3,500)	(7,297)	(10,797)

The accompanying notes form part of these financial statements.

Company statement of financial position

As at 31 August 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	10	7	12
Tangible assets	11	15	2
Investments	12	3,500	3,500
		<u>3,522</u>	<u>3,514</u>
Current assets			
Debtors	13	7,171	6,409
Cash at bank and in hand		1,768	2,066
		<u>8,939</u>	<u>8,475</u>
Creditors: amounts falling due within one year	14	(15,674)	(14,840)
Net current liabilities		<u>(6,735)</u>	<u>(6,365)</u>
Total assets less net current liabilities		(3,213)	(2,851)
Provisions for liabilities	16	(5)	-
Net liabilities		<u>(3,218)</u>	<u>(2,851)</u>
Capital and reserves			
Called-up share capital	18	-	-
Accumulated losses		(3,218)	(2,851)
Total equity		<u>(3,218)</u>	<u>(2,851)</u>

The loss after tax dealt with in the financial statements of the company and attributable to members was £367,000 (2021: £213,000 profit).

These financial statements on pages 12 to 31 were approved by the directors and authorised for issue on 23rd December 2022 and are signed on their behalf by:



D Johnston
Director

Company registration number: 10055469

Company statement of changes in equity

for the year ended 31 August 2022

	Called-up share capital £'000	Accumulated losses £'000	Total equity £'000
At 1 September 2020	-	(3,064)	(3,064)
Profit for the financial year	-	213	213
Total comprehensive income for the financial year	-	213	213
At 31 August 2021	-	(2,851)	(2,851)
At 1 September 2021	-	(2,851)	(2,851)
Loss for the financial year	-	(367)	(367)
Total comprehensive expense for the financial year	-	(367)	(367)
At 31 August 2022	-	(3,218)	(3,218)

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 August 2022

	Note	2022 £'000	2021 £'000
Cash generated from operating activities	19	2,094	2,026
Cash flow used in investing activities			
Purchase of intangible assets		(2,422)	(1,751)
Purchase of tangible assets		(18)	-
Net cash used in investing activities		<u>(2,440)</u>	<u>(1,751)</u>
(Decrease)/increase in cash and cash equivalents		(346)	275
Cash and cash equivalents at 1 September		2,862	2,587
Cash and cash equivalents at 31 August		<u>2,516</u>	<u>2,862</u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 General information

CEG Digital Limited (“the company”) is a private company limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the operations and principal activities of the company and its subsidiaries (together ‘the group’) are set out in the strategic report.

2 Statement of compliance

The financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and prior year in these financial statements.

a) Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention.

Values are presented in pounds sterling, rounded to thousands except where the nature of the disclosure or the value disclosed is such that disclosure in pounds is more appropriate.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the group’s accounting policies. Details of the significant judgments and estimates are disclosed in note 4.

b) Going concern

The group meets its day-to-day working capital requirements through its banking facilities and cash held. The directors have prepared both detailed budgets and long term forecasts, taking account of possible changes in trading performance. Having considered possible future trading scenarios over the foreseeable future, 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 2022 the group had net current liabilities of £15,608,000 (2021: £14,639,000). The group has obtained a letter of support from an intermediate parent undertaking, Cambridge Education Group 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 group and company can continue to meet its liabilities as they fall due. The group and company therefore continue to adopt the going concern basis in preparing their financial statements.

3 Summary of significant accounting policies (continued)

c) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 August. All intragroup transactions and balances are eliminated on consolidation.

d) Foreign currencies

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling which is the company's functional and the group's presentation currency.

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss within 'administrative expenses'.

e) Revenue

Tuition revenue is generated from the provision of education courses to students and is recognised over the period in which the teaching occurs. Discounts and bursaries are netted against tuition revenue.

Where payments are received from students in advance of services provided, those amounts are recorded as deferred income or, if potentially refundable within the terms of the contract, within other creditors.

