Cambridge
Education Group

Annual report and financial statements CEG Administrative Services Limited

For the year ended 31 August 2019

Company No. 06355644

Officers and professional advisers

Company registration number	06355644
Registered office	50-60 Station Road Cambridge Cambridgeshire CB1 2JH
Directors	D Johnston B Webb
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Maurice Wilkes Building St John's Innovation Park Cowley Road Cambridge CB4 0DS

Contents

Strategic report

The directors present their strategic report on the company for the year ended 31 August 2019.

Principal activities

The principal activity of the company during the year was the provision of administrative services to other group companies within Cambridge Education Group ("CEG").

CEG, established in 1952, is a UK-based global group that specialises in provision of high quality academic, English language and online programmes to international students out of its 12 ONCAMPUS centres across the UK, North America and continental Europe and 5 Digital university partnerships.

Following the sale of CATS Colleges during the year, CEG operates its business through two divisions:

- **ONCAMPUS** – offering pathway programmes on university campuses in the UK, USA and Europe for undergraduate and postgraduate degree study.
- **CEG Digital** – providing online and blended learning courses in partnership with UK universities.

CEG recruits international students who wish to pursue an English language based university education. The group provides a broad range of programmes to enable 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 students to achieve entry to the best universities according to their aspirations and abilities; and,
- Exceptional pastoral care that ensures students' educational experience is also safe, healthy and enjoyable.

Business review

The profit after tax for the financial year was £127,733,000 (2018 (restated): £5,828,000 loss). In the opinion of the directors the state of the company's affairs at 31 August 2019 was satisfactory.

During the year CEG sold CATS Colleges Holdings Limited and its subsidiaries to Bright Scholar (UK) Holdings Limited. The result for the year for the company includes a gain of £126,300,000 relating to disposal of certain subsidiaries which were transferred to another group company and then sold as part of the CATS Colleges sale.

Revenues for the company increased during the year reflecting recognition of the value of the services provided to group companies. Administrative expenses decreased as the company was able to reduce its support to the CATS Colleges entities.

As a support company, the company is dependent on the results of CEG. During the year CEG's revenues from continuing operations grew by 23.0% (£9.8m), gross profit as a percentage of revenue fell slightly to 54.4% (2018: 55.6%) and underlying EBITDA improved to a loss of £2.9m (2018: £6.0m loss).

Future developments

In future the company will continue to perform its present function within the group headed by the ultimate parent, Camelot Topco Limited ("the group").

The effect of the coronavirus pandemic is not currently expected to significantly impact the company's operations and is discussed further in note 25 to the financial statements.

Financial key performance indicators

The Board and management use Key Performance Indicators (KPIs) to monitor the success of the business. The KPIs used for CEG are not relevant to the activities of the company.

Principal risks and uncertainties

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

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

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 group. The group 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, as they relate to the company, they are summarised below.

Interest rate risk

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

Liquidity risk

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

Foreign exchange risk

The company operates in the United Kingdom and prices its services in pounds sterling, however some costs are incurred in foreign currencies and so the company has limited exposure to foreign currency transactional risk on such costs and any balances outstanding.

Price and credit risk

The company itself is not directly exposed to price or credit risk.

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

D Johnston
Director
16 April 2020

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 August 2019.

Results and dividends

The profit for the financial year amounted to £127,733,000 (2018 (restated): £5,828,000 loss). No dividends were paid during the year (2018: £nil). The directors do not recommend the payment of a final dividend (2018: £nil).

Future developments and principal risks and uncertainties are discussed in the Strategic report on pages 3 to 5.

Directors

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

M Ioakimides	Resigned 11 November 2019
D Johnston	Appointed 11 November 2019
P Symes	Resigned 11 November 2019
B Webb	

Disabled employees

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

Employee involvement

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 Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

Disclosure of information to auditors

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

- so far as that director is aware there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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

On behalf of the board

D Johnston
Director
16 April 2020

Independent auditors' report to the members of CEG Administrative Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, CEG Administrative Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 August 2019; the income statement and the statement of comprehensive income and 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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.

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 2019 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 in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

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.

Richard Bedlow

Richard Bedlow (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
16 April 2020

Income statement

For the year ended 31 August 2019

	Note	2019 £'000	2018 Restated* £'000
Revenue	7	**31,905**	28,798
Administrative expenses		**(29,977)**	(35,361)
Profit on disposal of subsidiaries		**126,300**	-
Profit/(loss) before interest and taxation	8	**128,228**	(6,563)
Interest receivable and similar income	11	**201**	310
Interest payable and similar expenses	11	**(87)**	(7)
Net interest income	11	**114**	303
Profit/(loss) before taxation		**128,342**	(6,260)
Tax on profit/loss	12	**(609)**	432
Profit/(loss) for the financial year		**127,733**	(5,828)

* See note 6 for details regarding the restatement.

