INTO

INTO University Partnerships Limited

Directors' report and consolidated financial statements for the year ended 31 July 2015

Registered number: 05507863

Contents

Directors and advisers

Directors


A J Colin


J B Sykes


S G Smale


S Holmes


C Harned


J Leeds


D S Eastwood

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United Kingdom
BN1 4AA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Strategic report for the year ended 31 July 2015

The directors present their strategic report on the Group for the year ended 31 July 2015.

Review of the business

The principal activity of the Group is the provision of educational and marketing services through subsidiary undertakings and joint ventures with universities.

The subsidiary and associated undertakings of the Group are listed in note 23 to the financial statements.

The principal activity of the company in the year under review was that of the provision of marketing, management and other corporate services, primarily to the company's joint venture and other related undertakings.

The INTO group specialises in large-scale transformational partnerships that support and drive leading universities' internationalisation goals. Within university-led partnerships, INTO expands opportunities for students to pursue higher education, investing in the resources, systems and processes to deliver a first-class student experience.

The partnership model provides investment and access to resources beyond the scope and capacity of individual universities.

Students benefit from university-designed and delivered programmes, highly supportive learning environments and state-of-the-art learning and living spaces while enjoying full access to their host university's campus facilities, resources and services.

Results and performance

The results of the Group for the year, as set out on page 12, show turnover increasing 21% to £122,508k (2014: £101,475k) and underlying profit increasing 85% to £6,476k (2014: £3,506). A non-recurring exceptional cost of £18,679k (2014: nil) resulted in a loss on ordinary activities before tax of £12,203k (2014: profit of £3,506k). The shareholders' funds for the Group total £10,479k (2014: £24,329k).

The year has been defined by continued growth in student enrolments, expansion of opportunity for those students with the creation of additional partnerships and the continued development of our global marketing network, investing in new channels, sophisticated technology and deeper reach into the world's fastest growing regions for international student demand. It is also reflected in continued revenue growth and an EBITDA of £8.8m. As students seek out new opportunities, this report reflects on how we, together with our partners have responded to this and the outcomes they have experienced as a consequence.

New partnership with Newcastle University in London

In February 2015, Newcastle University and INTO entered into a new partnership agreement to open a branch campus of Newcastle University in London. This partnership will deliver pathway, undergraduate and postgraduate study programmes to international students, with the first students welcomed in September 2015.

New partnership with Saint Louis University

INTO and Saint Louis University (SLU) announced in September 2015 a long-term agreement that will extend SLU's global reach and enhance education access for international students. Ranked as one of the top-100 national universities in the United States, SLU is the first among the nation's 28 Jesuit institutions to enter into this type of joint venture. Founded in 1818 SLU has campuses in St. Louis and Madrid, Spain. The partnership will deliver enhanced English language and academic programs.

New partnership with The University of Alabama at Birmingham

In December 2015 The University of Alabama at Birmingham (UAB) became the eighth university in the U.S to partner with INTO. UAB is an internationally renowned research university known for its innovative and interdisciplinary approach to education at both the graduate and undergraduate levels. UAB has one of the most diverse college campuses in the U.S. and in partnership with INTO will develop academic pathway programs for international students to improve their English language comprehension while preparing them to be successful degree seeking students at UAB.

Investing in systems and service

In the past twelve months we have invested in becoming smarter as a business. We continue to develop enabling technologies which allow us to get closer to students and their advisers and enhance the pre-arrival journey of students. We have integrated our key financial and student admissions systems which operate through our hubs in Brighton, San Diego and Hong Kong. Through the coming year, this will remain a key strategic focus – ensuring we better serve our partners and students, and drive our operating margins through more detailed understanding of the student journey and the cost of student acquisition. For consumers, we are investing in fully re-developed websites, which will incorporate the latest mobile and social media technologies.

Key Performance Indicators ("KPIs")

The Board monitors progress against the company's strategy by reference to the following KPIs:

	2015 £'000	2014 £'000
Total Group Turnover *	222,181	183,928
Underlying Profit for the financial year	3,615	1,819
EBITDA**	8,842	6,675
(Loss) / Profit for the financial year	(14,330)	1,819
Number of INTO partnerships	20	19
Student satisfaction	87%	85%

* Total Group Turnover is calculated as Group turnover plus 100% of joint venture turnover adjusted to add back Management and Corporate Services provided to joint ventures and 100% owned centres.

** EBITDA is calculated as "Group and share of joint ventures operating profit" adjusted to add back depreciation, amortisation and exceptional items (such add back also including depreciation, amortisation and exceptional items recognised by the Group's joint ventures and included within the share of operating profit in joint ventures in the profit and loss account).

	2015 £'000	2014 £'000
Turnover: group and share of joint ventures	122,058	101,475
Add: Share of joint ventures' turnover not owned by the group	66,281	54,557
	188,339	156,032
Add: Management and Corporate Services provided to joint ventures	26,791	24,316
Add: Management and Corporate Services provided to 100% owned centres	7,051	3,580
Total Group Turnover	222,181	183,928

The INTO Group continued to grow and develop during the year resulting in a strong underlying financial performance for the year ended 31 July 2015.

Total group revenue growth continues to be a key strategic priority and gross revenue increased by 21% to £222.2m in 2015 (2014: £183.9m).

Revenue growth in the year was driven by the Group's continued development of new partnerships and the ongoing maturity of revenues at existing partnerships.

The Group reported a net loss after tax for year of £14.3m (2014: £1.8m profit). The result was significantly impacted by non-recurring exceptional costs of £18.7m in respect of provisions for potential one-off settlements of disputes and related costs in which the Group is involved.

EBITDA increased by 32% to £8.8m in 2015 (2014: £6.7m). This reflects ongoing profitability growth in the US, but was also impacted adversely by the start-up costs associated with newer joint ventures.

