

**Bellerbys Educational Services Limited**

Annual report and financial statements

Registered number 02325576

31 December 2016

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## Strategic report

The directors present their strategic report of Bellerbys Educational Services Limited ('the Company') for the year ended 31 December 2016.

### Business review

The results for the year and financial position of the Company are as shown in the financial statements. In the opinion of the directors the state of the Company's affairs at 31 December 2016 was satisfactory and they expect to grow profitability in future years.

### Key performance indicators

#### *Student volumes*

Overall New Student Enrolments ('NSEs') decline of 9% for the year to 31 December 2016 was driven by a reduction of 5% in International Study Centres' ('ISCs') and a 21% decline in our Bellerbys schools, which continued to operate in a challenging market.

Student weeks taught decreased by 1% for the year to 31 December 2016, driven by an 8% increase in ISCs and offset by lower weeks taught at Bellerbys (20%).

#### *Revenue*

Revenue was up £3.9 million to £120.8 million (2015: £116.9 million), reflecting the student weeks growth in the ISCs, which has outweighed the decrease in Bellerbys' volumes. The declines seen in Bellerbys were also partially offset by year-on-year price increases.

#### *Adjusted EBITDA <sup>(i)</sup>*

Adjusted EBITDA reduced by £5 million or 15% to £28.7 million (2015: £33.7 million). This was as a result of a combination of the effect of declining student volumes at Bellerbys and also an increase in administration costs. These are predominantly marketing costs from having one full year of the Singapore branch as opposed to only six months in 2015 and management charges.

### Principal risks and uncertainties

A risk management framework is in place and under ongoing review and development. The Board is responsible for overseeing the framework. The most significant risks are described below:

#### Economic, market and trading risks

##### *Industry drivers impacting demand for Higher Education*

We believe that the key industry drivers include:

- globalization, in particular strong wealth creation and economic growth in emerging markets,
- together with the increasing international mobility of students;
- the recognition of English as the global business language;
- the importance of an English language education;
- the importance (and limited domestic supply) of tertiary education in emerging markets; and
- demand by Anglophone universities for full fee paying international students.

In addition, if foreign direct investment in emerging markets were to slow down, demand for a foreign-educated, English-speaking workforce may decline and some families would likely no longer be able to afford a foreign education for their children. We note that under the current European Union regulatory regime, the tuition fees of international higher education students from outside the European Union are not subject to caps, while the tuition fees of students from the European Union are capped. However, should caps be imposed on the tuition fees of such students, demand for international students may decrease.

(i) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation and exceptional and other items. Other items are not necessarily non-recurring in nature, but the Directors believe that it is helpful to show these amounts separately as they are not directly linked to the trading operations of the business.

## Strategic report (*continued*)

### *Visa frameworks and immigration policy*

Our ability to recruit international students to our programmes depends on the ability of those students to procure visas, which is impacted by the visa regulatory framework and immigration policy in the United Kingdom. We continually monitor the process by which our students are granted visas through training agents, tracking compliance with government policy both pre-arrival and post-arrival and reporting any individual student circumstances that are required to be reported.

### **Contract risks**

#### *University partners*

We maintain relationships in the form of contractual agreements with numerous universities in the United Kingdom and Europe. We also maintain licensing arrangements to co-brand certain programmes and ISCs, which allow us to market the university partner directly to potential students. Should our relationships with any of our university partners deteriorate, we may experience a reduction in student enrolment as a result, which could impact on our financial results.

In addition, our contracts with our university partners typically contain an agreement on our part to follow certain strict quality control measures, including minimum student progression rates, annual reviews of course content with university partners and regular inspections from industry associations. Should our university partners find that we are not in compliance with the quality control measures in our contracts, they may choose to not renew our contract upon its expiry or bring a claim or initiate litigation against us for breach of contract, which would adversely affect our reputation and business, operations and prospects. We work closely with our university partners to ensure that we are adhering to the terms of our contractual arrangements.