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

Statement of comprehensive income

For the year ended 31 August 2019

	2019 £'000	2018 Restated* £'000
Profit/(loss) for the financial year	**127,733**	(5,828)
Total comprehensive income/(expense) for the year	**127,733**	(5,828)

* See note 6 for details regarding the restatement.

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

Statement of financial position

As at 31 August 2019

	Note	2019 £'000	2018 Restated* £'000
Fixed assets			
Intangible assets	13	**1,521**	2,303
Tangible assets	14	**869**	1,190
Investments	15	**-**	-
		2,390	3,493
Current assets			
Debtors	16	**216,279**	38,739
Cash at bank and in hand		**52,985**	2,044
		269,264	40,783
Creditors: amounts falling due within one year	17	**(41,087)**	(51,484)
Net current assets/(liabilities)		**228,177**	(10,701)
Total assets less current liabilities		**230,567**	(7,208)
Provision for other liabilities	19	**(142)**	-
Net assets/(liabilities)		**230,425**	(7,208)
Capital and reserves			
Called-up share capital	20	**-**	-
Retained earnings/(Accumulated losses)	20	**230,425**	(7,208)
Total equity		**230,425**	(7,208)

* See note 6 for details regarding the restatement.

These financial statements on pages 11 to 28 were approved by the directors and authorised for issue on 16 April 2020 and are signed on their behalf by:

D Johnston
Director
Company Registration Number: 06355644

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

Statement of changes in equity

For the year ended 31 August 2019

	Called-up share capital £'000	Retained earnings/ (Accumulated losses) £'000	Total equity £'000
At 1 September 2017 (as previously reported)	**-**	**(514)**	**(514)**
Prior year adjustment*	-	(866)	(866)
At 1 September 2017 (restated)	**-**	**(1,380)**	**(1,380)**
Loss for the financial year (restated*)	-	(5,828)	(5,828)
Total comprehensive expense for the financial year	-	(5,828)	(5,828)
At 31 August 2018 (restated)	**-**	**(7,208)**	**(7,208)**
Profit for the financial year	-	127,733	127,733
Total comprehensive income for the financial year	-	127,733	127,733
Gain on disposal of subsidiaries to another group company	-	109,900	109,900
Total transactions with owners recognised directly in equity	-	109,900	109,900
At 31 August 2019	**-**	**230,425**	**230,425**

* See note 6 for details regarding the restatement.

Notes to the financial statements

1 General information

CEG Administrative Services Limited ("the company") is a private company limited by shares, and is 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 principal activity of the company is the provision of administration services to other group companies.

2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards including "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

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

a) Basis of preparation

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

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

b) Going concern

The group of which the company is a part meets its day-to-day working capital requirements through its bank facilities. The directors have prepared both detailed budgets and long term forecasts for the group, taking account of reasonably possible changes in trading performance. After making enquiries, the directors have a reasonable expectation that 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. 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 Topco Limited. It is included in the consolidated financial statements prepared by that company which are publicly 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 'Interest payable and similar expenses'. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

e) Revenue
Revenue is stated net of VAT (if applicable).

Revenue shown in the income statement represents amounts receivable in respect of administrative services provided to group companies and is recognised as the performance of those services occurs.

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

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

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

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

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

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

i) 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.

j) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

k) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are non-monetary assets without physical substance which are separable or arise from contractual or other legal rights.

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 probably 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.

l) Tangible assets

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

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

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

m) Amortisation of intangible assets

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, as follows:

Software	3 to 5 year straight line

Amortisation is charged to administrative expenses in the income statement.

Where factors, such as technological advancement or changes in market price, indicates 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.

n) Depreciation and residual values

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	10% straight line
Plant and equipment	15% - 25% straight line

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

o) 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.

p) 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.

q) 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.

r) Provisions and contingencies

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required in settlement of the obligation and the amount of the obligation can be measured reliably.

Where there are a number of similar obligations, the probability that an outflow will be required is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the future obligations using a pre-tax discount rate that reflects current market assessments of the time value of money and the obligation specific risks. Any unwinding of a discount due to the elapse of time is treated as a finance cost.

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.

Contingent assets are not recognised and are only disclosed if the inflow of economic benefits is probable.

s) Financial Instruments

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

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

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

Basic financial liabilities including trade and other 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.

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Dividends and other distributions to the company's shareholders are recognised as a liability in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4 Critical accounting estimates and judgements

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

Contingent liabilities

Contingent liabilities are disclosed in the financial statements unless the probability of an outflow is remote. In assessing such a disclosure, the group has to consider the potential outcomes of uncertain future events, some of which may not be wholly within the group's control, the probability of such outcomes and the extent to which any outflow of resources arising from any such outcome can be reliably measured.