Outlook

Despite a challenging trading environment, particularly uncertainties created by the continued changes to the UK Visa regulations and a slowdown in China and some oil based economies, further growth of the business is anticipated in 2016. Strong revenue growth is planned through the launch of a number of new INTO partnerships and further growth from our existing partnerships where forward revenue is favourable. Underlying profit growth is also planned through a continued focus on profit margin optimisation and on achieving economies of scale especially at our new and maturing partnerships across the UK and USA.

Approved by the Board of Directors and signed on its behalf by:

Director J B SYKES

28 APRIL 2016

Date

Directors' report for the year ended 31 July 2015

The directors present their annual report together with the audited consolidated financial statements of the group and company for the year ended 31 July 2015.

Results and dividends

The loss for the year, after taxation, amounted to £14,330k (2014: £1,819k profit). The directors do not recommend the payment of a dividend (2014 £nil).

Financial risk management

The straightforward nature of the group's financial instruments means that they are not subject to price risk or liquidity risk and the group does not actively use any complex financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures.

The group is also exposed to foreign exchange risk through the ownership of subsidiaries and joint venture operations in North America and Asia.

Directors

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

A J Colin
J B Sykes
S G Smale
S Holmes
C Harned
J Leeds
D S Eastwood (appointed 1 September 2014)

Company registration number

The company registration number is 05507863

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Political and charitable donations

INTO University Partnerships Limited made no political or charitable donations.

Post balance sheet events

INTO University Partnerships Limited has no post balance sheet event requiring disclosure.

Principal risks and uncertainties

Process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All polices are subject to Board approval and ongoing review by management. Compliance with regulation, legal and ethical standards is a high priority for the Group and the compliance team and Group finance department take on an important oversight role in this regard. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and the controls operate effectively.

The directors consider the following to be principal risks and uncertainties facing the company:

- global economic recession;
- changes to government regulations, particularly those affecting student visas; and
- natural disasters, acts of terrorism and the consequent impact on the ability of international students to travel.

The Board actively monitor these risks on an on-going basis. New initiatives are constantly being developed to attract and retain high quality students and the Board regularly monitor the activities and offerings of competitors. The directors also keep abreast of risk through market awareness, investment in information systems and process improvement, building robust working relationships with partners and developing a strong senior management team.

Environmental, social and community issues

The company is committed to the promotion of environmental initiatives and minimising the environmental impact of its businesses. The company is committed to reducing the impact of its operations on the environment. Through focusing on creating an efficient and sustainable business the company is taking steps to reduce its on-going carbon footprint.

The INTO group is driven by the desire to provide life-changing experiences for our students. Moreover, the investment and additional revenue generated are helping to revitalise both universities and the local and regional economy that surrounds them. The Group also works closely with INTO Giving, a charity established to raise funds for educational projects that help young people living in difficult circumstances to access a good education. The Group supports INTO Giving through staff volunteering their time and skills to support projects and fundraising activities. In 2014/15 £57,100 was raised to support projects in Honduras, Thailand and Zambia. Giving generously of their time, the funds raised by our staff in the United Kingdom and the United States, have provided free teacher training and support to the Poonsab Mercy Preschool in Bangkok for example.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer a disability.

Consultations with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic business units and the company as a whole. Communication with all employees continues through the INTO Net intranet.

Statement of directors’ responsibilities

The directors are responsible for preparing the Annual 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 the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirm that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

Director J B SYKES

28 APRIL 2016

Date

Independent auditors' report to the members of INTO University Partnerships Limited

Report on the financial statements

Our opinion

In our opinion, INTO University Partnerships Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2015 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated Balance sheet as at 31 July 2015;
- the Consolidated Profit and loss account for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Reconciliation of movement in shareholders' funds for the year then ended;
- the Company Balance Sheet as at 31 July 2015;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

28 / 4 / 16

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date

Consolidated profit and loss account for the year ended 31 July 2015

	Note	Underlying £'000	Non-Underlying £'000	2015 £'000	2014 £'000
Turnover: group and share of joint ventures		122,058	–	**122,058**	101,475
Existing operations		119,422	–	119,422	101,475
Acquisitions	21	2,636	–	2,636	–
Less: share of joint ventures' turnover		(66,281)	–	**(66,281)**	(54,557)
Group turnover	1	55,777	–	**55,777**	46,918
Cost of sales		(14,720)	–	**(14,720)**	(11,516)
Gross profit		41,057	–	**41,057**	35,402
Net operating expenses		(37,721)	–	**(37,721)**	(31,045)
Exceptional items	2	–	(18,679)	**(18,679)**	–
Group operating (loss) / profit	3	3,336	(18,679)	**(15,343)**	4,357
Existing operations		4,585	(18,679)	(14,094)	4,357
Acquisitions	21	(1,249)	–	(1,249)	–
Share of operating profit in joint ventures		2,657	–	**2,657**	(625)
Group and share of joint ventures operating (loss) / profit		5,993	(18,679)	**(12,686)**	3,732
Net interest receivable / (payable)					
Group		476	–	**476**	(135)
Share of joint ventures'		7	–	**7**	(91)
(Loss) / profit on ordinary activities before taxation		6,476	(18,679)	**(12,203)**	3,506
Tax on (loss) / profit on ordinary activities of subsidiaries	5	(1,467)	734	**(733)**	193
Share of joint ventures taxation	5	(1,394)	–	**(1,394)**	(655)
(Loss) / profit on ordinary activities after taxation		3,615	(17,945)	**(14,330)**	3,044
Equity non-controlling interests		–	–	**-**	(1,225)
(Loss) / profit for the financial year	16, 17	3,615	(17,945)	**(14,330)**	1,819

All amounts relate to continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the current and prior financial year stated above and their historical costs equivalents.