#### *Agent relationships*

Our key student recruitment platform is our global network of more than 2,500 independent education agents, who recruit our students from over 145 countries. We currently recruit approximately 80% of our students through this network of education agents, with the remaining 20% coming from alternative channels, including direct recruitment and feeder schools. As a result, we rely primarily on this network of education agents to recruit our international students and market our programmes. Our management structure is designed to ensure that we manage our agent relationships effectively and we constantly review our approach to ensure that we are able to continuously improve in this area.

### **Financial position**

EDU UK Topco Limited group of companies ('the Group') has a leverage covenant which must be met. The required leverage ratio gets lower over time and therefore in order to meet the covenant, the Group must deliver growth in adjusted EBITDA. We monitor our covenant requirements on a regular basis to ensure that we have time to take mitigating action in the event of a projected reduction in our leverage ratio.

### **Foreign currency risk**

It is our general practice to collect revenues and pay expenses in the local currency of each country in which we operate. See Directors' Report (pages 4-5) for discussion on the Group's management of liquidity risk.

### **Business change and operational risk**

Executing business change programmes, including changes to IT systems, organisation structure or relationships with partners and suppliers, present a variety of risks both in terms of our ability to deliver on objectives as well as minimising disruption to business as usual.

We have agreed governance structures in place within the Group to mitigate and monitor risks arising from any on-going change programmes.

## Strategic report (*continued*)

### Reputational risk

Our reputation could be adversely affected under many circumstances, including the following:

- we are unable to adequately update and expand the content of our existing programs and develop new programs;
- the quality of our curricula, teaching staff or program facilities are not perceived as sufficient by parents and students;
- there are accidents, epidemics or other events that adversely affect students in the local communities in which we operate;
- members of our staff or our education agents behave or are perceived to behave inappropriately or illegally or fail to appropriately supervise children under their care; and/or students engage in illegal or inappropriate conduct that poses a health and safety risk for the students or the surrounding local community and a public relations risk for our business.

We continuously review our operations to ensure that we are able to respond to and mitigate any reputational risks.

### Litigation risk

In common with most other businesses, from time to time, we are subject to litigation. The occurrence of material litigation could have an adverse effect on our financial results in the event of an unfavourable outcome. This could also have an impact on our reputation and brand within the marketplace. We employ internal counsel and retain outside counsel to provide advice in the event of any litigation.

By order of the board

  
**G A Bull**  
Director

23<sup>rd</sup> August 2017

## **Directors' report**

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

### **Principal activities**

The principal activity of the Company in the year under review was that of an international college preparing students for entry to university in the United Kingdom. The Company also has a branch in Singapore which provides management services.

### **Future developments**

The Company remains committed to a strategy of working with the best University partners to ensure we can offer the right propositions to our students to support them with the next phase of their education. To this end, we are constantly looking for new opportunities to expand our offering with our current partners, and longer term, explore new partnerships.

In February 2017, we announced a new partnership with Durham University, ranked 4th in The Times and Sunday Times Good University Guide 2017 and is therefore the highest ranked UK university to enter into a pathway partnership. Programmes offered will include International Foundation Year and Pre-Masters as well as English preparation courses, with the first intakes from September 2017.

In March 2017 the board approved the closing of the Bellerbys College in Oxford, effective 1<sup>st</sup> September 2017. This is in light of the decline of NSEs annually since 2012, continued uncertainty with visa regulations and more competition in the UK.

We are also focussed on developing our sales and marketing function in order to work better with our agents and develop direct channels, in order to drive future revenue growth.

We believe that this strategy, combined with a continued focus on operational effectiveness and efficiency will be supportive of continued longer term revenue and EBITDA growth and have seen a strong start to 2017 with respect to enrolments.

### **Financial risk management**

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding terms in which the UK will exit, the directors are not able to assess the impact on the Company or what impact the wider regulatory and legal consequences of the UK leaving the EU would be on the Company.

The main financial risks arising from the Company's activities are cash flow risk, liquidity risk and credit risk. The company does not have exposure to price risk on commodities.

