Bellerbys Educational Services Limited

Annual report and financial statements

Registered number 02325576

31 December 2015

Contents

Strategic report

The directors present their strategic report of Bellerbys Educational Services Limited ('the Company') for the year ended 31 December 2015.

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 2015 was satisfactory and they expect to grow profitability in future years.

Key performance indicators

Student volumes
Overall New Student Enrolments ('NSEs') growth of 14% for the year to 31 December 2015 was driven by International Study Centres ('ISCs'), which saw increases of 28%, primarily attributable to the opening of the new University of Sheffield International College. Underlying growth in ISCs excluding the University of Sheffield International College was 6%. This was partially offset by a 18% decline in our Bellerbys schools, which continued to operate in a challenging market.

Student weeks taught increased by 8% for the year to 31 December 2015, driven by ISCs and again offset by lower weeks taught at Bellerbys.

Revenue
Revenue was up £11.2 million to £116.9 million (2014: £105.7 million), reflecting the overall NSE and 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 [(i)]
Adjusted EBITDA reduced by £2.0 million or 6% to £33.7 million (2014: £35.7 million). This was as a result of a combination of the effect of declining student volumes at Bellerbys, increased commissions following the changes we made to the commission structure for major agents last year, as well as pre-opening costs of £1.0 million relating to the University of Sheffield International College and also an increase in administration costs due to incremental rent increase for our Sheffield and Sussex Centres and foreign exchange variances.

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 Intermediate Limited group of companies ('the Group'), of which the company is a subsidiary, has external debt and has a leverage covenant associated with the revolving credit facility 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

03 September 2016

Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2015.

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.
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.

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 relating to the revolving credit facility.

Interest rate risk

The Company is not exposed to interest rate risk. However the wider Group's primary exposure to market interest rates relates to the Group's long-term borrowing obligations with floating interest rates. The Group's primary exposure to market interest rates relates to the Group's long-term borrowing obligations. The risk of the Group being exposed to movement in interest rates is mitigated through the use of a fixed coupon bond instrument as the sole source of financing.

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 (2014 - £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 – appointed 23 April 2015
T J Coope – resigned 29 September 2015
G A Bull
M Everett – appointed 28 September 2015

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
03 September 2016

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

03 September 2016

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 2015 set out on pages 8 to 23. 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.

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 2015 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 matter 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.

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.

M Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

3 September 2016

Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2015

	Note	**2015** Before Exceptional and Other Items £000	**2015** Exceptional and Other Items (Note 6) £000	**2015** Total £000	2014 Before Exceptional and Other Items £000	2014 Exceptional and Other Items (Note 6) £000	2014 Total £000
Turnover	*2*	**116,876**	**-**	**116,876**	105,695	-	105,695
Cost of sales		**(60,346)**	**-**	**(60,346)**	(50,837)	-	(50,837)
Gross profit		**56,530**	**-**	**56,530**	54,858	-	54,858
Administrative expenses		**(22,804)**	**(1,984)**	**(24,788)**	(19,202)	(204)	(19,406)
Earnings before depreciation, amortisation, net financing costs and taxation		**33,726**	**(1,984)**	**31,742**	35,656	(204)	35,452
Depreciation and amortisation		**(2,090)**	**-**	**(2,090)**	(1,766)	-	(1,766)
Operating profit	*3*	**31,636**	**(1,984)**	**29,652**	33,890	(204)	33,686
Other interest receivable and similar income	*7*	**8,706**	**-**	**8,706**	7,087	-	7,087
Interest payable and similar charges	*8*	**(1,217)**	**-**	**(1,217)**	(2,715)	-	(2,715)
Profit on ordinary activities before taxation		**39,125**	**(1,984)**	**37,141**	38,262	(204)	38,058
Tax on profit on ordinary activities	*9*	**(8,430)**	**402**	**(8,028)**	(8,015)	43	(7,972)
Profit for the financial year		**30,695**	**(1,582)**	**29,113**	30,247	(161)	30,086