Registration fees and fees in lieu of notice are recognised in income when received.

f) Operating leases

The group leases various assets under operating leases. Operating leases are arrangements where substantially all of the benefits and risks of ownership remain with the lessor. Rentals are charged to profit or loss on a straight line basis over the period of the lease.

Incentives received to enter into an operating lease are released to profit or loss on a straight-line basis over the whole life of the lease.

g) Employee benefits

The group operates a number of country-specific defined contribution pensions plans for its employees. Contributions are charged to profit or loss in the period in which they become payable.

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

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

3 Summary of significant accounting policies (continued)

h) Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group's entities operate and generate taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where timing differences relate to interests in subsidiaries and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined based on the rates expected to apply at the date of reversal, using tax rates and laws that have been enacted or substantively enacted by the reporting date.

i) Intangible assets

Development costs that are directly attributable to the design and testing of identifiable software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during the development can be reliably measured.

Costs associated with maintaining computer software are recognised as an expense as incurred.

Amortisation is calculated using the straight-line method, to allocate the depreciable amount of intangible assets to their residual values over their estimated useful economic lives which range from 4 to 10 years. Amortisation begins when the intangible asset is available for use.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

3 Summary of significant accounting policies (continued)

j) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated so as to write off the cost of the assets, less their estimated residual value, over the useful economic life of the asset on a straight-line basis. These useful lives range from 3 to 5 years.

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

k) Impairment of fixed assets

Fixed assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

l) Investments

Investments in subsidiaries are valued at cost less accumulated impairment.

m) Financial assets and liabilities

Basic financial assets, including trade and other debtors, amounts owed by group undertakings, and bank balances, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

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

n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

3 Summary of significant accounting policies (continued)

o) Reserves

The group's reserves are as follows:

- merger reserve represents the excess of the consideration paid for the acquisition of Hull Online Limited over the nominal value of the shares acquired. The combination was accounted for using merger accounting.
- accumulated losses.

4 Critical accounting estimates and judgments

In preparing these financial statements the directors have identified the following key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of intangible assets and investments

The group considers whether intangible assets and investments are impaired. These estimates are based on a variety of factors such as the expected life of internally developed software, the expected use of an acquired business, and any legal, regulatory or contractual provisions that can limit useful life. Where an indication of impairment is identified, the estimation of the recoverable value requires estimation of the recoverable value of the CGUs. This requires estimation of the sector valuation and/or future cash flow from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The net carrying values of intangible assets and of investments, are given in notes 10 and 12 respectively.

Impairment of debtors

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. The net carrying amount of the debtors and the associated impairment provision are given in note 13.

5 Disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- from presenting its individual income statement;
- from presenting a statement of cash flows and net debt reconciliation;
- from the financial instrument disclosures as the information is provided in the consolidated financial statement disclosures; and
- from the key management personnel compensation disclosures as their remuneration is included in the totals for the group as a whole.

6 Revenue

The revenue and profit before tax are attributable to the principal activities of the group. All revenue arises in the United Kingdom.

7 Operating profit

Profit is stated after charging:

	2022 £'000	2021 £'000
Depreciation of tangible assets	6	13
Amortisation of intangible assets	1,160	839
Impairment of trade debtors	-	174
Fees paid to the company's auditor for the audit of the company's annual accounts	50	42
Fees paid to the company's auditor and its associates for tax compliance services	14	-
Operating lease charges	68	44

8 Employees

Group

	2022 No	2021 No
The average number of persons employed by the group was:	167	120
The aggregate payroll costs of employees were:		
	2022 £'000	2021 £'000
Wages and salaries	5,468	5,286
Social security costs	631	576
Other pension costs	85	72
	6,184	5,934
Amounts capitalised to intangible assets	(1,303)	(1,109)
Charge to income statement	4,881	4,825