#### **Credit risk**

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the company. This risk is mitigated by agents and students paying tuition fees prior to course commencement.

The Company's principal other financial assets are its related party receivables from its affiliates. The recoverability of these receivables is ultimately dependant on the performance of the affiliates.

#### **Liquidity risk**

The Company is exposed to liquidity risk. Ultimate responsibility for liquidity risk management rests with the Group's board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The group actively monitors compliance with its covenants.

#### **Interest rate risk**

The Company is exposed to interest rate risk through its overdraft facility as part of a Group wide cash pooling arrangement through HSBC. This is mitigated by minimising the amount of cash held or overdrawn in each company. Additionally, the wider Group's primary exposure to market interest rates relates to the Group's long-term borrowing obligations with floating interest rates. The risk of the Group being exposed to movement in interest rates is partially mitigated through the use of an interest rate swap.

#### **Foreign currency risk**

The Company is exposed to foreign currency risk as the Company undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The risk is mitigated by revenues being billed in the currency where the services/operating costs are delivered/incurred. During the year, the Group did not actively hedge foreign currency exposure but it continues to monitor whether a hedging strategy would be beneficial.

## Directors' report *(continued)*

### Dividends

The directors recommend dividends of £nil (2015 - £nil).

### Employment policies

It is the policy of the Company to follow equal opportunity employment practices and these include the full consideration of employment prospects for the disabled.

The Company's employment policies are regularly reviewed and updated to ensure that they remain effective. The policies are designed to promote a collaborative working environment, free from discrimination which supports the recruitment and retention of effective employees.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes.

The Company places importance on the contributions to be made by all employees to the progress of the Company and aims to keep them informed by the use of formal and informal meetings as well as the Company's intranet site, email, employee forums and newsletters.

### Directors

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

J H Pitman

E V Lancaster –resigned as a director on 1 July 2016

G A Bull

M Everett

### Directors' Indemnity Provision

The Company maintains liability insurance for its directors and officers. The Company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This indemnity has been in place throughout the financial year and is in place as at the date of this report.

### Political Contributions

The company made no political donations or incurred any political expenditure during the period.

### Statement of Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors is unaware; and each director has taken all the steps that he / she ought to have taken as a directors to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

  
G A Bull  
Director

Brighton Study Centre  
1 Billinton Way  
Brighton  
East Sussex  
BN1 4LF

23<sup>rd</sup> August 2017

Company number: 02325576

## Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the board



**G A Bull**  
Director

23<sup>rd</sup> August 2017



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELLERBYS EDUCATIONAL SERVICES LIMITED**

We have audited the financial statements of Bellerbys Educational Services Limited for the year ended 31 December 2016 set out on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

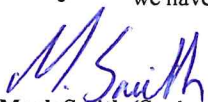
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors report:

- We have not identified material misstatements in those reports; and
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

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

  
**Mark Smith (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

15 Canada Square

London

E14 5GL

30/09/17

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2016*

	Note	2016	2015				
		Before Exceptional and Other Items £000	Exceptional and Other Items (Note 6) £000	Total £000	Before Exceptional and Other Items £000	Exceptional and Other Items (Note 6) £000	Total £000
Turnover	2	120,808	-	120,808	116,876	-	116,876
Cost of sales		(63,822)	-	(63,822)	(60,346)	-	(60,346)
<b>Gross profit</b>		<b>56,986</b>	<b>-</b>	<b>56,986</b>	<b>56,530</b>	<b>-</b>	<b>56,530</b>
Administrative expenses		(28,258)	(10,292)	(38,550)	(22,804)	(1,984)	(24,788)
<b>Earnings before depreciation, amortisation, net financing costs and taxation</b>		<b>28,728</b>	<b>(10,292)</b>	<b>18,436</b>	<b>33,726</b>	<b>(1,984)</b>	<b>31,742</b>
Depreciation and amortisation		(3,525)	-	(3,525)	(2,090)	-	(2,090)
<b>Operating profit</b>	3	<b>25,203</b>	<b>(10,292)</b>	<b>14,911</b>	<b>31,636</b>	<b>(1,984)</b>	<b>29,652</b>
Other interest receivable and similar income	7	1,713	-	1,713	8,706	-	8,706
Interest payable and similar charges	8	(11)	-	(11)	(1,217)	-	(1,217)
<b>Profit on ordinary activities before taxation</b>		<b>26,905</b>	<b>(10,292)</b>	<b>16,613</b>	<b>39,125</b>	<b>(1,984)</b>	<b>37,141</b>
<b>Tax on profit on ordinary activities</b>	9	<b>6,900</b>	<b>-</b>	<b>6,900</b>	<b>(8,430)</b>	<b>402</b>	<b>(8,028)</b>
<b>Profit for the financial year</b>		<b>33,805</b>	<b>(10,292)</b>	<b>23,513</b>	<b>30,695</b>	<b>(1,582)</b>	<b>29,113</b>