The notes on pages 21 to 41 form part of these financial statements.

Consolidated Balance sheet as at 31 July 2015

Registered number: 05507863

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	6	4,701	1,142
Tangible assets	7	7,743	6,463
Investments			
Investments in joint ventures			
– Share of gross assets	8	75,262	63,098
– Share of gross liabilities	8	(90,060)	(72,975)
Other investments	9	150	150
Total fixed assets		(2,204)	(2,122)
Current assets			
Stocks	10	1,867	–
Debtors (including £3,202k (2014: £2,235k) due after one year)	11	54,583	43,914
Cash at bank and in hand		22,072	9,327
Total current assets		78,522	53,241
Creditors: Amounts falling due within one year	12	(46,165)	(26,515)
Provision for liabilities	13	(19,429)	–
Net current assets		12,928	26,726
Total assets less current liabilities		10,724	24,604
Creditors: Amounts falling due after more than one year	14	(245)	(275)
Net assets		10,479	24,329
Capital and reserves			
Called up share capital	15	1,192	1,128
Share premium account	16	33,002	33,002
Translation reserve	16	191	(289)
Profit and loss reserve	16	(23,906)	(9,512)
Total shareholders' funds	17	10,479	24,329

The consolidated financial statements on pages 12 to 41, were approved by the Board of Directors and signed on its behalf by:

Director J B SYKES

Date 28 APRIL 2016

Consolidated Cash Flow Statement for the year ended 31 July 2015

Registered number: 05507863

	2015 £'000	2014 £'000
Operating (loss)/profit	(15,343)	4,357
Depreciation charge	1,461	898
Goodwill amortisation	249	121
Loss on disposal of tangible assets	74	–
Purchase of stocks	(1,612)	–
Increase in debtors	(3,897)	(13,105)
Increase in creditors	22,784	7,202
Net cash inflow / (outflow) from operating activities	3,716	(527)
Returns on investment & servicing of finance		
Interest received / (paid)	476	(135)
Payment to minority interest	-	(1,225)
Net cash inflow / (outflow) from returns on investments and servicing of finance	476	(1,360)
Taxation	(996)	(38)
Capital expenditure & financial investment		
Purchase of tangible fixed assets	(2,902)	(3,329)
Acquisition of subsidiaries	(1,607)	–
Net cash acquired with subsidiaries	4,594	–
Other investments	-	(34)
Investment in joint ventures	(700)	(4,324)
Dividends received from joint ventures	8,777	5,551
Net cash inflow / (outflow) from capital expenditure and financial investment	8,162	(2,136)
Net cash inflow / (outflow) before use of liquid resources and financing	11,358	(4,061)
Financing		
Movement on AJC Holdings account	(133)	5,572
Movement on director loan account	936	(3,133)
(Increase)/decrease in borrowings	(29)	(8)
Net cash inflow from financing	774	2,431
Exchange adjustments	613	(399)
Increase / (decrease) in net cash	12,745	(2,029)

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2015

Registered number: 05507863

	2015 £'000	2014 £'000
(Loss) / profit for the financial year	(14,330)	1,819
Foreign exchange on overseas operations	480	(322)
Total recognised gains & losses for the financial year	(13,850)	1,497

Company Balance sheet as at 31 July 2015

Registered number: 05507863

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	7	-	–
Investments	9	36,066	36,066
		36,066	36,066
Current assets			
Debtors	11	7,222	5,475
Cash at bank and in hand		111	290
		7,333	5,765
Creditors: amounts falling due within one year	12	(2,235)	(2,800)
Provision for liabilities	13	(20,252)	–
Net current (liabilities) / assets		(15,154)	2,965
Total assets less current liabilities		20,912	39,031
Net assets		20,912	39,031
Capital and reserves			
Called up share capital	15	1,192	1,128
Share premium account	16	33,002	33,002
Profit and loss account	16	(13,282)	4,901
Total shareholders' funds	17	20,912	39,031

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company. The result for the financial year ended 31 July 2015 dealt with in the financial statements of the parent company was a loss of £18,119k (2014: £2,278k profit).

The financial statements on pages 12 to 41, were approved by the Board of Directors and signed on its behalf by:

Director J B SYKES

28 APRIL 2016
Date

The notes on pages 21 to 41 form part of these financial statements.

Accounting policies

Basis of preparation

The following accounting policies have been applied consistently in both the current and preceding periods in dealing with items which are considered material in relation to the company's financial statements. These financial statements are prepared in Pounds Sterling, on the going concern basis, under the historical cost accounting convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

After considering the cash flow projections for the twelve months from the date these financial statements were issued for approval, the directors believe the group has sufficient funds to meet its liabilities as they fall due and have accordingly prepared the financial statements on a going concern basis.

No adjustments have been made to these financial statements in the event of the company not being a going concern.

Consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings, together with the Group's share of results of its joint ventures. A separate profit and loss account has not been included for the company by virtue of section 408 of the Companies Act 2006.

The results of subsidiaries and share of profits and losses from joint ventures represent an annual year to 31 July 2015, with comparatives representing an annual year to 31 July 2014.

INTO USF Inc prepare their financial statements to 30 June. Given non-coterminous balance sheet dates, the share of profits and losses and net assets in relation to this joint venture represent the annual period to 30 June 2015. As INTO USF Inc's balance sheet date is less than 3 months prior to the Group's balance sheet date, this is permitted under UK GAAP.

Subsidiaries

The acquisition of subsidiaries is accounted for using the acquisition method, unless they qualify for treatment under merger accounting principles.

The acquisition of subsidiaries which qualify for merger accounting are accounted for using the merger accounting principles set out in Financial Reporting Standard 6.

