Cambridge
Education Group

Annual report and financial statements CEG UFP Limited

For the year ended 31 August 2019

Company No. 06355631

Officers and professional advisers

Company registration number	06355631
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 group for the year ended 31 August 2019.

Principal activities

The principal activity of the group during the year was the provision of ONCAMPUS university pathway programmes as part of 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.

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

The underlying principles across the group are:

- World-class provision of classroom based teaching in the English language;
- Helping our students to achieve entry to the best universities according to their aspirations and abilities; and,
- Exceptional pastoral care ensures that students' educational experience is also safe, healthy and enjoyable.

Business review

2018/19 continues the group's growth trajectory with a rise in revenue of 16%. This was driven by higher student numbers and new accommodation offerings.

In the opinion of the directors the state of the group's affairs at 31 August 2019 was satisfactory and they plan to continue to see operating profitability in future periods.

Future developments

We continue in 2019/20 to look for ways to develop our offering, especially in the area of quality student accommodation and to improve the quality of the student experience.

The effect of the coronavirus pandemic is not currently expected to significantly impact the group's operations and is discussed further in note 23 to the financial statements.

Financial key performance indicators

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

- revenue growth;
- gross profit margin; and,
- operating profit.

During the year:

- revenue continued to grow and was 16% above 2018;
- gross profit margin was 54% (2018: 57%); and,
- operating profit rose by 9%, while operating margin remained at 3%.

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.

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. 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 are summarised below.

Interest rate risk

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

Liquidity risk

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

Foreign exchange risk

The group operates in the United Kingdom and Europe and is exposed to foreign currency transactional risk arising from various currency exposures.

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

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

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

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
12 May 2020

Directors' report

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

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.

Results and dividends

The profit for the financial year amounted to £1,277,000 (2018: £1,360,000). No dividend was paid during the year (2018: £nil). The directors do not recommend the payment of a final dividend (2018: £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:

M Ioakimides	Resigned 11 November 2019
D Johnston	Appointed 21 June 2019
B Webb	
P Symes	Resigned 11 November 2019

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 5.

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 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 group and company 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 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;

- 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 group and company will continue in business.
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The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group'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 group'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
12 May 2020

Independent auditors' report to the members of CEG UFP Limited

Report on the audit of the financial statements

Opinion

In our opinion, CEG UFP Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 August 2019 and of the group's profit and the group's and the company's cash flows 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 consolidated and company statements of financial position as at 31 August 2019; the consolidated income statement and statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements 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 group 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 group's and 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 group's and 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 group and company and their 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 and 7, 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 group's and 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 group or 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

12 May 2020

Consolidated income statement

For the year ended 31 August 2019

	Note	2019 £'000	2018 £'000
Revenue	6	**46,535**	40,196
Cost of sales		**(21,518)**	(17,206)
Gross profit		**25,017**	22,990
Administrative expenses		**(24,944)**	(23,041)
Other operating income		**1,285**	1,300
Operating profit	7	**1,358**	1,249
Interest receivable and similar income	9	**285**	447
Profit before taxation		**1,643**	1,696
Tax on profit	10	**(366)**	(336)
Profit for the financial year		**1,277**	1,360

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 2019

	2019 £'000	2018 £'000
Profit for the financial year	**1,277**	1,360
Other comprehensive income for the year:		
Foreign exchange on retranslation of overseas subsidiaries	**62**	31
Total comprehensive income for the year	**1,339**	1,391

Consolidated statement of financial position

As at 31 August 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	11	**93**	73
Current assets			
Debtors	13	**30,806**	34,104
Cash at bank and in hand		**3,880**	11,711
		34,686	45,815
Creditors: amounts falling due within one year	14	**(20,797)**	(33,245)
Net current assets		**13,889**	12,570
Total assets less current liabilities		**13,982**	12,643
Net assets		**13,982**	12,643
Capital and reserves			
Called-up share capital	17	-	-
Other reserves		**239**	177
Retained earnings		**13,743**	12,466
Total equity		**13,982**	12,643

These financial statements on pages 11 to 39 were approved by the directors and authorised for issue on 12 May 2020 and are signed on their behalf by:

D Johnston
Director
Company registration number: 06355631

Consolidated statement of changes in equity

for the year ended 31 August 2019

	Called-up share capital	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 September 2017	**-**	**146**	**11,106**	**11,252**
Profit for the financial year	-	-	1,360	1,360
Other comprehensive income for the financial year	-	31	-	31
Total comprehensive income for the financial year	-	31	1,360	1,391
At 31 August 2018	**-**	**177**	**12,466**	**12,643**
At 1 September 2018	**-**	**177**	**12,466**	**12,643**
Profit for the financial year	-	-	1,277	1,277
Other comprehensive income for the financial year	-	62	-	62
Total comprehensive income for the financial year	-	62	1,277	1,339
At 31 August 2019	**-**	**239**	**13,743**	**13,982**

Company statement of financial position

As at 31 August 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	11	1	3
Investments	12	15	15
		16	18
Current assets			
Debtors	13	947	2,486
Cash at bank and in hand		282	440
		1,229	2,926
Creditors: amounts falling due within one year	14	(731)	(2,474)
Net current assets		498	452
Total assets less current liabilities		514	470
Net assets		514	470
Capital and reserves			
Called-up share capital	17	-	-
Retained earnings		514	470
Total equity		514	470

The profit after tax dealt with in the financial statements of the company and attributable to members was £44,000 (2018: £79,000).

These financial statements on pages 11 to 39 were approved by the directors and authorised for issue on 12 May 2020 and are signed on their behalf by:

D Johnston
Director
Company registration number: 06355631

Company statement of changes in equity

for the year ended 31 August 2019

	Called-up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 September 2017	**-**	**391**	**391**
Profit for the financial year	-	79	79
Total comprehensive income for the financial year	-	79	79
At 31 August 2018	**-**	**470**	**470**
At 1 September 2018	**-**	**470**	**470**
Profit for the financial year	-	44	44
Total comprehensive income for the financial year	-	44	44
At 31 August 2019	**-**	**514**	**514**

Consolidated statement of cash flows
for the year ended 31 August 2019

	Note	**2019 £'000**	2018 £'000
Cash used in operating activities	18	**(7,740)**	(5,477)
Tax paid		**(47)**	(95)
Net cash used in operating activities		**(7,787)**	(5,572)
Cash flow used in investing activities			
Purchase of tangible assets		**(71)**	(81)
Cash flow generated from financing activities			
Interest received		**-**	9
Decrease in cash and cash equivalents		**(7,858)**	(5,644)
Effect of exchange rates on cash and cash equivalents		**27**	(28)
Cash and cash equivalents at 1 September		**11,711**	17,383
Cash and cash equivalents at 31 August	18	**3,880**	11,711

Company statement of cash flows

for the year ended 31 August 2019

	Note	**2019** **£'000**	2018 £'000
Cash (used in)/generated from operating activities	18	**(158)**	318
Cash flow used in investing activities			
Purchase of tangible assets		**-**	(2)
Cash flow generated from financing activities			
Interest received		**-**	9
(Decrease)/increase in cash and cash equivalents		**(158)**	325
Cash and cash equivalents at 1 September		**440**	115
Cash and cash equivalents at 31 August	18	**282**	440

Notes to the financial statements

1 General information

CEG UFP Limited ("the company") is a private company limited by shares and incorporated in the United Kingdom under the Companies Act and is registered in England. The address of the registered office, which is also the principal place of business, is given on page 1. The nature of the company's operations and principal activities of the company and its subsidiaries (together, "the group") are set out in the Strategic report on pages 3 to 5.

2 Statement of compliance

The group and individual 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, as modified by the recognition of certain assets measured at fair value.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling and overseas operations are included in accordance with the accounting policies set out below.