All of the activities are continuing. The company incurred no Other Comprehensive Income or Expense in the period.

The notes on pages 12 to 24 form part of these financial statements



## Statement of Changes in Equity

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 January 2015	40	69,227	69,267
Profit and total comprehensive income for the period	-	29,113	29,113
Issue of shares	2,000	-	2,000
<b>Balance at 31 December 2015</b>	<b>2,040</b>	<b>98,340</b>	<b>100,380</b>

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 January 2016	2,040	98,340	100,380
Profit and total comprehensive income for the period	-	23,513	23,513
<b>Balance at 31 December 2016</b>	<b>2,040</b>	<b>121,853</b>	<b>123,893</b>

The notes on pages 12 to 24 form part of these financial statements

## Cash Flow Statement

	Note	2016 £000s	2015 £000s
<b><u>Cashflows from operating activities</u></b>			
Cash generated from operations (below)		37,186	38,792
Interest paid and financing costs	8	(11)	(1,217)
Tax Paid		-	795
		<hr/>	<hr/>
Net cash generated from operating activities		37,175	38,370
<b><u>Cashflows from investing activities</u></b>			
Purchase of fixed assets	11	(1,887)	(2,579)
Purchase of intangible assets	10	(1,417)	(2,247)
		<hr/>	<hr/>
Net cash used in investing activities		(3,304)	(4,826)
<b><u>Cashflows from financing activities</u></b>			
Proceeds from draw down (repayment of revolving facility)	14	(12,994)	12,994
Financing group companies		-	(55,561)
(Repayment)/Proceeds from subordinated shareholder debt	15	(9,297)	9,297
		<hr/>	<hr/>
Net cashflows from financing activities		(22,291)	(33,270)
Net increase in cash and cash equivalents		11,580	274
Cash and cash equivalents at the beginning of the financial year		7,516	7,242
Effect of exchange rate movements		-	-
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>19,096</b>	<b>7,516</b>
		<hr/> <hr/>	<hr/> <hr/>
<b><u>Cashflows from operating activities</u></b>			
Profit on ordinary activities before taxation		16,613	37,141
Interest expense	8	11	1,217
Amortisation and depreciation	3	3,525	2,091
Share scheme charges		65	80
Unrealised FX (gain)/loss		1,189	361
Interest income	7	(1,713)	(8,706)
(Increase)/decrease in inventories	12	(9)	(13)
(Increase)/decrease in trade and other receivables	13	(22,179)	(4,975)
Increase/(decrease) in unearned revenues/accruals	14	(5,524)	5,330
Increase/(decrease) in provisions	17	9,078	1,066
Increase/(decrease) in trade and other payables	14	36,130	5,200
		<hr/>	<hr/>
Cash generated from operations		37,186	38,792

The notes on pages 12 to 24 form part of these financial statements

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Bellerbys Educational Services Limited is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

The Company's intermediate parent undertaking, EDU UK Intermediate Limited includes the Company in its consolidated financial statements. The consolidated financial statements of EDU UK Intermediate Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 1 Billinton Way, Brighton, BN1 4LF, UK.