Inter-company transactions, balances and unrealised gains arising between the Company and its subsidiaries are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Interests in joint ventures

The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the gross equity method of accounting. Under the gross equity method, the investment in a jointly controlled entity is carried in the balance sheet at cost, plus post-acquisition changes in the group's share of net assets of the jointly controlled entity, less distributions received and less any impairment in value of the investment. The group income statement reflects the group's share of the results after tax of the jointly controlled entity.

Where necessary, adjustments are made to financial statements of jointly controlled entities to bring the accounting policies used into line with those of the group.

Unrealised gains on transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entities.

The group assesses investments in jointly controlled entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs to sell and value in use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss account.

Foreign operations

The Group uses the "closing rate method" to translate foreign operations into Pounds Sterling. The assets and liabilities of foreign operations are translated to Pounds Sterling at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Pounds Sterling at the average rate for the year. Exchange differences arising on retranslation of foreign operations from the opening / average rate to the closing rate are recognised in the Statement of Total Recognised Gains and Losses and included in the translation reserve.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to acquisition. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Estimated depreciation is made on the following basis to write off the assets over their estimated useful economic lives:

Land freehold	Not depreciated
Buildings freehold	2% straight line
Leasehold improvements	Life of the lease
Fixtures and fittings	25% straight line
Office Equipment	20% – 25% straight line

Useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets under course of construction

Development costs for software are stated at historic cost and transferred to tangible fixed assets on completion. No depreciation charge is charged on constructions in progress. Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. Costs capitalised include the appropriate proportion of employment costs for those staff involved in the development.

Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of stock comprises raw materials, direct labour, other direct costs and related overheads. Net realisable value is the estimated selling price less applicable costs.

Goodwill

Goodwill represents the excess of the cost of acquisition of a subsidiary over the Group's share of the fair value of identifiable net assets acquired.

Goodwill is amortised on a systematic basis over its useful life, which is 15 years.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is reviewed for impairment at the end of the first full year of ownership. A review for impairment of goodwill is conducted if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Pension obligations

The Group only has defined contribution plans. Contributions in respect of defined contribution pension schemes are charged to the Profit and Loss account when they are payable. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group operates the INTO Personal pension and Stakeholder Scheme.

Turnover

Turnover comprises the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Turnover is shown net of value-added tax and amounts due to third parties and after elimination of revenue within the Group.

Amounts invoiced in advance of services being performed are deferred within creditors due in less than one year until the service is performed. Where services are performed prior to amounts being invoiced, amounts are recognised as accrued income within debtors.

- **Tuition**
  Tuition fees represent all fees chargeable to students or their sponsors received and receivable attributable to the current accounting year net of discounts. Tuition fees are attributed to accounting periods based on the tuition actually provided in that period. The costs of any fees waived are deducted from the tuition fee income.

- **Accommodation**
  Accommodation fees are spread over the period of occupancy to which they relate.

- **Catering**
  Catering income represents the sale of food and beverages from ancillary catering facilities and is recognised as earned over the year.

- **Management and corporate services fees**
  Marketing services, management services and other corporate services are provided by the Group to its joint ventures. Such turnover is recognised in the accounting period in which the services are provided.

- **Progression fees**
  The Group receives contractual payments from certain Universities in relation to students progressing to join the University from INTO study centres and/or from direct applicants joining the University as a result of marketing activity conducted by the Group. Such turnover

is recognised at the point students accept a place to study at the University and is recognised for all future payments in full less a provision for estimated student withdrawals.

- **Placement fees**
  Contractual payments are received from certain education providers in relation to placing students where the Group acts as agent. Such turnover is recognised at the point students accept a place to study and only the agency commission due is recognised as revenue.

Leases

Rental payments under operating leases are charged on a straight line basis over the lease term. This applies even if the payments are not made on such a basis, such as rent free periods or other lease incentives, for which the benefits are spread on a straight line basis over the lease term or, if earlier, to the first rent review date.

Capital requirements

The Group is not subject to any externally imposed capital requirements.

In order to maintain an optimal capital structure, the Group may adjust the amount of distributions paid to members, return capital to members, raise capital or sell assets to reduce debt.

The Board has put in place a distribution policy which takes into account the degree of maintainability of the Group's different profit streams, as well as the requirement to maintain a certain level of cash resources for working capital and corporate development purposes.

Contingent Liabilities

Because of the nature of the business it is possible that from time to time the Group will enter into disputes with third parties. Contingent liabilities are disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote.

In approving these financial statements the Board of Directors have confirmed their view that no provisions need to be booked in respect of such matters.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision has been made in these financial statements in respect of potential settlement of disputes in which the Group is involved. The amounts are provided based on the Directors estimates of the potential liability based on all information available.

Share based payments

The cost of cash-settled share-based payment are measured at fair value and recognised over the vesting period. Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled. Non-market based performance conditions are taken into account when determining fair value. The Directors have made an assessment of the likelihood of an event triggering a cash award occurring and consider it to be remote. Accordingly no charges has been recognised in the Profit and Loss account.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Notes to the financial statements

1 Turnover

	2015 £'000	2014 £'000
Geographical analysis		
UK	37,880	30,388
North America	16,565	14,696
Asia	1,332	1,834
	55,777	46,918
Business analysis		
Tuition	18,185	14,401
Accommodation, catering & other ancillary student services	4,862	3,895
Management & corporate services fees	26,792	24,333
Progression and placement fees	5,938	4,289
	55,777	46,918

Geographical analysis is based on the country in which the services are received.

2 Exceptional items

Exceptional items in the year relate to provisions at 31 July 2015 described in Note 13. There has been no cash flow impact in the year ended 31 July 2015 (2014: £nil).