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 group and company 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 meets its day-to-day working capital requirements through its banking facilities. The directors have prepared both detailed budgets and long term forecasts, taking account of possible changes in trading performance. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, within the level of existing facilities and to meet long term liabilities as they fall due. The group therefore continues to adopt the going concern basis in preparing its financial statements.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all subsidiary undertakings together, made up to 31 August.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies to the group, appropriate adjustments are made to those subsidiaries to conform to group accounting policies.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the group control is accounted for under the acquisition method. Thereafter where the group increases it controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference in fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made in the carrying value of assets, liabilities or provisions for contingent liabilities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 receivable and similar income. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

The trading results of group undertakings are translated into the functional currency at monthly average exchange rates period by period during the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

e) Revenue

Revenue is stated net of VAT (if applicable) and is recognised when the significant risks and rewards are considered to have transferred to the buyer.

Revenue shown in the income statement represents amounts receivable in respect of the provision of educational and tuition services, accommodation, and ancillary services, and is recognised as the performance of those services occurs.

Where a contract has only been partially completed at the balance sheet date, revenue represents the fair value of the services provided to date, based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, those amounts are recorded as deferred income or, if potentially refundable within the terms of the contract, as other creditors, both as part of creditors due within one year.

f) Interest

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

g) Dividends

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

h) 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.

The group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 September 2014) and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates.

i) Employee benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, private medical cover 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 group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into an arrangement separate from the group. Once the contributions have been paid, the group 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 group in independently administered funds.

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.

j) Borrowing costs

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

k) 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.

l) Deferred taxation

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

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

m) 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.

Plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs, including major inspections, 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, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

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.

Freehold land and buildings are revalued periodically to fair value based on an appraisal undertaken by a qualified external valuer. Any revaluation gains are recognised in equity and any losses are recognised in the income statement unless and to the extent that they offset a gain previously recorded in equity.

n) Depreciation and residual values

Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual value, over the useful economic life of those assets as follows:

Leasehold buildings	6% - 25% 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 group assesses at each reporting date whether an asset may be impaired. If any such indication exists the group estimates the recoverable amount of the assets. If it is not possible to estimate the recoverable amount of the individual asset, the group estimates the recoverable amount of the 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) Investments

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

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

q) Leased assets

Assets obtained under hire purchase contracts, finance leases and other similar arrangements where substantially all of the benefits and risks of ownership are assumed by the company are capitalised as tangible assets and are depreciated over the shorter of the lease term and their useful lives. Obligations under such arrangements are included in creditors net of finance charge allocated to future periods and the finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding at each period end.

r) 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.

s) 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.

t) Provisions and contingencies

Provisions are recognised when the group 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 group'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.

u) Financial instruments

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

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

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

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

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

Preference shares which result in fixed returns to the holder or are mandatorily redeemable on a specific date are classified as liabilities. The dividend on these preference shares are recognised in the income statement as interest expense.

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 effective interest method.

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

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

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

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

Dividends and other distributions to the group'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 income statement. 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.

Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and the residual values of the assets. The useful economic lives and residual values are considered annually. The carrying amount of tangible assets is shown in note 11 and the useful economic lives for each class of assets are shown in note 3(o).

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 is given in note 13.

Taxation
The group 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

As a consolidated income statement is published, a separate income statement for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

- From the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures; and,
- From the key management personnel compensation disclosures required under FRS102 paragraph 33.7, as the information is provided in the consolidated financial statement disclosures.

6 Revenue

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

	2019	2018
	£'000	£'000
United Kingdom	**40,427**	35,742
Rest of the European Union	**6,108**	4,454
	46,535	40,196

All revenue comprises provision of education and ancillary services.

7 Profit before interest and taxation

Profit is stated after charging:

	2019	2018
	£'000	£'000
Depreciation of tangible assets	**46**	44
Impairment of trade debtors	**50**	168
Auditors' remuneration:		
Audit fees for the entity	**5**	5
Audit fees for the group	**52**	-
Other audit-related	**14**	-
Tax compliance fees	**18**	18
Operating lease charges	**7,183**	6,024
Net loss on foreign currency translation	**238**	70

8 Particulars of employees

Group

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

	2019	2018
	No.	No.
Teaching and administrative staff	**235**	226
Temporary teaching staff	**27**	26
	262	252

The aggregate payroll costs of employees were:

