

Bellerbys Educational Services Limited

Annual report and financial statements

Registered number 02325576

31 December 2017

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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 2017. The company is domiciled in the United Kingdom with its registered office at 1 Billinton Way, Brighton, East Sussex, BN1 4LF.

Business review

The Company is a leading international provider of higher education services. We deliver our programmes to international students from over 150 countries.

We have two main student offerings or lines of business which we operate in two main geographic areas: University Pathways ('International Study Centres') and High Schools ('Bellerbys'). The University Pathways business entails providing foundation or International Year 1, and Pre-Masters programmes to international students on the campuses of our partner universities in the UK and Europe. We operate the High School business in the UK.

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 2017 was satisfactory and they expect to grow profitability in future years.

Revenue decreased by £2.5 million to £118.3 million (2016: £120.8 million). This was largely driven by the closing of the Bellerbys College in Oxford offset by a slight increase in University Pathways. On a like for like basis adjusted EBITDA was up by £1.4 million to £13.7 million (2016: £12.3 million). There was new student enrolment (NSE) growth in 2017 of 12% (17% in University Pathways and 5% in High Schools); this is a key indicator of future growth.

In September 2017 we launched 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 include International Foundation Year and Pre-Masters as well as English preparation courses.

In September 2017 the Company opened branches in the Netherlands and Ireland providing International Study Centres to international students on the campuses of our partner universities in the Netherlands and Ireland.

In March 2017 the board approved the closing of the Bellerbys College in Oxford, effective 1st 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, however 2017 saw NSE growth of 5% which is encouraging after four consecutive years of decline.

Strategic report (continued)

Key performance indicators

Our financial and non-financial KPIs for the continuing business are as follows. These KPIs are selected for monitoring the Company's medium term goal of continued revenue and EBITDA growth.

Our results by line of business are summarised as follows:

£ million	Revenue			Adjusted EBITDA ⁽ⁱ⁾			New student enrolment (NSE)		
	Year ended 31 December			Year ended 31 December			Year ended 31 December		
	2017	2016	% Variance	2017	2016	% Variance	2017	2016	% Variance
<i>On a continuing operations basis:</i>									
University Pathways	76.1	75.5	1%	20.6	21.9	(6%)	4,713	4,135	14%
High Schools	41.8	44.8	(7%)	0.9	1.5	(38%)	1,021	972	5%
Group management services	-	-	-	0.4	0.4	(16%)	-	-	-
Unallocated functional & corporate costs	0.4	0.5	(28%)	(8.2)	(11.5)	(31%)	-	-	-
Total	118.3	120.8	(2%)	13.7	12.3	11%	5,734	5,107	12%
Costs recharged by UK parent company not charged in 2016				-	16.4	100%			
EBITDA as reported				13.7	28.7	(52%)			

University Pathways

Revenue in 2017 increased slightly to £76.1 million, mainly reflecting a decline in 2016 Q3 NSEs being offset by growth in 2017 NSEs. Adjusted EBITDA decreased by 6% for the year, due to the revenue decline flowing through, and the impact of Durham set-up costs of £0.9 million (being the one off costs incurred in the establishment of the centre before the first students arrived on campus). Excluding the impact of Durham set up costs, EBITDA reduced by £0.4 million (2%).

High Schools

The decrease in revenue to £41.8 million was due to the closing of the Bellerbys Oxford College. Excluding Oxford, revenue was flat compared with 2016. Strong growth of 25% in NSEs (excluding Oxford) offset the impact of an increase in discounts due to a challenging market environment, with continued competition from boarding schools and other international schools.

Unallocated functional and corporate costs

Unallocated functional and corporate costs reduced by £3.3 million (31%) to £8.2 million (2016: £11.5 million). This is driven by a £3.8 million movement in foreign exchange gains and losses.