3 Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2015 £'000	2014 £'000
Amortisation of intangible fixed assets	249	121
Depreciation of tangible fixed assets:		
– owned by the company	1,461	898
Operating lease charges:		
– land and buildings	2,670	1,163
Services provided by the Company's auditor		
Fees payable for the audit of the company's annual accounts	51	51
Fees payable for other services – audit of subsidiaries pursuant to legislation	106	105
Fees payable for other services – tax services	90	84
Fees payable for other services – corporate finance transactions	-	–
Fees payable for other services – other advisory	-	–

4 Staff costs

Staff costs comprise:

	2015 £'000	2014 £'000
Wages and salaries	22,341	17,894
Social security costs	2,103	1,408
Other pension costs	1,280	629
	25,724	19,931

The average monthly number of employees, including the directors, during the year was 664 (2014: 494).

Directors' Remuneration	2015 £'000	2014 £'000
Directors' remuneration consists of:		
Emoluments	609	500
Payments to defined contribution pension scheme	16	–
	625	500

There were 3 directors in the company's defined contribution pension scheme during the year (2014: nil).

The emoluments of the highest paid director in the year were £205k (2014: £227k)

5 Tax on profit/(loss) on ordinary activities

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax on profits of the period	-	617
Foreign corporation tax on profits of the period	2,127	765
Adjustments in respect of prior periods	-	(920)
Total current tax	2,127	462
Total deferred tax	-	–
Tax on profit/(loss) on ordinary activities	2,127	462

The tax assessed for the year is higher (2014: lower) than the standard rate of corporation tax in the UK of 20.7% (2014: 22.3%). The differences are explained below:

	2015 £'000	2014 £'000
(Loss)/profit on ordinary activities before tax	(12,203)	3,506
Tax calculated at domestic rates applicable to profits in the respective countries (20.7%, 2014: 22.3%)	(2,522)	783
Effects of:		
Adjustments in respect of prior periods	-	(920)
Expenses not deductible for tax purposes	709	288
Adjustments in respect of foreign tax rates	1,000	201
Other timing differences	40	56
Utilisation of tax losses from previous periods	(72)	(746)
Tax losses carried forward to future periods	2,972	800
Total current tax charge	2,127	462

Deductible temporary differences and unused tax losses for which no deferred tax asset has been recognised total £4,833k (2014: £1,550k). This asset has not been recognised in the financial statements due to current uncertainties surrounding the reversal of the underlying differences. This deferred tax asset would be recovered if there were future taxable profits from which the reversal of the underlying difference could be deducted.

Factors affecting current and future tax charges:

During the year, as a result of the changes in the UK corporation tax rate to 20% which was substantially enacted on 2 July 2013 and effective from 1 April 2015, the relevant tax balances have been re-measured.

6 Intangible fixed assets

GROUP	Goodwill £'000
Cost	
At 1 August 2014	1,822
Additions	3,800
Foreign exchange	8
At 31 July 2015	5,630
Amortisation	
At 1 August 2014	680
Charge	249
At 31 July 2015	929
Net book value	
At 31 July 2015	4,701
At 31 July 2014	1,142

The additions to Intangible assets are in relation to the acquisition of International Student Education Services, Inc. described in Note 21.

7 Tangible fixed assets

GROUP	Land & Buildings Freehold £'000	Land & Buildings Leasehold Improvements £'000	Fixtures & Fittings £'000	Office Equipment £'000	Assets under course of construction £'000	Total £'000
Cost						
At 1 August 2014	993	1,313	1,135	4,319	2,119	9,879
Additions	–	170	148	876	1,708	2,902
Acquisition of subsidiaries	–	685	469	235	–	1,389
Transfers	–	11	71	1,555	(1,892)	(255)
Disposals	–	(66)	(116)	(507)	(1,234)	(1,923)
Exchange Adjustments	–	2	7	12	–	21
At 31 July 2015	**993**	**2,115**	**1,714**	**6,490**	**701**	**12,013**
Depreciation						
At 1 August 2014	42	325	733	2,316	–	3,416
Charge for the year	19	162	320	960	–	1,461
Disposals		(66)	(116)	(433)	–	(615)
Exchange Adjustments		1	2	5	–	8
At 31 July 2015	**61**	**422**	**939**	**2,848**	**-**	**4,270**
Net book value						
At 31 July 2015	**932**	**1,693**	**775**	**3,642**	**701**	**7,743**
At 31 July 2014	951	988	402	2,003	2,119	6,463

Disposals include software developed by the group's subsidiaries that is sold to the group's joint ventures.

8 Interests in joint ventures

GROUP	2015 £'000	2014 £'000
Share of assets		
Share of current assets	69,671	58,326
Share of fixed assets	5,591	4,772
	75,262	63,098
Share of liabilities		
Liabilities due within one year	(90,060)	(69,792)
Liabilities due after one year or more	-	(3,183)
		(72,975)
Share of net liabilities	(14,798)	(9,877)
Share of turnover	79,676	66,715
Share of expenses	(77,019)	(67,340)
Share of profit / (loss) from joint ventures	2,657	(625)

The Group's share of the individually significant joint ventures are analysed in Note 24.

9 Investments

GROUP	Other Investments £'000
At 1 August 2014	150
Additions	-
Foreign exchange	-
At 31 July 2015	150

COMPANY	Investment in subsidiaries £'000	Other Investments £'000	Total £'000
At 1 August 2014	35,962	104	36,066
Additions	–	–	-
At 31 July 2015	35,962	104	36,066

The directors believe that the carrying value of the investments is supported by their underlying net assets.

A full list of the subsidiaries and joint ventures of the Group can be found in Note 23.

10 Stocks

GROUP	Total £'000
At 1 August 2014	-
Reclassified from assets under construction	255
Additions	1,612
At 31 July 2015	1,867

Stocks comprises land and buildings in the course of construction.