	2019	2018
	£'000	£'000
Wages and salaries	**6,577**	6,026
Social security costs	**664**	632
Other pension costs	**94**	77
	7,335	6,735

Company

The average number of staff employed by the company during the financial year was:

	2019	2018
	No.	No.
Administrative staff	**10**	10

The aggregate payroll costs of employees were:

	2019	2018
	£'000	£'000
Wages and salaries	**679**	661
Social security costs	**73**	66
Other pension costs	**18**	20
	770	747

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

9 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable and similar income:		
On intra-group loans	**285**	447

10 Tax on profit

(a) Tax charge included in the income statement

	2019 £'000	2018 £'000
Current tax		
UK corporation tax for the year at 19% (2018: 19%)	**270**	280
Adjustments in respect of prior periods	**14**	3
Overseas tax	**77**	67
Total current tax	**361**	350
Deferred tax		
Origination and reversal of timing differences	**13**	-
Adjustments in respect of prior periods	**(8)**	(14)
Total deferred tax	**5**	(14)
Tax charge for the year	**366**	336

(b) Reconciliation of tax charge

The tax assessed on the profit before tax for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	**1,643**	1,696
Profit before tax multiplied by rate of tax at 19% (2018: 19%)	**312**	322
Expenses not deductible for tax purposes	**33**	18
Adjustments in respect of prior periods	**6**	(11)
Impact of change in tax rate	**10**	9
Other	**5**	(2)
Tax charge for the year	**366**	336

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19%, rather than reducing to 17% as previously enacted. This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be insignificant.

11 Tangible assets

Group

	Leasehold buildings	Plant & equipment	Total
	£'000	£'000	£'000
Cost:			
At 1 September 2018	-	431	431
Additions	5	66	71
Foreign exchange movement	-	(6)	(6)
At 31 August 2019	**5**	**491**	**496**
Accumulated depreciation:			
At 1 September 2018	-	358	358
Charge for the year	1	45	46
Foreign exchange movement	-	(1)	(1)
At 31 August 2019	**1**	**402**	**403**
Net book value:			
At 31 August 2019	**4**	**89**	**93**
At 31 August 2018	-	73	73

Company

	Plant & equipment £'000
Cost:	
At 1 September 2018	17
Additions	-
At 31 August 2019	**17**
Accumulated depreciation:	
At 1 September 2018	14
Charge for the year	2
At 31 August 2019	**16**
Net book value:	
At 31 August 2019	**1**
At 31 August 2018	3

12 Investments

	£'000
Cost and net book value:	
At 31 August 2019 and 31 August 2018	**15**

Investments are the directly held subsidiary undertakings detailed in note 21.

13 Debtors

Debtors due within one year:	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Trade debtors	**253**	594	**-**	-
Amounts owed by group undertakings	**29,292**	32,368	**921**	2,461
Other debtors	**41**	48	**-**	-
Deferred tax	**12**	17	**1**	-
Prepayments and accrued income	**1,208**	1,077	**25**	25
	30,806	34,104	**947**	2,486

Trade debtors are stated after provisions for impairment of £326,000 (2018: £315,000).

All group balances at 31 August 2019 are interest-free, unsecured, have no fixed date of repayment and are repayable on demand. All intra-group loans outstanding at 31 August 2018 were 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 a timing difference between depreciation and tax allowances on tangible assets. During the year there was a charge of £5,000 to the income statement (2018: £14,000 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	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Trade creditors	**254**	407	**51**	56
Amounts owed to group undertakings	**-**	15,235	**510**	2,322
Overseas taxation	**41**	19	**-**	-
Other creditors	**6,558**	6,649	**1**	-
Other taxation and social security	**564**	924	**-**	-
Accruals and deferred income	**13,380**	10,011	**169**	96
	20,797	33,245	**731**	2,474

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

Other creditors include commissions due, deposits and other amounts refundable to students.

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 £94,000 (2018: £77,000).

The company operates a defined contribution pension arrangement for the benefit of its employees. The amount recognised as an expense for this arrangement was £18,000 (2018: £20,000).