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:

- Under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Camelot Topco Limited, includes the company's cash flows in its own consolidated financial statements; and,
- From the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements of the group in which the company is consolidated.

6 Prior year adjustment

During the year it was identified that VAT liabilities had been under-accrued in previous years. Prior year adjustments have been made to correct the provisions resulting in an increase in accumulated losses brought forward at 1 September 2017 of £481,000, an increase in administrative expenses and loss for the year in 2018 of £757,000, and an increase in creditors falling due within one year at 31 August 2018 of £1,238,000. The effect of the adjustments decreased total equity at 31 August 2018 by £1,238,000.

It was also identified that certain transactions with overseas subsidiaries in the financial year ended 31 August 2017 had been wrongly accounted for as administrative expenses but should have been included in the cost of investment, and that the investment was impaired. Prior year adjustments have been made to correct these errors resulting in an increase in the cost of investments at 31 August 2018 of £1,000,000, an increase in the accumulated impairment provision at 31 August 2018 of £1,000,000, and a decrease in debtors at 31 August 2018 of £385,000. The effect of these adjustments decreased total equity at 1 September 2017 and 31 August 2018 by £385,000.

7 Revenue

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

8 Profit before interest and taxation

Profit before interest and taxation is stated after charging:

	2019	2018
	£'000	£'000
Depreciation of tangible assets	**572**	675
Amortisation of intangible assets	**964**	912
Impairment of intangible assets (included in 'Administrative expenses')	**108**	-
Auditors' remuneration:		
- audit fee for the company	**105**	95
- other assurance	**-**	35
- tax compliance fees	**146**	104
- other services	**-**	9
Operating lease costs	**604**	267
Net loss on foreign currency translation	**59**	33

9 Particulars of employees

	2019 No.	2018 No.
The average number of persons employed was:	**198**	191

The aggregate payroll costs of employees were:

	2019 £'000	2018 £'000
Wages and salaries	**10,280**	10,168
Social security costs	**480**	380
Other pension costs	**92**	63
	10,852	10,611
Amounts capitalised to intangible assets (software)	**-**	(57)
Charge to income statement	**10,852**	10,554

10 Directors and key management

Remuneration in respect of directors was as follows:

	2019 £'000	2018 £'000
Emoluments receivable	**1,077**	1,051
Pension contributions	**3**	1
	1,080	1,052

Three directors accrued benefits under a defined contribution pension scheme (2018: three).

Emoluments of the highest paid director were £365,000 (2018: £549,000) and pension contributions were £nil-(2018: £nil).

Remuneration in respect of key management, comprising the directors and other senior management, who together have authority and responsibility for planning, directing and controlling the activities of the company was as follows:

	2019 £'000	2018 £'000
Salaries and other short term benefits	**1,770**	2,132
Pension contributions	**7**	5
	1,777	2,137

11 Net interest income

	2019	2018
	£'000	£'000
Interest receivable and similar income:		
On intragroup loans	201	310
Interest expense and similar charges:		
Other interest	(87)	(7)
Net interest income	114	303

12 Taxation on profit

(a) Tax charge/(credit) included in the income statement

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax charge/(credit) based on the profit/loss for the year at 19% (2018: 19%)	657	(524)
Adjustment in respect of prior periods	27	-
Total current tax	684	(524)
Deferred tax:		
Origination and reversal of timing differences	42	12
Adjustment in respect of prior periods	(117)	80
Total deferred tax	(75)	92
Tax charge/(credit)	609	(432)

12 Taxation on profit (continued)

(b) Factors affecting tax charge

The tax charge/(credit) assessed on the loss for the year is lower (2018: lower credit) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018 Restated
	£'000	£'000
Profit/(loss) before taxation	128,342	(6,260)
Profit/(loss) before taxation multiplied by rate of tax	24,385	(1,189)
Gains not taxable	(23,997)	-
Expenses not deductible for tax purposes	311	633
Capital allowances for year in excess of depreciation	-	(2)
(Over)/under provision in respect of prior years	(90)	80
Group relief adjustment	-	46
Tax charge/(credit) for the year	609	(432)

(c) Tax rate changes

Deferred tax balances at 31 August 2019 and 31 August 2018 are measured at the rate of 17%. In April 2016 the UK corporation tax rate reduced to 19%, with a further decrease to 17% being later substantively enacted, with effect from 1 April 2020.

13 Intangible assets

	Software
	£'000
Cost:	
At 1 September 2018	4,566
Additions	290
At 31 August 2019	4,856
Accumulated amortisation:	
At 1 September 2018	2,263
Charge for the year	964
Impairment	108
At 31 August 2019	3,335
Net book value:	
At 31 August 2019	1,521
At 31 August 2018	2,303

An impairment of £108,000 been made against the development cost of a new human resources information system.