Adjusted EBITDA ⁽ⁱ⁾

Adjusted EBITDA reduced by £15.0 million (52%) to £13.7 million (2016: £28.7 million). This was driven by the changes to transfer pricing methodology whereby costs incurred by the UK parent company were recharged to UK group companies for the first time. The charge in 2017 was £17.8 million. Had an equivalent charge been made in 2016, it would have been £16.4 million, resulting in adjusted EBITDA of £12.3 million. On a like for like basis adjusted EBITDA was up by £1.4 million (11%).

(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*)

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 and political risks

If foreign direct investment in emerging markets were to slow down or there were to be political uncertainty in source markets, demand for a foreign-educated, English-speaking workforce may decline. Our students join us from over 150 countries, which provides a degree of mitigation against these risks.

Visa frameworks and immigration policy

Our ability to recruit international students to our programmes depends on the ability of those students to procure visas. We engage proactively with Government agencies in discussions on visa policy and frameworks and continually monitor our students' processes through training agents in market. With regards to the European Union (EU), it is unclear what the status will be of students from outside of the United Kingdom (UK), but within the EU, after the UK leaves the EU. However, the number of student weeks taught to EU students in our UK business represents less than 3% of student volumes.

Contract risks

University partners

We maintain relationships in the form of contractual agreements with numerous universities. We work closely with our university partners to ensure that we maintain a good relationship and are adhering to the terms of our contractual arrangements.

Agent relationships

We rely on a global 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.

Regulatory oversight

The group is subject to regulatory oversight by different bodies in the jurisdictions in which we operate. There is a risk that a regulator may not be satisfied that we have adhered to all regulatory requirements, and may have the ability to compel us to refund fees, apply penalties to us, or both. In some cases, they may have the power to restrict our licence to operate in that jurisdiction. Should that happen, there would be a significant impact on the Company's operations. This is mitigated by employing internal and external experts to drive our compliance agenda and monitor adherence to policies and procedures

Financial position

The EDU UK Intermediate Limited group of companies ('Study Group' or the 'Group'), of which the Company is a subsidiary, 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 5-6) for discussion on the Group's foreign currency and liquidity risk.

Business systems risk

We rely heavily on information technology systems and our online platform to operate our websites, facilitate student enrolment online, deliver our programmes and maintain cost-efficient operations. In common with all businesses, our information technology systems and online platform could be impacted by interruption from both internal and external threats. In order to mitigate these risks, Study Group's Production IT systems are housed and backed up appropriately to minimise the risk of catastrophic failure. All systems are monitored for environmental factors and system performance by a dedicated team of professionals.

Strategic report *(continued)*

Reputational risk

Our reputation could be adversely affected by our ability to adequately update and expand the content of our existing programmes and develop new programmes, as well as the quality and integrity of our curricula, teaching staff or programme facilities. 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 reputation and financial results in the event of an unfavourable outcome. 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

16 May 2018



Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2017.

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. From 1 September 2017 the company opened branches in the Netherlands and Ireland; the principal activity of these branches was that of an international college preparing students for entry to university in the Netherlands and Ireland. 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.

Study Group continues to improve the service we provide to our agents and develop direct channels, which we see as critical to generating future revenue growth in the University Pathways business. A key factor in the success of our partnerships is continuing to drive high progression rates to the partner institutions. During 2017 this increased from 78.5% to 84.2%.

Our focus in our Bellerbys High Schools is to continue the recent trend of growth in student volumes. From 1 September 2017 we closed our Oxford college so we are now operating three colleges and seeing improved margins as a result. We are also continuing to focus on academic standards which is critical to driving volume growth: in 2017, 76% of Bellerbys A Level grades were A*- B, compared with 75% in 2016, and a national average of 53% in both years.

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. Strong 2017 NSEs provide a good foundation for 2018 and we expect to see overall revenue and EBITDA growth across the University Pathways and High Schools businesses.

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 a counterparty will default on its contractual obligations resulting in financial loss to the Group. This risk is mitigated by agents and students generally paying tuition fees prior to course commencement.

Liquidity risk

The Company is exposed to liquidity risk. Ultimate responsibility for liquidity risk management rests with the 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 covenant relating to the term loans.