16 Financial instruments

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

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Financial assets that are debt instruments measured at amortised cost less impairment:				
- Trade debtors	**253**	594	**-**	-
- Amounts owed by group undertakings	**29,292**	32,368	**921**	2,461
- Other debtors	**41**	47	**-**	-
	29,586	33,009	**921**	2,461
Financial liabilities measured at amortised cost:				
- Trade creditors	**254**	407	**51**	56
- Amounts owed to group undertakings	**-**	15,235	**510**	2,322
- Other creditors	**6,558**	6,649	**1**	-
- Accruals	**3,276**	1,951	**135**	97
	10,088	24,242	**697**	2,475

Neither the company nor the group had any financial assets or liabilities at fair value, through the income statement or otherwise.

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

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

The other reserve represents the cumulative gains and losses arising on the retranslation of net assets of overseas operations from local currency to pounds sterling.

18 Notes to the statement of cash flows

Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

Group

	2019	2018
	£'000	£'000
Profit for the financial year	**1,277**	1,360
Tax on profit	**366**	336
Interest income	**(285)**	(447)
Operating profit	**1,358**	1,249
Depreciation	**46**	44
Movements in working capital:		
Decrease/(increase) in debtors	**3,294**	(7,961)
(Decrease)/increase in creditors	**(12,438)**	1,191
Cash outflow from operating activities	**(7,740)**	(5,477)

Company

	2019	2018
	£'000	£'000
Profit for the financial year	**44**	79
Tax on profit	**24**	21
Interest income	**(6)**	(9)
Operating profit	**62**	91
Depreciation	**2**	2
Movements in working capital:		
Decrease/(increase) in debtors	**1,541**	(1,134)
(Decrease)/increase in creditors	**(1,763)**	1,359
Cash (outflow)/inflow from operating activities	**(158)**	318

Analysis of changes in net funds

Group

	At 1 Sept 2018	Cash flows	Non-cash move-ments	At 31 August 2019
		£'000		£'000
Net cash:				
Cash in hand and at bank	**11,711**	(7,858)	27	**3,880**
Net funds	**11,711**	(7,858)	27	**3,880**

The non-cash movements relate to foreign exchange differences.

Company

	At 1 Sept 2018	Cash flows	Non-cash move-ments	At 31 August 2019
		£'000		£'000
Net cash:				
Cash in hand and at bank	**440**	(158)	-	**282**
Net funds	**440**	(158)	-	**282**

19 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.

20 Capital and other commitments

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

	2019	2018
	£'000	£'000
Payments due:		
Not later than one year	**1,844**	2,518
Later than one year and not later than five years	**1,870**	4,592
	3,714	7,110

The group had no other off-balance sheet arrangements.

Group capital commitments contracted but not provided in the financial statements amounted to £nil (2018: £nil).

The company had no capital or other commitments (2018: £nil)

21 List of subsidiary undertakings

Subsidiary undertakings	Registered Office	Nature of Business	Interest
Direct shareholdings			
Amsterdam FoundationCampus B.V.	i.	On-site university foundation courses	100% ordinary shares
CEG FoundationCampus Sunderland Limited	ii.	On-site university foundation courses	100% ordinary shares
CEG UCLAN Foundation Campus Limited	ii.	On-site university foundation courses	100% ordinary shares
Coventry Foundation Campus Limited	ii.	On-site university foundation courses	100% ordinary shares
Foundation Campus London Limited	ii.	On-site university foundation courses	100% ordinary shares
London South Bank FoundationCampus Limited	ii.	On-site university foundation courses	100% ordinary shares
OnCampus Hull Limited	ii.	On-site university foundation courses	100% ordinary shares
ONCAMPUS Lund Sweden AB	iii.	On-site university foundation courses	100% ordinary shares
OnCampus Reading Limited	ii.	On-site university foundation courses	100% ordinary shares

i Goedhartlaan 935A, 1181 LD Amsterdam, Netherlands
ii 50-60 Station Road, Cambridge, CB1 2JH
iii Östra Vallgatan 14, 223 61 Lund, Sweden

22 Ultimate controlling party

The immediate parent company is CEG OnCampus Holdings Limited (formerly CEG OnCampus and Digital Holdings 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 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.

23 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.