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

The notes on pages 12 to 23 form part of these financial statements

Balance Sheet
at 31 December 2015

	Note	**2015** **£000**	**£000**	2014 £000	£000
Fixed assets					
Intangible assets	*10*		**2,241**		-
Tangible assets	*11*		**13,259**		12,765
			15,500		12,765
Current assets					
Stocks	*12*	**89**		76	
Debtors (including £182,846,000 *(2014 : £130,489,000)* due after more than one year	*13*	**247,084**		183,532	
Cash at bank and in hand		**7,516**		7,242	
		254,689		190,850	
Creditors: amounts falling due within one year	*14*	**(146,872)**		(123,239)	
Net current assets			**107,817**		67,611
Total assets less current liabilities			**123,317**		80,376
Creditors: amounts falling due after more than one year	*15*		**(20,299)**		(9,537)
Provisions for liabilities					
Other provisions	*17*		**(2,638)**		(1,572)
Net assets			**100,380**		69,267
Capital and reserves					
Called up share capital	*19*		**2,040**		40
Profit and loss account			**98,340**		69,227
Shareholders' funds			**100,380**		69,267

These financial statements were approved by the board of directors on 08 September 2016 and were signed on its behalf by:

G A Bull
Director

Company registered number: 02325576

The notes on pages 12 to 23 form part of these financial statements

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2014	40	39,141	39,181
Profit and total comprehensive income for the period	-	30,086	30,086
Balance at 31 December 2014	**40**	**69,227**	**69,267**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
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
Balance at 31 December 2015	**2,040**	**98,340**	**100,380**

The notes on pages 12 to 23 form part of these financial statements

Cash Flow Statement

	2015 £000	2014 £000
Cash flows from operating activities		
Cash generated from operations (below)	38,792	42,896
Interest paid and financing costs	(1,217)	(119)
Tax paid	795	(3,264)
Net cash generated from operating activities	38,370	39,513
Cash flows from investing activities		
Purchase of fixed assets	(2,579)	(3,788)
Purchase of intangible assets	(2,247)	(0)
Net cash used in investing activities	(4,826)	(3,788)
Cash flows from financing activities		
Proceeds from draw down/(repayment) of revolving facility	12,994	-
Financing of group companies	(55,561)	(33,311)
Proceeds from subordinated shareholder debt	9,297	-
Net cash flows from financing activities	(33,270)	(33,311)
Net increase in cash and cash equivalents	274	2,414
Cash and cash equivalents at the beginning of the financial year	7,242	4,828
Effect of exchange rate movements	-	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7,516	7,242
Cash flow from operating activities		
Profit on ordinary activities before taxation	37,141	38,058
Interest expense	1,217	2,714
Amortisation and depreciation	2,091	1,766
Share scheme charges	80	34
Unrealised FX (gain)/loss	361	(300)
Interest income	(8,706)	(7,086)
(Increase)/decrease in inventories	(13)	(19)
(Increase)/decrease in trade and other receivables	(4,975)	2,231
Increase/(decrease) in unearned revenues/accruals	5,330	2,191
Increase/(decrease) in provisions	1,066	(268)
Increase/(decrease) in trade and other payables	5,200	3,575
Cash generated from operations	38,792	42,896

The notes on pages 12 to 23 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").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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.

In the transition to FRS 101, the Company has applied IFRS 1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

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 transition to FRS 101 has had no impact on the figures presented in these financial statements.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

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.

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.

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:

	2015	2014
	£000	£000
Depreciation on tangible assets	**2,085**	1,928
Amortisation on intangible assets	**5**	-

Auditor's remuneration:

Fees payable to the company's auditor of £62,545 (2014: £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	
	2015	2014
Teaching	**724**	682
Administration	**180**	122
	904	804

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**22,388**	20,623
Social security costs	**1,855**	1,609
Contributions to defined contribution plans	**617**	526
	24,860	22,758

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 is approximately £339,000 in 2015.