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 undertakes transactions denominated in foreign currencies, hence experiences translational and transactional exchange rate exposures. The risk is mitigated by revenues being billed in the currency where the services/operating costs are delivered/incurred. During the year, the Company 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 a final dividend of £nil (2016: £nil). During the year an interim dividend of £79 million (2016: £nil) was paid.

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
G A Bull
M Everett
C Phillips Appointed 31 August 2017

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

16 May 2018

Company number: 02325576

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Independent auditor's report to the members of Bellerbys Educational Services Limited

Opinion

We have audited the financial statements of Bellerbys Educational Services Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Accounts and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cashflow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent auditor's report to the members of Bellerbys Educational Services Limited *(Continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

17 May 2018

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2017

	<i>Note</i>	2017	2016				
		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	118,296	-	118,296	120,808	-	120,808
Cost of sales		(61,358)	-	(61,358)	(63,822)	-	(63,822)
Gross profit		56,938	-	56,938	56,986	-	56,986
Administrative expenses		(43,222)	(2,081)	(45,303)	(28,258)	(10,292)	(38,550)
Earnings before depreciation, amortisation, net financing costs and taxation		13,716	(2,081)	11,635	28,728	(10,292)	18,436
Depreciation and amortisation		(3,052)	-	(3,052)	(3,525)	-	(3,525)
Operating profit	3	10,664	(2,081)	8,583	25,203	(10,292)	14,911
Other interest receivable and similar income	7	20	-	20	1,713	-	1,713
Interest payable and similar charges	8	(66)	-	(66)	(11)	-	(11)
Profit before taxation		10,618	(2,081)	8,537	26,905	(10,292)	16,613
Tax on profit	9	433	-	433	6,900	-	6,900
Profit for the financial year		11,051	(2,081)	8,970	33,805	(10,292)	23,513

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

The notes on pages 14 to 27 form part of these financial statements

Balance Sheet
at 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Fixed assets		£000	£000
Intangible assets	<i>10</i>	3,019	3,652
Tangible assets	<i>11</i>	12,662	11,623
		<hr/> 15,681	<hr/> 15,275
Current assets			
Stocks	<i>12</i>	32	98
Debtors (including £7,296,000 (2016 : £4,705,000) due after more than one year	<i>13</i>	223,851	269,524
Cash at bank and in hand		27,000	19,096
		<hr/> 250,883	<hr/> 288,718
Creditors: amounts falling due within one year	<i>14</i>	(191,113)	(159,583)
		<hr/>	<hr/>
Net current assets		59,770	129,135
		<hr/>	<hr/>
Total assets less current liabilities		75,451	144,410
Creditors: amounts falling due after more than one year	<i>15</i>	(10,517)	(8,801)
Provisions for liabilities			
Other provisions	<i>17</i>	(11,071)	(11,716)
		<hr/>	<hr/>
Net assets		53,863	123,893
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	<i>19</i>	2,040	2,040
Profit and loss account		51,823	121,853
		<hr/>	<hr/>
Shareholders' funds		53,863	123,893
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 16 May 2018 and were signed on its behalf by:



G A Bull
Director

Company registered number: 02325576

The notes on pages 14 to 27 form part of these financial statements

Statement of Changes in Equity

	<i>Note</i>	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016		2,040	98,340	100,380
Profit and total comprehensive income for the period		-	23,513	23,513
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2016		2,040	121,853	123,893
		<hr/>	<hr/>	<hr/>
		Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017		2,040	121,853	123,893
Profit and total comprehensive income for the period		-	8,970	8,970
Equity dividends paid	<i>20</i>	-	(79,000)	(79,000)
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2017		2,040	51,823	53,863
		<hr/>	<hr/>	<hr/>