8 Employees (continued)

Company

	2022 No.	2021 No.
The average number of persons employed by the company was:	70	60
The aggregate payroll costs of employees were:		
	2022 £'000	2021 £'000
Wages and salaries	2,743	3,189
Social security costs	321	345
Other pension costs	51	50
	3,115	3,584
Amounts capitalised to intangible assets	(1,303)	(1,109)
	1,812	2,475

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

9 Tax on profit

(a) Tax charge included in the income statement

	2022 £'000	2021 £'000
Current tax		
UK corporation tax for the year at 19% (2021: 19%)	89	91
Adjustments in respect of prior periods	53	(17)
Total current tax charge	142	74
Deferred tax		
Origination and reversal of timing differences	8	(2)
Adjustments in respect of prior periods	1	1
Impact of tax rate change	(2)	-
Total deferred tax charge/(credit)	7	(1)
Tax charge for the year	149	73

9 Tax on profit (continued)

(b) Reconciliation of tax charge

The tax assessed on the profit before tax for the year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Profit before tax	454	442
Profit before tax multiplied by rate of tax at 19% (2021: 19%)	86	84
Adjustments in respect of prior periods	54	(16)
Expenses not deductible for tax purposes	11	5
Impact of tax rate change	(2)	-
Tax charge for the year	149	73

10 Intangible assets

Curriculum development	Group £'000	Company £'000
Cost:		
At 1 September 2021	6,164	46
Additions	2,422	-
At 31 August 2022	8,586	46
Accumulated amortisation:		
At 1 September 2021	2,630	34
Charge for the year	1,160	5
At 31 August 2022	3,790	39
Net book value:		
At 31 August 2022	4,796	7
At 31 August 2021	3,534	12

11 Tangible assets

Fixtures, fittings, furniture and equipment	Group £'000	Company £'000
Cost:		
At 1 September 2021	51	15
Additions	18	18
At 31 August 2022	69	33
Accumulated amortisation:		
At 1 September 2021	48	13
Charge for the year	6	5
At 31 August 2022	54	18
Net book value:		
At 31 August 2022	15	15
At 31 August 2021	3	2

12 Investments

Company	£'000
Cost and net book value:	
At 31 August 2022 and 31 August 2021	3,500

Investments are the directly held subsidiary undertakings detailed in note 23.

13 Debtors

Debtors due within one year:	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors	1,816	850	194	653
Amounts owed by group undertakings	-	-	6,898	5,721
Other debtors	15	7	8	-
Deferred tax	1	8	-	3
Prepayments and accrued income	649	666	71	32
	<u>2,481</u>	<u>1,531</u>	<u>7,171</u>	<u>6,409</u>

Trade debtors are stated after provisions for impairment of £nil (2021: £233,000).

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

The deferred tax asset is the tax effect of a timing difference between depreciation and tax allowances on tangible assets. During the year there was a charge of £7,000 to the income statement (2021: £1,000 credit) and it is anticipated that no charge will be made in the next financial year.

14 Creditors: amounts falling due within one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade creditors	293	181	158	48
Amounts owed to group undertakings	14,550	14,189	14,872	14,189
Accruals	2,172	2,177	182	359
Deferred income	2,755	2,142	-	-
Social security and other taxes	835	343	462	244
	<u>20,605</u>	<u>19,032</u>	<u>15,674</u>	<u>14,840</u>

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

15 Post-employment benefits

The group operates defined contribution pension arrangements for the benefit of its employees. The amount recognised as an expense for these arrangements was £58,000 (2021: £50,000).

The company operates a defined contribution pension arrangement for the benefit of its employees. The amount recognised as an expense for this arrangement was £24,000 (2021: £29,000).

16 Provisions for liabilities

Company	Deferred tax £'000
At 1 September 2021	-
Amounts dealt with in the income statement	5
At 31 August 2022	5

The company's deferred tax liability consists of the tax effect of timing differences between depreciation and tax allowances on tangible assets.