6 Exceptional and other items

	2015	2014
Exceptional items included within operating profit	**£000**	£000
Restructuring costs	**1,984**	204

Restructuring costs relate to the set-up of the new admissions hub in Singapore.

7 Other interest receivable and similar income

	2015	2014
	£000	£000
Interest receivable from group undertakings	**8,706**	7,087
Total interest receivable and similar income	**8,706**	7,087

Notes *(continued)*

8 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable to group undertakings	-	2,596
Bank loan interest	1,217	-
Other interest payable	-	119
Total other interest payable and similar charges	1,217	2,715

9 Taxation

Recognised in the profit and loss account

	2015 £000	£000	2014 £000	£000
UK corporation tax				
Current tax on income for the period	8,148		8,105	
Adjustments in respect of prior periods	(7)		(258)	
		8,141		7,847
Foreign tax				
Current tax on income for the period	156		64	
Adjustments in respect of prior periods	-		-	
		156		64
Total current tax		8,297		7,911
Deferred tax (see note 16)				
Origination and reversal of temporary differences	(269)		61	
Total deferred tax		(269)		61
Tax on profit on ordinary activities		8,028		7,972

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	29,113	30,086
Total tax expense	8,028	7,972
Profit excluding taxation	37,141	38,058
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	7,521	8,182
Effect of tax rates in foreign jurisdictions	(57)	-
Non-deductible expenses	452	(13)
Timing differences	119	61
Over provided in prior years	(7)	(258)
Total tax expense	8,028	7,972

Notes *(continued)*

10 Intangible assets

	Course development £000	Software costs £000	Total £000
Cost			
Balance at 1 January 2015	-	-	-
Additions	79	2,167	2,246
Balance at 31 December 2015	79	2,167	2,246
Amortisation and impairment			
Balance at 1 January 2015	-	-	-
Amortisation for the year	5	-	5
Balance at 31 December 2015	5	-	5
Net book value			
At 1 January 2015	-	-	-
At 31 December 2015	**74**	**2,167**	**2,241**

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
Cost							
Balance at 1 January 2015	5,164	4,963	3	4,483	8,216	1,678	24,507
Additions	-	174	-	729	1,249	427	2,579
Disposals	-	(254)	-	(3,215)	(2,945)	(41)	(6,455)
Transfers	-	-	-	-	84	-	84
Balance at 31 December 2015	5,164	4,883	3	1,997	6,604	2,064	20,715
Depreciation and impairment							
Balance at 1 January 2015	1,011	2,288	3	3,792	4,443	205	11,742
Depreciation charge for the year	98	310	-	433	1,110	134	2,085
Disposals	-	(254)	-	(3,215)	(2,945)	(41)	(6,455)
Transfers	-	-	-	-	84	-	84
Balance at 31 December 2015	1,109	2,344	3	1,010	2,692	298	7,456
Net book value							
At 1 January 2015	4,153	2,675	-	691	3,773	1,473	12,765
At 31 December 2015	**4,055**	**2,539**	**-**	**987**	**3,912**	**1,766**	**13,259**

Freehold land and buildings includes freehold land of £250,000 (2014: £250,000) which is not depreciated.

12 Stocks

	2015	2014
	£000	£000
Catering stock	**89**	76

13 Debtors

	2015	2014
	£000	£000
Trade debtors	53,140	47,563
Amounts owed by group undertakings	183,754	125,446
Other debtors	3,434	2,192
Deferred tax assets (see note 16)	518	249
Prepayments and accrued income	6,238	8,082
	247,084	183,532
Due within one year	**58,769**	53,043
Due after more than one year	**188,315**	130,489
	247,084	183,532

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	**5,219**	7,706
Bank loans and overdrafts	**12,993**	-
Amounts owed to group undertakings	**19,705**	18,922
Taxation and social security	**1,369**	822
Group relief on corporation tax payable	**7,102**	6,310
Other creditors	**14,715**	7,575
Accruals and deferred income	**85,769**	81,904
	146,872	123,239

15 Creditors: amounts falling after more than one year

	2015	2014
	£000	£000
Accruals and deferred income	11,002	9,537
Shareholder loan notes	9,297	-
	20,299	9,537