The notes on pages 14 to 27 form part of these financial statements

Cash Flow Statement

	<i>Note</i>	2017	2016
		£000s	£000s
<u>Cashflows from operating activities</u>			
Cash generated from operations (below)		90,284	37,186
Interest received	7	20	-
Interest paid and financing costs	8	(66)	(11)
Tax Paid		(125)	-
		<hr/>	<hr/>
Net cash generated from operating activities		90,113	37,175
<u>Cashflows from investing activities</u>			
Purchase of fixed assets	11	(3,276)	(1,887)
Purchase of intangible assets	10	(182)	(1,417)
		<hr/>	<hr/>
Net cash used in investing activities		(3,458)	(3,304)
<u>Cashflows from financing activities</u>			
Proceeds from draw down (repayment of revolving facility)	14	-	(12,994)
Equity dividends paid	20	(79,000)	-
Repayment from subordinated shareholder debt	15	-	(9,297)
		<hr/>	<hr/>
Net cashflows from financing activities		(79,000)	(22,291)
Net increase in cash and cash equivalents		7,655	11,580
Cash and cash equivalents at the beginning of the financial year		19,096	7,516
Effect of exchange rate movements		249	-
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		27,000	19,096
		<hr/> <hr/>	<hr/> <hr/>
<u>Cashflows from operating activities</u>			
Profit on ordinary activities before taxation		8,537	16,613
Interest expense	8	66	11
Amortisation and depreciation	3	3,052	3,525
Share scheme charges		62	65
Unrealised FX (gain)/loss		(700)	1,189
Interest income	7	(20)	(1,713)
(Increase)/decrease in inventories	12	66	(9)
(Increase)/decrease in trade and other receivables	13	2,107	(22,179)
Increase/(decrease) in unearned revenues/accruals	14	16,510	(5,524)
Increase/(decrease) in provisions	17	(645)	9,078
Increase/(decrease) in trade and other payables	14	61,249	36,130
		<hr/>	<hr/>
Cash generated from operations		90,284	37,186

The notes on pages 14 to 27 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

Bellerbys Educational Services Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 02325576 and the registered address is 1 Billinton Way, Brighton, BN1 4LF, 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.

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 £9.0m (2016: £23.5m) and has a Net Current Asset position of £53.9m (2016: £123.9m). 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.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Notes (continued)

1 Accounting policies (continued)

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:

	2017 £000	2016 £000
Depreciation on tangible assets	2,237	3,519
Amortisation on intangible assets	815	6
	<u> </u>	<u> </u>

Auditor's remuneration:

Fees payable to the company's auditor of £67,000 (2016: £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	
	2017	2016
Teaching	791	790
Administration	273	268
	<u>1,064</u>	<u>1,058</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	26,791	25,940
Social security costs	2,035	1,932
Contributions to defined contribution plans	907	870
	<u>29,733</u>	<u>28,742</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 £508,000 in 2017 (2016: £356,000). The costs related to the highest paid director are estimated to be £178,600.

6 Exceptional and other items

	2017	2016
	£000	£000
Exceptional items included within operating profit		
Restructuring costs	921	1,229
Onerous contracts	1,160	9,063
	<u>2,081</u>	<u>10,292</u>

Restructuring costs relate to closure of the Bellerbys College in Oxford (2016: set-up of Singapore admissions hub). Onerous contract provisions relate to sites in Oxford (closed in 2017) and loss-making accommodation in Greenwich and Leicester.

7 Other interest receivable and similar income

	2017	2016
	£000	£000
Interest receivable from group undertakings	-	1,713
Other interest receivable	20	-
	<u>20</u>	<u>1,713</u>

Notes (continued)

8 Interest payable and similar charges

	2017 £000	2016 £000
Other interest payable	66	11
Total other interest payable and similar charges	<u>66</u>	<u>11</u>

9 Taxation

Recognised in the profit and loss account

	2017 £000	£000	2016 £000	£000
UK corporation tax				
Current tax on income for the period	-		602	
Adjustments in respect of prior periods	-		(7,502)	
	<u> </u>		<u> </u>	
Foreign tax		-		(6,900)
Current tax on income for the period	158		261	
Adjustments in respect of prior periods	(131)		-	
	<u> </u>		<u> </u>	
		27		261
Total current tax		<u>27</u>		<u>(6,639)</u>
Deferred tax (see note 16)				
Accelerated capital allowances	(460)		(261)	
	<u> </u>		<u> </u>	
Total deferred tax		<u>(460)</u>		<u>(261)</u>
Tax on profit on ordinary activities		<u>(433)</u>		<u>(6,900)</u>