In these financial statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;

As the consolidated financial statements of EDU UK Intermediate Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern

A review of the Company's business activities and future developments are set out in the Directors' Report. In addition, the Directors' Report also includes reference to the Company's key business risks and its position on risk management including exposures to credit and liquidity risk. The directors believe that the Company is well placed to manage its business risks successfully.

The company made a profit of £23.5 million (2015 - £29.1 million) and has a Net Current Asset position of £123.9 million (2015 - £100.4 million). This is expected to continue in the future.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### 1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- leasehold property improvements over life of lease
- computer equipment 3 years
- motor vehicles 4 years
- fixtures and fittings 5 years
- asset retirement obligation over life of lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Intangible assets

##### *Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

##### *Amortisation*

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- computer software 5 years
- course development 5 years

#### 1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### 1.8 Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### 1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting or exiting the contractual obligations exceed the economic benefits expected to be received under the contract.

#### 1.10 Turnover

Revenue is recognised as follows:

- Tuition revenue - Course fees are brought to account when service is provided and is spread evenly over the duration of the course. Discounts and bursaries given to students are netted against tuition revenue.
- Accommodation revenue - Accommodation revenue is recognised as the accommodation service is provided.
- Other revenue - Other revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.11 Expenses

##### Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

*Interest receivable and Interest payable* Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the

carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### 2 Turnover

All turnover relates to the provision of educational services and arises in the UK.

### 3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	2015 £000
Depreciation on tangible assets	3,519	2,085
Amortisation on intangible assets	6	5
	<u>        </u>	<u>        </u>

Auditor's remuneration:

Fees payable to the company's auditor of £62,545 (2015: £62,545) for the audit of the Company's annual financial statements has been borne by a fellow group company.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, EDU UK Intermediate Limited.

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Teaching	790	724
Administration	268	180
	<u>1,058</u>	<u>904</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	28,284	22,388
Social security costs	1,932	1,855
Contributions to defined contribution plans	870	617
	<u>31,086</u>	<u>24,860</u>

### 5 Directors' remuneration

All of the directors of the company are remunerated through other group companies. Whilst it is impossible to accurately allocate their costs due to the number of directorships and the subjectivity involved, it is estimated that Director's costs borne in other group companies but relating to their services in the governance of Bellerbys Educational Services Limited are approximately £356,000 in 2016.

### 6 Exceptional and other items

	2016	2015
	£000	£000
<b>Exceptional items included within operating profit</b>		
Restructuring costs	1,229	1,984
Onerous contracts	9,063	-
	<u>10,292</u>	<u>1,984</u>

Restructuring costs relate to the set-up of the new admissions hub in Singapore. Onerous contract provisions relate to sites in Oxford which is closing in 2017 and loss-making accommodation in Greenwich.

### 7 Other interest receivable and similar income

	2016	2015
	£000	£000
Interest receivable from group undertakings	1,713	8,706
	<u>1,713</u>	<u>8,706</u>

**Notes** (continued)

**8 Interest payable and similar charges**

	2016 £000	2015 £000
Bank loan interest	-	1,217
Other interest payable	11	-
	<hr/>	<hr/>
Total other interest payable and similar charges	<b>11</b>	<b>1,217</b>
	<hr/> <hr/>	<hr/> <hr/>

**9 Taxation**

**Recognised in the profit and loss account**

	2016 £000	£000	2015 £000	£000
UK corporation tax				
Current tax on income for the period	602		8,148	
Adjustments in respect of prior periods	(7,502)		(7)	
	<hr/>		<hr/>	
Foreign tax		(6,900)		8,141
Current tax on income for the period	261		156	
	<hr/>		<hr/>	
		<b>261</b>		<b>156</b>
		<hr/>		<hr/>
Total current tax		<b>(6,639)</b>		<b>8,297</b>
Deferred tax (see note 16)				
Origination and reversal of temporary differences	(261)		(269)	
	<hr/>		<hr/>	
Total deferred tax		<b>(261)</b>		<b>(269)</b>
		<hr/>		<hr/>
Tax on profit on ordinary activities		<b>(6,900)</b>		<b>8,028</b>
		<hr/> <hr/>		<hr/> <hr/>