On 31 March 2015, EDU Lux Co SARL provided an unsecured loan of USD $7.1 million to the Company, for a period of 18 months at an interest rate of 12%. On 10 April 2015, EDU Lux Co SARL provided a further unsecured loan of USD $7.0 million for a period of 18 months at an interest rate of 12%

16 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets	
	2015	2014
	£000	£000
Tangible fixed assets	**518**	235
Employee benefits	**-**	14
Tax assets	**518**	249

	2015	2014
	£000	£000
At 1 January 2015	**249**	310
Charge/(credit) to profit and loss account	**269**	(61)
At 31 December 2015	**518**	249

Notes *(continued)*

17 Provisions

	Asset retirement obligation £000	Restructuring costs £000	Total £000
Balance at 1 January 2015	1,474	98	1,572
Provisions made during the year	427	491	918
Provisions used during the year	(41)	(16)	(57)
Provisions reversed during the year	205	-	205
Balance at 31 December 2015	**2,065**	**573**	**2,638**

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.

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 £617,000 *(2014: £526,000).*

19 Capital and reserves

Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
2,000,122 (2014: 122) Ordinary shares of £1 each	**2,000**	-
40,000 (2014: 40,000) preference shares of £1 each	**40**	40
	2,040	40

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.

During the year the company issued 2,000,000 ordinary shares of £1 each for a consideration of £2,000,000, settled in cash.

Notes *(continued)*

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015	2014
	£000	£000
Less than one year	**15,070**	9,015
Between one and five years	**41,862**	31,770
More than five years	**104,153**	100,549
	161,085	141,334

During the year £14,267,303 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £9,104,886).

21 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 2015, the Company had available £2.0 million (December 2014: £15.0 million) of undrawn committed borrowing facilities, with £13.0 million (2014: £nil) of the £15.0 million facility drawn as a loan.

The company's assets have been pledged as security for borrowings undertaking by fellow group companies EDU UK TopCo Limited and Study Group Holdings UK Limited. As at 31 December 2015, the borrowings of these companies amounted to £205,000,000 (2014 - £205,000,000).

22 Related Parties

On 31 March 2015, EDU Lux Co SARL provided an unsecured loan of USD $7.1 million to the Company, for a period of 18 months at an interest rate of 12%. On 10 April 2015, EDU Lux Co SARL provided a further unsecured loan of USD $7.0 million for a period of 18 months at an interest rate of 12%. EDU Lux Co SARL is a shareholder of EDU UK TopCo Limited.

Notes *(continued)*

23 Related Parties (continued)

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	
	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000
Study Group UK Ltd	2,285	-	7,321	5,581	54,237	32,838
Embassy Educational Services (UK) Ltd	1,411	-	-	-	28,236	25,456
Study Group Australia Pty Ltd	5,488	1,316	1,598	756	17,483	1,786
Study Group NZ Ltd	620	167	-	-	819	203
EDU UK Bondco PLC	-	-	2	35	9,013	62
EDU UK Management Services Ltd	-	-	389	370	6,876	7,351
EDU UK Intermediate Ltd	-	-	120	64	65	112
EDU Investments SPV Pty Ltd	5,158	-	-	-	56,159	51,481
Study Group Canada Ltd	4	-	-	-	4	806
Study Group Canada Higher Education Inc	184	57	-	-	250	67
Centre for English Studies LLC	46	-	-	-	202	3,425
Study Group USA Higher Education LLC	598	158	-	-	1,038	441
SGI Consulting Services Nigeria	-	-	115	-	(101)	-
Beijing Study Group Information Consulting Co Ltd	-	-	1,361	-	(108)	-

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	
	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000
Company under common control						
Istituto Marangoni	0.5	0.4	0.2	0.2	-	0.1

23 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, a company incorporated in the United Kingdom. The smallest group in which they are consolidated is that headed by EDU UK Intermediate Limited, a company incorporated in the United Kingdom. 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.