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	8,970	23,513
Total tax credit	(433)	(6,900)
	<u> </u>	<u> </u>
Profit excluding taxation	8,537	16,613
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	1,644	3,323
Effect of tax rates in foreign jurisdictions	(27)	544
Non-deductible expenses	1,197	562
Tax losses not recognised/paid	(2,643)	(3,566)
Timing differences	(13)	-
Accelerated capital allowances	(460)	(261)
Over provided in prior years	(131)	(7,502)
	<u> </u>	<u> </u>
Total tax credit	<u>(433)</u>	<u>(6,900)</u>

Notes (continued)

9 Taxation (continued)

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. Further reductions to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

10 Intangible assets

	Course development £000	Software costs £000	Total £000
Cost			
Balance at 1 January 2017	169	3,494	3,663
Additions	117	65	182
	-----	-----	-----
Balance at 31 December 2017	286	3,559	3,845
	=====	=====	=====
Amortisation			
Balance at 1 January 2017	10	1	11
Amortisation for the year	21	794	815
	-----	-----	-----
Balance at 31 December 2017	31	795	826
	=====	=====	=====
Net book value			
At 1 January 2017	159	3,493	3,652
	-----	-----	-----
At 31 December 2017	255	2,764	3,019
	=====	=====	=====

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 2017	5,164	5,720	3	2,514	7,082	2,105	22,588
Additions	-	1,350	-	703	596	627	3,276
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	5,164	7,070	3	3,217	7,678	2,732	25,864
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation							
Balance at 1 January 2017	1,208	3,572	3	1,534	4,173	475	10,965
Depreciation charge for the year	99	464	-	501	1,032	141	2,237
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	1,307	4,036	3	2,035	5,205	616	13,202
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value							
At 1 January 2017	3,956	2,148	-	980	2,909	1,630	11,623
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	3,857	3,034	-	1,182	2,473	2,116	12,662
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Land and buildings includes freehold land of £250,000 (2016: £250,000) which is not depreciated.

12 Stocks

	2017 £000	2016 £000
Catering stock	32	98
	<hr/>	<hr/>

The value of stock passing through the Cost of Sales amounted to £1,462,509 (2016: £1,454,078).

Notes (continued)

13 Debtors

	2017 £000	2016 £000
Trade debtors	56,521	57,177
Amounts owed by fellow group undertakings	79,686	151,016
Amounts owed by parent undertakings	75,867	48,563
Other debtors	895	3,275
Deferred tax assets (see note 16)	1,239	779
Prepayments	3,813	6,055
Accrued income	5,830	2,659
	<u>223,851</u>	<u>269,524</u>
Due within one year	216,555	264,819
Due after more than one year	7,296	4,705
	<u>223,851</u>	<u>269,524</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

	2017 £000	2016 £000
Trade creditors	13,254	12,081
Amounts owed to fellow group undertakings	4,215	36,616
Amounts owed to parent undertakings	66,622	17,814
Taxation and social security	872	1,387
Other creditors	7,004	9,240
Accruals	13,991	12,084
Deferred income	85,155	70,361
	<u>191,113</u>	<u>159,583</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

	2017 £000	2016 £000
Deferred income	10,517	8,801
	<u>10,517</u>	<u>8,801</u>

Notes (continued)

16 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2017 £000	2016 £000
Accelerated capital allowances	1,239	779
Tax assets	1,239	779
	2017 £000	2016 £000
At 1 January 2017	779	518
Credit to profit and loss account	460	261
At 31 December 2017	1,239	779

17 Provisions

	Asset Retirement	Restruct- uring	Onerous Lease	Other	Total
Balance at 1 January 2017	2,105	22	9,383	206	11,716
Provisions made during the year	627	-	1,162	-	1,789
Provisions used during the year	-	(22)	(2,206)	(206)	(2,434)
Balance at 31 December 2017	2,732	-	8,339	-	11,071

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 has been booked 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 £907,000 (2016: £870,000).