Deferred tax assets and liabilities are only offset where the group has a legally enforceable right to do so and where assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the group.

The deferred tax liability expected to reverse in the 2023 financial year is £nil.

17 Financial instruments

The carrying values of the group's financial instruments are summarised by category below:

	Group	
	2022	2021
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost less impairment:		
- Trade debtors	1,816	850
- Other debtors	15	7
	1,831	857
Financial liabilities measured at amortised cost:		
- Trade creditors	293	181
- Amounts owed to group undertakings	14,550	14,189
- Accruals	2,172	2,177
	17,015	16,547

The group did not have any financial assets or liabilities at fair value, through the income statement or otherwise.

18 Called-up share capital

Allotted, called up and fully paid:

	2022		2021	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</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.

19 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

Group

	2022	2021
	£'000	£'000
Profit for the financial year	305	369
Tax on profit	<u>149</u>	<u>73</u>
Operating profit	454	442
Depreciation	6	13
Amortisation	1,160	839
Movements in working capital:		
(Increase)/decrease in debtors	(957)	107
Increase in creditors	1,431	625
Cash inflow from operating activities	<u>2,094</u>	<u>2,026</u>

20 Related party transactions

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

21 Contingent liabilities

The company and several of its subsidiaries are co-guarantors of the bank loan of an intermediate parent undertaking, Camelot Bidco Limited. At 31 August 2022 this amounted to £15,000,000 (2021: £15,000,000).

22 Capital and other commitments

At 31 August the group and company had the following future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Payments due:				
Not later than one year	85	40	85	40
Later than one year and not later than five years	28	-	28	-
	<u>113</u>	<u>40</u>	<u>113</u>	<u>40</u>

The group had no other capital or off-balance sheet arrangements (2021: £nil).

23 List of subsidiary undertakings

At 31 August 2022 the company had the following subsidiary undertakings, all of which are directly held:

<u>Subsidiary undertakings</u>	<u>Registered Office</u>	<u>Nature of Business</u>	<u>Interest</u>
Arts Online Bournemouth Limited	i.	Online & blended university courses	100% ordinary shares
Cambridge Online Learning Limited	i.	Dormant	100% ordinary shares
CEG Global Online SB Limited	i.	Online & blended university courses	100% ordinary shares
CEG International Limited	i.	Dormant	100% ordinary shares
CEG Online Limited	i.	Online & blended university courses	100% ordinary shares
CEG UNW Online Limited	i.	Online & blended university courses	100% ordinary shares
Falmouth Flexible Ltd	i.	Online & blended university courses	100% ordinary shares
Hull Online Limited	i.	Online & blended university courses	100% ordinary shares
Plymouth Online Limited	i.	Online & blended university courses	100% ordinary shares
Portsmouth Online Limited	i.	Online & blended university courses	100% ordinary shares
Queen Mary Digital Limited	i.	Online & blended university courses	100% ordinary shares
Southampton Global Limited	i.	Online & blended university courses	100% ordinary shares

24 Subsidiaries exempt from audit

The following subsidiary undertakings have claimed exemption from the requirements of the UK Companies Act 2006 section 479A relating to the audit of individual financial statements for the year ended 31 August 2022. The immediate parent company, CEG Digital Limited, has given a statement of guarantee under the Companies Act 2006 section 479A to guarantee all outstanding liabilities to which the respective subsidiary is subject at 31 August 2022.

Subsidiary	Company number
Arts Online Bournemouth Limited	13765873
CEG Global Online SB Limited	13839877
CEG Online Limited	10058669
CEG UNW Online Limited	13167755
Falmouth Flexible Ltd	10062305
Hull Online Limited	9924999
Plymouth Online Limited	13765870
Portsmouth Online Limited	9952086
Queen Mary Digital Limited	10212307
Southampton Global Limited	10112318

25 Ultimate controlling party

The immediate parent company is Cambridge Education Group Limited.

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 ultimate parent company and 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 those 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.