11 Debtors

GROUP	2015 £'000	2014 £'000
Due within one year:		
Trade debtors	14,101	10,778
Amounts owed by related undertakings	22,362	18,317
Amounts owed by director	32	968
Corporation tax	647	203
Other debtors	1,140	751
Prepayments and accrued income	16,301	12,897
	54,583	43,914

COMPANY	2015 £'000	2014 £'000
Due within one year:		
Trade debtors	-	–
Amounts owed by group undertakings	3,825	5,068
Amounts owed by related undertakings	2,507	–
Corporation tax	470	207
Other debtors	55	–
Prepayments and accrued income	365	200
	7,222	5,475

Prepayments and accrued income, for the Group, include £3,202k (2014: £2,835) falling due after more than one year.

Prepayments and accrued income, for the Company, include £nil (2014: £nil) falling due after more than one year.

Amounts owed by group and related undertakings are unsecured, non-interest bearing and have no fixed repayment date.

12 Creditors

GROUP	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade creditors	2,748	2,026
Amounts owed to related undertakings	5,199	3,543
Corporation tax	180	–
Other taxation and social security	1,060	863
Other creditors	1,318	2,279
Accruals and deferred income	35,660	17,804
	46,165	26,515

COMPANY	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade creditors	325	335
Amounts owed to group undertakings	1,357	1,217
Amounts owed to related undertakings	6	–
Corporation tax	-	–
Other taxation and social security	199	230
Other creditors	24	8
Accruals and deferred income	324	1,010
	2,235	2,800

Amounts owed to group and related undertakings are unsecured, non-interest bearing and have no fixed repayment date.

13 Provision for liabilities

GROUP	Total £'000
At 1 August 2014	-
Charged to the profit and loss account	18,679
Reclassified from accruals	750
At 31 July 2015	19,429

COMPANY	Total £'000
At 1 August 2014	-
Charged to the profit and loss account	19,502
Reclassified from accruals	750
At 31 July 2015	20,252

Provision for liabilities at 31 July 2015 comprise provisions in respect of potential settlement of disputes in which the Group is involved along with associated costs.

Management considers that the provisions cover a prudent assessment of the likely settlement and costs in each case.

14 Borrowings

GROUP	2015 £'000	2014 £'000
Long term		
Loans due after one year	245	275

Bank loans represent a commercial mortgage loan agreement secured against the freehold property of the group by way of a first legal charge. The first repayment date is 6 June 2013 and monthly repayments are made thereafter for a term of 20 years. The interest rate on the mortgage is calculated at 3.8% per annum above the HSBC Bank plc Sterling Base Rate.

Other loans represent a flexible business loan facility of £102,000. The flexible business loan facility is repayable by instalment on a monthly basis over a period of 6 years from 6 May 2011 and is secured by a debenture comprising fixed and floating charges over all assets and undertaking of Delta Language Training & Consultancy Limited including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future. The interest rate on the mortgage is calculated at 3.8% per annum above the HSBC Bank plc Sterling Base Rate.

The maturity of long term borrowings is as follows:

GROUP	2015 £'000	2014 £'000
Between 2 and 5 years	245	275

15 Called up share capital

Allotted, called up and fully paid	2015 £'000	2014 £'000
67,500,000 A1 Ordinary Shares of £0.01 each	675	675
22,500,000 B1 Ordinary Shares of £0.01 each	225	225
22,788,800 Deferred Shares of £0.01 each	228	228
5,339,000 C Ordinary Shares of £0.01 each	53	–
100,000 D Ordinary Shares of £0.01 each	1	–
1,000,000 E Ordinary Shares of £0.01 each	10	–
	1,192	1,128

A1 Ordinary Shares:

The A1 ordinary shares carry one vote on a written resolution and one vote on a resolution on a poll taken at a meeting. The holders of the A1 ordinary shares also have the right to vote on a resolution on a show of hands at a meeting. Subject to the payment of a Preference Dividend (as defined in the prescribed particulars of the B1 ordinary shares below) to the holders of B1 ordinary shares, dividends are payable by reference to each shareholder's holding of shares, other than Deferred shares, on the date of the resolution or decision to declare or pay it. On a distribution of capital, the holders of A1 ordinary shares are entitled to participate in accordance with the formulae set out in the Company's articles of association. The A1 ordinary shares are not redeemable.

B1 Ordinary Shares:

The B1 ordinary shares carry one vote on a written resolution and one vote on a resolution on a poll taken at a meeting. The holders of the B1 ordinary shares also have the right to vote on a resolution on a show of hands at a meeting. Conditional on the shareholders of B1 ordinary shares submitting written notice to the Company, a dividend of 15% of the price each such shareholder paid to acquire each B1 ordinary share is payable in priority to any other dividends paid in respect of any class of share (a "Preference Dividend"). Subject to the payment of a Preference Dividend, dividends are payable by reference to each shareholder's holding of shares, other than Deferred shares, on the date of the resolution or decision to declare or pay it. On a distribution of capital, the holders of B1 ordinary shares are entitled to participate in accordance with the formulae set out in the Company's articles of association. The B1 ordinary shares are not redeemable.

Deferred Shares:

The Deferred shares do not carry any rights to receive notice of or to attend or vote at any general meeting of the Company or to receive a copy of or to vote on any written resolution of the Company. The holders of Deferred shares are not entitled to participate in any dividend or capital distribution. The Deferred shares are not redeemable.

C, D and E Ordinary Shares:

The C, D and E ordinary shares do not carry any rights to receive notice of or to attend or vote at any general meeting of the Company or to receive a copy of or to vote on any written resolution of the Company. The C, D and E ordinary shareholders will not have any rights to participate in any distribution of capital upon winding up except in accordance with the formula set out in the Company's articles of association. The C, D and E ordinary shares are not redeemable.

The C, D and E shares were granted to directors and employees during the year to 31 July 2015. See Note 22.