Notes (continued)

19 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
2,000,122 (2016: 2,000,122) Ordinary shares of £1 each	2,000	2,000
40,000 (2016: 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 Dividends paid and proposed

	2017 £000	2016 £000
<i>Declared and paid during the year:</i>		
Equity dividends on ordinary shares:		
Interim for 2017: £39.498p per share	79,000	-
	<u>79,000</u>	<u>-</u>
Dividends paid	<u>79,000</u>	<u>-</u>

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	11,235	10,735
Between one and five years	39,916	42,364
More than five years	72,811	82,965
	<u>123,962</u>	<u>136,064</u>

During the year £12,795,530 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £11,344,759).

Notes (continued)

22 Commitments

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

	2017 £000	2016 £000
Less than one year	3,316	872
Between one and five years	4,391	632
More than five years	1,621	-
	<hr/>	<hr/>
	9,328	1,504
	<hr/> <hr/>	<hr/> <hr/>

23 Contingencies

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

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 2017, the borrowings of these companies amounted to £nil (2016: £nil).

Notes (continued)

24 Related Parties

Trading transactions

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

	Sales to		Administrative expenses incurred from		Amounts owed by/(owed to) related parties	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Study Group UK Ltd	-	-	24,477	8,614	(64,970)	30,457
Embassy Educational Services (UK) Ltd	45	66	-	-	51,960	41,991
Study Group Australia Pty Ltd	7,246	7,822	-	1,314	22,162	16,021
Study Group NZ Ltd	371	611	-	105	376	541
EDU UK Bondco PLC	-	-	-	-	-	18,102
EDU UK Management Services Ltd	-	-	434	272	24,764	(16,101)
EDU UK Intermediate Ltd	-	-	147	-	-	(41)
EDU Investments SPV Pty Ltd	-	-	-	-	-	60,262
Study Group Canada Ltd	4	8	-	-	12	8
Study Group Canada Higher Education Inc	161	176	-	31	317	154
Centre for English Studies LLC	22	51	70	-	(38)	133
Study Group USA Higher Education LLC	398	622	-	87	459	2,097
SIG Consulting Services Nigeria	-	-	99	66	(435)	(261)
Beijing Study Group Information Consulting Co Ltd	-	-	-	-	472	566
Xueji Education Information (Beijing) Ltd	-	-	1,681	1,662	1,955	-
Xueji Education Information Consulting (Guangzhou) Ltd	237	-	334	-	(235)	-
Bellerbys College Ireland Ltd	-	-	-	-	(81)	(369)
Study Group Holdings UK Ltd	-	-	-	-	(1,652)	(1,672)
Study Group Finance Pty Ltd	-	-	2,204	3,603	(3,194)	(7,174)
Study Group USA Inc.	-	-	-	-	-	(184)
Study Group Properties Ltd	-	-	-	-	-	(25)
Study Group Ltd	-	-	-	-	(3)	(3)
EDU UK Topco Ltd	-	-	-	-	51,104	4
Study Group do Brazil Agenciamentoe Participacoes	-	-	-	-	(149)	49
Study Group Netherlands BV	-	-	-	-	455	84
EDU Holdings SPV Pty Ltd (Australia)	-	-	-	-	-	432
Study Group Distance Learning Ltd	-	-	-	-	1,513	1,405
Study Group (Singapore)	-	-	-	-	-	(1,327)
SG Study Group Malaysia SDN. BND.	-	-	34	49	(81)	-

Transactions that took place between companies within the group were for transfer pricing and management charges. Consideration was in the form of intercompany loans.

Notes (continued)

24 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	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Company under common control						
Instituto Marangoni	109	1	1	-	3	1

Transactions made between parties were in relation to the recruitment of students on behalf of the other for academic terms that began in October 2016 and January 2017.

25 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.