**Reconciliation of effective tax rate**

	2016 £000	2015 £000
Profit for the year	23,513	29,113
Total tax (credit) / expense	(6,900)	8,028
	<hr/>	<hr/>
Profit excluding taxation	<b>16,613</b>	<b>37,141</b>
Tax using the UK corporation tax rate of 20 % (2015: 20.25%)	3,323	7,521
Effect of tax rates in foreign jurisdictions	544	(57)
Non-deductible expenses	562	452
Tax losses not recognised/paid	(3,566)	-
Timing differences	(261)	119
Over provided in prior years	(7,502)	(7)
	<hr/>	<hr/>
Total tax (credit) / expense	<b>(6,900)</b>	<b>8,028</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**10 Intangible assets**

	<b>Course development £000</b>	<b>Software costs £000</b>	<b>Total £000</b>
<b>Cost</b>			
Balance at 1 January 2016	79	2,167	2,246
Additions	90	1,327	1,417
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	169	3,494	3,663
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Amortisation and impairment</b>			
Balance at 1 January 2016	5	-	5
Amortisation for the year	5	1	6
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	10	1	11
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>			
At 1 January 2016	74	2,167	2,241
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>At 31 December 2016</b>	<b>159</b>	<b>3,493</b>	<b>3,652</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The software costs relate to work in progress development costs therefore no amortisation has been charged for the year.

**Notes** (continued)

**11 Tangible fixed assets**

	Land and buildings £000	Leasehold property improvements £000	Motor vehicles £000	Computer equipment £000	Fixtures & fittings £000	Asset retirement obligation £000	Total £000
<b>Cost</b>							
Balance at 1 January 2016	5,164	4,883	3	1,997	6,604	2,064	20,715
Additions	-	837	-	517	478	56	1,888
Disposals	-	-	-	-	-	(15)	(15)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	5,164	5,720	3	2,514	7,082	2,105	22,588
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>							
Balance at 1 January 2016	1,109	2,344	3	1,010	2,692	298	7,456
Depreciation charge for the year	99	1,228	-	524	1,481	187	3,519
Disposals	-	-	-	-	-	(10)	(10)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	1,208	3,572	3	1,534	4,173	475	10,965
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>							
At 1 January 2016	4,055	2,539	-	987	3,912	1,766	13,259
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	3,956	2,148	-	980	2,909	1,630	11,623
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Land and buildings includes freehold land of £250,000 (2015: £250,000) which is not depreciated.

**12 Stocks**

	2016 £000	2015 £000
Catering stock	98	89
	<hr/>	<hr/>

The value of stock passing through the Cost of Sales in 2016 amounted to £27,186.

## Notes (continued)

### 13 Debtors

	2016 £000	2015 £000
Trade debtors	57,177	53,140
Amounts owed by group undertakings	199,579	183,754
Other debtors	3,275	3,434
Deferred tax assets (see note 16)	779	518
Prepayments and accrued income	8,714	6,238
	<u>269,524</u>	<u>247,084</u>
Due within one year	264,819	58,769
Due after more than one year	4,705	188,315
	<u>269,524</u>	<u>247,084</u>

Amounts owed by parent and fellow group undertakings are unsecured, non-interest bearing and repayable on demand.

### 14 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	12,081	5,219
Bank loans and overdrafts	-	12,993
Amounts owed to group undertakings	54,430	19,705
Taxation and social security	1,387	1,369
Group relief on corporation tax payable	-	7,102
Other creditors	9,240	14,715
Accruals and deferred income	82,445	85,769
	<u>159,583</u>	<u>146,872</u>

Amounts owed to parent and fellow group undertakings are unsecured, non-interest bearing and repayable on demand.