16 Reserves

GROUP	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000
At 1 August 2014	1,128	33,002	(289)	(9,512)
Loss for the financial year		-		(14,330)
Issue of bonus shares to employees	64	-		(64)
Foreign exchange on overseas operations		-	480	-
At 31 July 2015	1,192	33,002	191	(23,906)

COMPANY	Share capital £'000	Share premium account £'000	Profit and loss account £'000
At 1 August 2014	1,128	33,002	4,901
Loss for the financial year	-	-	(18,119)
Issue of bonus shares to employees	64	-	(64)
At 31 July 2015	1,192	33,002	(13,282)

The issue of bonus shares to employees relates to the share based payment scheme described in Note 22.

17 Reconciliation of movement in shareholders' funds

GROUP	2015 £'000	2014 £'000
Opening shareholders' funds	24,329	22,832
Foreign exchange on overseas operations	480	(322)
Profit / (loss) for the financial year	(14,330)	1,819
Closing shareholders' funds	10,479	24,329

COMPANY	2015 £'000	2014 £'000
Opening shareholders' funds	39,031	36,753
Profit / (loss) for the financial year	(18,119)	2,278
Closing shareholders' funds	20,912	39,031

18 Financial commitments

The following reflect the minimum annual commitments under operating leases for the group companies analysed by the remaining uncancellable lease term:

GROUP	2015 £'000	2014 £'000
Land and Buildings:		
Within one year	-	–
Between two years and five years	535	578
After five years	2,229	678

COMPANY	2015 £'000	2014 £'000
Land and Buildings:		
Within one year	-	–
Between two years and five years	433	433
After five years	-	–

19 Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard No. 8 'Related party disclosures', not to disclose any transactions or balances with entities that are 100% controlled by INTO University Partnerships Limited.

The fundamental core of the Group's business model is entering into joint venture partnerships with leading Universities to furnish overseas students with the requisite qualifications to enter onto undergraduate or postgraduate courses at those establishments. The Group provides Management and Corporate Services to these partnerships as highlighted in Note 1.

On an aggregated basis, the level of Management and Corporate Services provided by the Group to its joint ventures during the year was £26,791k (2014: £24,316k).

At 31 July 2015, the group had the following balances with related parties:

	2015 £'000 Debtor / (Creditor)	2014 £'000 Debtor / (Creditor)	**Relationship**
INTO UEA LLP	28	53	50% owned by INTO Group
INTO University of Exeter LLP	126	240	50% owned by INTO Group
INTO Newcastle University LLP	(2,609)	(1,070)	50% owned by INTO Group
INTO Scotland LLP	680	442	50% owned by INTO Group
INTO Queen's LLP	2,040	2,032	50% owned by INTO Group
INTO City LLP	3,821	1,936	50% owned by INTO Group
INTO St George's Hospital Medical School LLP	2,464	356	50% owned by INTO Group
INTO Gloucestershire LLP	3,515	1,876	50% owned by INTO Group
INTO USF inc.	(1,003)	(263)	50% owned by INTO Group
INTO Oregon State University inc.	(1,244)	794	50% owned by INTO Group
INTO CSU LLC	852	987	50% owned by INTO Group
INTO Marshall LLC	1,129	1,283	50% owned by INTO Group
INTO Mason LLC	1,640	790	50% owned by INTO Group
INTO New York at Drew LLC	2,544	714	50% owned by INTO Group
INTO Stirling LLP	1,680	255	50% owned by INTO Group
INTO Newcastle LP	9	–	Owned by Andrew Colin
Diane Andres	(160)	–	Director of International Student Education Services, Inc.,
Janice Schiffman	(160)	–	Director of International Student Education Services, Inc.,
AJC Holdings Limited	157	25	Owned by Andrew Colin
Andrew Colin	32	968	Director / Controlling Party
Espalier Credit Limited	-	(909)	Parent Company of the INTO Group

20 Ultimate controlling party

The company's immediate parent and ultimate parent undertaking is Espalier Credit Limited, a company registered in the United Kingdom. The ultimate controlling party is A J Colin.

Accordingly, the largest group into which the results of the company are consolidated, as at 31 July 2015, is Espalier Credit Limited. These financial statements are available to the public and may be obtained from the registered office at One Gloucester Place, Brighton, BN1 4AA.

21 Acquisition of subsidiary undertakings

There have been two acquisitions in the year; INTO London MDX Street LLP and International Student Education Services, Inc. For the year ended 31 July 2015 the turnover and operating profit for these entities are shown below.

	INTO London MDX Street LLP £'000	International Student Education Services £'000	**Total** **£'000**
Turnover	657	1,979	2,636
Operating profit	(1,926)	677	(1,249)

(a) INTO London MDX Street LLP

INTO London MDX Street LLP was formerly named INTO UEA (London Campus) LLP and was a joint venture of the Group in partnership with the University of East Anglia (via UEA INTO Holdings Ltd).

UEA INTO Holdings Ltd retired from the INTO UEA (London Campus) LLP with effect from the close of business on 31 July 2014.

On 1 August 2014 INTO UEA (London Campus) LLP changed its name to INTO London MDX Street LLP and became a 100% subsidiary of the group. Furthermore, as a result of the retirement option taken, the University of East Anglia had an obligation to fund 100% of INTO UEA (London Campus) LLP's net liability position (adjusted to disregard certain liabilities) at 31 July 2014. This resulted in a £925k gain recognised by the group. The group also assumed 100% of the adjusted net liability position of INTO UEA (London Campus) LLP resulting in a £1,021k loss. The net resulting financial impact of this was a loss to the group of £96k which was recognised as a provision in the profit and loss account in the year to 31 July 2014.

The Group has used acquisition accounting to account for the purchase.