14 Tangible assets

	Leasehold buildings	Plant & equipment	Total
	£'000	£'000	£'000
Cost:			
At 1 September 2018	341	5,163	5,504
Additions	4	247	251
At 31 August 2019	345	5,410	5,755
Accumulated depreciation:			
At 1 September 2018	178	4,136	4,314
Charge for the year	36	536	572
At 31 August 2019	214	4,672	4,886
Net book value:			
At 31 August 2019	**131**	**738**	**869**
At 31 August 2018	163	1,027	1,190

15 Investments

	£'000
Cost:	
At 1 September 2018 (restated) and 31 August 2019	1,000
Impairment:	
At 1 September 2018 (restated) and 31 August 2019	(1,000)
Net book value:	
At 31 August 2019	-
At 31 August 2018	-

Investments are the subsidiary undertakings listed in note 23.

16 Debtors

	2019	2018 Restated
	£'000	£'000
Amounts owed by group undertakings	**215,230**	37,940
Deferred taxation	**290**	215
Other debtors	**19**	3
Prepayments and accrued income	**740**	581
	216,279	38,739

All group balances at 31 August 2019 are interest-free, unsecured, have no fixed date of repayment and are repayable on demand. An intra-group loan outstanding at 31 August 2018 was reassigned to another group company on 31 March 2019 and became non-interest bearing from that date.

The deferred tax asset is the tax effect of timing differences between depreciation and tax allowances on tangible assets. During the year £75,000 was credited to the income statement (2018: £92,000 charge) and it is anticipated that no charge will be made in the next financial year.

17 Creditors: amounts falling due within one year

	2019	2018 Restated
	£'000	£'000
Trade creditors	**237**	416
Amounts owed to group undertakings	**37,801**	47,024
Other taxation and social security	**1,854**	1,240
Accruals and deferred income	**1,195**	2,804
	41,087	51,484

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

18 Post-employment benefits

The company operates a defined contribution pension arrangement for the benefit of its employees. The amount recognised as an expense for this arrangement is £92,000 (2018: £63,000).

19 Provision for other liabilities

	Litigation
	£'000
At 1 September 2018	-
Additions dealt with in the income statement	142
At 31 August 2019	**142**

Litigation provisions represent the expected settlement amounts of claims by suppliers against the group under contracts for goods and services which are currently in dispute. Settlement is expected to be made during 2020.

20 Called up share capital and reserves

Allotted, called up and fully paid:

	2019		2018	
	No.	**£**	No.	£
Ordinary shares of £1 each	**100**	**100**	100	100

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

21 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.

22 Capital and other commitments

At 31 August 2019 the company had the following future minimum lease payments under non-cancellable operating leases as set out below:

	2019	2018
	£'000	£'000
Payments due:		
Not later than one year	**64**	64
Later than one year and not later than five years	**192**	256
	256	320

The company had no off-balance sheet arrangements (2018: £nil) and no capital commitments contracted but not provided (2018: £nil).

23 List of subsidiary undertakings

At 31 August 2019 the company had the following directly-held subsidiary undertakings:

Subsidiary undertakings	Registered office	Nature of business	Interest
Cambridge Education Group Hong Kong Limited	i.	Provision of administrative services for group companies	100% ordinary shares
Cambridge Education Group Consulting (Shanghai) Limited	ii.	Provision of administrative services for group companies	100% ordinary shares

Registered office:

i. Suite 2611, Office Tower Langham Place, 8 Argyle Street, Mong Kok, Hong Kong

ii. Room 408, Building 2, NO. 215 Yaohua Road, China (Shanghai), China (Shanghai) Pilot Free Trade Zone, Shanghai, People's Republic of China

Disposals of subsidiaries

On 31 March 2019, the company sold its 100% shareholdings in CEG Colleges Limited and Stafford House Companies Limited to another group company. These companies were subsequently sold to a third party as part of the sale of CATS Colleges Holdings Limited in July 2019 and so the gain on disposal of £126,300,000 has been recognised in the income statement.

On 31 August 2019, the company sold its 100% shareholdings in CEG UFP Limited and Hull Online Limited to other group companies. The gain on disposal of £109,900,000 has been recognised directly in equity.

24 Ultimate controlling party

The immediate parent company is Cambridge Education Group Limited.

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

Camelot Topco Limited is the 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. 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.

25 Events after the reporting period

On 11 March 2020, the World Health Organization declared the outbreak of the COVID-19 virus a pandemic and many countries, including the UK, took action to contain its spread by restricting travel, closing schools and other businesses deemed non-essential. Cambridge Education Group (CEG) responded to this by moving all teaching activities from the classroom to online, and has seen only a 2% drop-out in the number of students for the spring term with a similar rate expected for the summer term. CEG has adequate liquidity to withstand a significant reduction in the FY21 intake; nevertheless current bookings with paid deposits for the October 2020 cohort are up year-on-year and the group continues to operate as normal.