### 15 Creditors: amounts falling after more than one year

	2016 £000	2015 £000
Accruals and deferred income	8,801	11,002
Shareholder loan notes	-	9,297
	<u>8,801</u>	<u>20,299</u>

On 31 March 2015, EDU Lux Co SARL and Petersen Investments Company Pty Limited provided unsecured loans of USD \$7.1 million and AUD \$0.5 million to Bellerbys Educational Services Limited and Study Group Australia Pty Limited (indirect subsidiaries of the Company) respectively with maturity date 22 September 2016 at an interest rate of 12%. The loan from Petersen Investments Company Pty Limited was repaid on 8 September 2016 and the loan from EDU Lux Co SARL converted to equity at a Group level.

On 10 April 2015, EDU Lux Co SARL and Petersen Investments Company Pty Limited provided further unsecured loans of USD \$7.0 million and AUD \$0.5 million to Bellerbys Educational Services Limited and Study Group Australia Pty Limited (indirect subsidiaries of the Company) respectively with maturity date 6 October 2016 at an interest rate of 12%. The loan from Petersen Investments Company Pty Limited was repaid on 22 September 2016 and the loan from EDU Lux Co SARL converted to equity at a Group level.

## Notes (continued)

### 15 Creditors: amounts falling after more than one year (continued)

EDU Lux Co SARL is a shareholder of the Company's parent, EDU UK Topco Ltd. Petersen Investments Company Pty Limited is an entity related to a shareholder of the Company's parent, EDU UK Topco Ltd.

### 16 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	<b>Assets</b>	
	<b>2016</b>	2015
	<b>£000</b>	£000
Tangible fixed assets	779	518
Tax assets	779	518
	<b>2016</b>	2015
	<b>£000</b>	£000
At 1 January 2016	518	249
Credit to profit and loss account	261	269
At 31 December 2016	779	518

### 17 Provisions

	<b>Asset</b>	<b>Restruct-</b>	<b>Onerous</b>	<b>Other</b>	<b>Total</b>
	<b>Retirement</b>	<b>uring</b>	<b>Lease</b>		
<b>Balance at 1 January 2016</b>	2,065	573	-	-	2,638
Provisions made during the year	55	-	9,383	206	9,644
Provisions used during the year	(15)	(492)	-	-	(507)
Provisions reversed during the year	-	(59)	-	-	(59)
<b>Balance at 31 December 2016</b>	<b>2,105</b>	<b>22</b>	<b>9,383</b>	<b>206</b>	<b>11,716</b>

Asset retirement obligations relate to the lease terms on leased properties. Provisions will unwind over the length of the lease.

The restructuring provision represents costs related to the reorganisation of the campuses.

Management have identified a number of sites with onerous contracts which are expected to be loss making, where due to declining trading conditions, the unavoidable costs of meeting the obligations under each contract exceeds the economic benefits expected to be received. Under IAS 37, an onerous contract provision is required to be booked as soon as the loss is anticipated. As a result, a provision for each contract was booked in 2016 and will be unwound over the remaining life of the contract.

### 18 Employee benefits

#### Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £870,000 (2015: £617,000).

**Notes** (continued)

**19 Capital and reserves**

**Share capital**

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
2,000,122 (2015: 2,000,122) Ordinary shares of £1 each	2,000	2,000
40,000 (2015: 40,000) preference shares of £1 each	40	40
	<u>2,040</u>	<u>2,040</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The preference shares have a preference over the ordinary shares in the event of a winding up of the company up to the nominal value of the shares. In all other respects the shares rank pari passu.

**20 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2016 £000	2015 £000
Less than one year	10,735	15,070
Between one and five years	42,364	41,862
More than five years	82,965	104,153
	<u>136,064</u>	<u>161,085</u>

During the year £11,344,759 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £14,267,303).

**21 Commitments**

The company had the following commitments in respect of land and buildings which are payable as follows:

	2016 £000	2015 £000
Less than one year	872	-
Between one and five years	632	-
	<u>1,504</u>	<u>-</u>



## Notes (continued)

### 22 Contingencies

The Company is from time to time party to legal proceedings and claims, which arise in the ordinary course of the business.

At 31 December 2016, the Company had available £15.0 million (December 2015: £2.0 million) of undrawn committed borrowing facilities, with £nil (2015: £13.0 million) of the £15.0 million facility drawn as a loan.

The company's assets have been pledged as security for borrowings undertaken by fellow group companies EDU UK TopCo Limited and Study Group Holdings UK Limited. As at 31 December 2016, the borrowings of these companies amounted to £nil (2015 - £205,000,000).

### 23 Related Parties

#### Trading transactions

During the year the Company entered into transactions with related parties who were members of the Group:

	Sale of goods		Purchase of goods		Amounts owed by/(owed to) related parties	
	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000
Study Group UK Ltd	4,894	2,285	-	7,321	30,457	54,237
Embassy Educational Services (UK) Ltd	66	1,411	-	-	41,991	28,236
Study Group Australia Pty Ltd	7,822	5,488	1,314	1,598	16,021	17,483
Study Group NZ Ltd	611	620	105	-	541	819
EDU UK Bondco PLC	-	-	-	2	18,102	9,013
EDU UK Management Services Ltd	272	-	-	389	(16,101)	6,876
EDU UK Intermediate Ltd	-	-	-	120	(41)	65
EDU Investments SPV Pty Ltd	-	5,158	-	-	60,262	56,159
Study Group Canada Ltd	8	4	-	-	8	4
Study Group Canada Higher Education Inc	176	184	31	-	154	250
Centre for English Studies LLC	51	46	-	-	133	202
Study Group USA Higher Education LLC	622	598	87	-	2,097	1,038
SIG Consulting Services Nigeria	-	-	-	115	(261)	-101
Beijing Study Group Information Consulting Co Ltd	-	-	-	1,361	566	-108
Bellerbys College Ireland Ltd	-	-	-	-	(369)	-
Study Group Holdings UK Ltd	-	-	-	-	(1,672)	-
Study Group Finance Pty Ltd	3,603	-	-	-	(7,174)	-
Study Group USA Inc.	-	-	-	-	(184)	-
Study Group Properties Ltd	-	-	-	-	(25)	-
Study Group Ltd	-	-	-	-	(3)	-
EDU UK Topco Ltd	-	-	-	-	4	-
Study Group do Brazil Agenciamentoe Participacoes	-	-	-	-	49	-
Study Group Netherlands BV	-	-	-	-	84	-
EDU Holdings SPV Pty Ltd (Australia)	-	-	-	-	432	-
Study Group Distance Learning Ltd	-	-	-	-	1,405	-
Study Group (Singapore)	-	-	-	-	(1,327)	-

Transactions that took place between companies within the group were for transfer pricing, management charges and loan payments.

## 23 Related Parties (continued)

### Trading transactions

During the year the Company entered into transactions with related parties who were not members of the Group:

	Sale of goods		Purchase of goods		Amounts owed by related parties	
	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000
Company under common control						
Instituto Marangoni	0.6	0.5	0.4	0.2	0.9	-

Transactions made between parties were in relation to the recruitment of students on behalf of the other for academic terms that began in October 2015 and January 2016.

## 24 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Study Group UK Limited. The ultimate controlling party is Providence Equity Partners VI International LP, a company incorporated in the Cayman Islands.

The largest group in which the results of the Company are consolidated is that headed by EDU UK TopCo Limited, where the registered office is Brighton Study Centre, 1 Billinton Way, Brighton, East Sussex, BN1 4LF. The smallest group in which they are consolidated is that headed by EDU UK Intermediate Limited, where the registered office is Brighton Study Centre, 1 Billinton Way, Brighton, East Sussex, BN1 4LF. The consolidated financial statements of these groups are not available to the public and may be obtained from 1 Billinton Way, Brighton, BN1 4LF, UK.