The following tables set out the fair values of the identifiable assets and liabilities acquired:

	Fair value £'000
Cash and cash equivalents	157
Property, plant and equipment	1,389
Trade and other debtors	4,304
Trade and other creditors	(7,892)
Net liabilities acquired	(2,042)
Represented by:	
INTO University Partnerships Ltd partner account	(1,021)
The University of East Anglia partner account	(1,021)
	(2,042)

Details of net liabilities acquired and loss on acquisition are as follows:

	Fair value £'000
Funding received from the University of East Anglia	925
Fair value of the University of East Anglia partner account liabilities acquired (see above)	(1,021)
Loss on acquisition	96

In its last financial year to 31 July 2014 INTO London MDX Street LLP made a loss of £3,819k.

(b) International Student Education Services, Inc.

On 2 September 2014 the group acquired 100% of the share capital of International Student Education Services, Inc. for an aggregate purchase price equal to $2,875,000, including an element of contingent consideration.

The Group has used acquisition accounting to account for the purchase.

The following tables set out the fair values of the identifiable assets and liabilities acquired and goodwill arising:

	Fair value £'000
Cash and cash equivalents	4,437
Trade and other debtors	1,593
Trade and other creditors	(7,902)
Net liabilities acquired	(1,872)

Details of net liabilities acquired and goodwill arising are as follows:

	£'000
Purchase consideration:	
– Cash paid	1,522
– Contingent consideration	321
– Direct cost relating to the acquisition	85
Total purchase consideration	1,928
Fair value of liabilities acquired (see above)	(1,872)
Goodwill	3,800

In its last financial year to 31 December 2013 International Student Education Services, Inc made a profit after tax of £568k. For the period from 1 January 2014 to 1 September 2014 the summarised profit and loss account and statement of total recognised gains and losses, are as follows:

	£'000
Turnover	3,035
Cost of sales	(713)
Gross profit	2,322
Net operating expenses	(1,899)
Operating profit	423
Net interest receivable	7
Profit on ordinary activities before taxation	430
Tax on profit on ordinary activities	-
Profit on ordinary activities after taxation	430
Foreign exchange on overseas operations	-
Total recognised gains & losses for the period	430

22 Share-based payments

During the year the company established a Management Incentive Plan ("MIP") where certain key employees and Directors were awarded C, D and E shares in the company.

Details of the shares awarded are as follows:

	Total number of shares awarded	£'000
J Sykes	741,721	7
S Smale	888,567	9
D Eastwood	258,000	3
S Holmes	295,714	3
All other qualifying staff	4,254,998	42
Total	6,439,000	64

The shares will vest on a Share Sale or Capital Return. Subject to the vesting conditions, the amount available for distribution to the shareholders is subject to a defined hurdle share value. The value of the shares when the capital distribution amount exceeds the hurdle share value is determined using a formula defined in the Articles of Association of the company. At 31 July 2015 a distribution to the shareholders has been deemed to be remote by management and as a result the company recognised total expenses of £nil related to share-based payment transactions in the year (2014: £nil).

23 Subsidiaries and joint ventures of the group

The subsidiaries and joint ventures of the group are shown below together with details of their main activities

Directly held subsidiary undertakings	Holding	Main activities
INTO Manchester Limited	100%	Educational services
Delta Language Training and Consultancy Limited	100%	Educational services
Friars 607 Limited (Registered No. 06885738) ****	100%	Investment holding Company
IUP East Anglia Limited (Registered No. 06296000) ****	100%	Investment holding Company
INTO Exeter Limited (Registered No. 05980246) ****	100%	Investment holding Company
INTO Newcastle Limited (Registered No. 06030536) ****	100%	Investment holding Company
Newincco 821 Limited (Registered No. 06556353) ****	100%	Investment holding Company
Newincco 921 Limited (Registered No. 06858769) ****	100%	Investment holding Company
Newincco 922 Limited (Registered No. 06858821) ****	100%	Investment holding Company
INTO SGUL Limited (Registered No. 07601122) ****	100%	Investment holding Company
INTO UOG Limited (Registered No. 08404156) ****	100%	Investment holding Company
INTO University Partnerships (Asia) Limited **	100%	Educational services
IUP 2 LLP	100%	Provision of corporate services
Newincco 1183 Limited	100%	Dormant
Newincco 1306 Limited (Registered No. 09083887) ****	100%	Investment holding Company
INTO GP LP*	100%	Investment holding Company
London Academy of Diplomacy Limited	100%	Dormant
INTO Newcastle Line East Property Limited	100%	Development of building projects
INTO York Property Limited (Registered No. 08848481) ****	100%	Development of building projects

Indirectly held subsidiary undertakings	Holding	Main activities
IUP Asia Limited **	100%	Educational services
INTO TEFL Limited	100%	Educational services
INTO London MDX Street LLP	100%	Educational services
INTO China Limited **	100%	Educational services
Guangzhou INTO Education Limited ***	100%	Educational services
INTO London World Education Centre Limited (formerly INTO London Limited)	100%	Educational services
INTO USA LP*	100%	Investment holding Company
INTO NA Inc*	100%	Provision of corporate services
International Student Education Services, Inc*	100%	Educational services
INTO UK Service Centre Limited	100%	Dormant
INTO Global Service Centre Limited**	100%	Dormant
Newincco 1184 Limited	100%	Dormant
INTO USF LP*	100%	Investment holding Company

Indirectly held interests in joint ventures	Holding	Main activities
INTO UEA LLP	50%	Educational services
INTO University of Exeter LLP	50%	Educational services
INTO Newcastle University LLP	50%	Educational services
INTO Scotland LLP	50%	Educational services
INTO City LLP	50%	Educational services
INTO St George's Hospital Medical School LLP	50%	Educational services
INTO Queens LLP	50%	Educational services
INTO Gloucestershire LLP	50%	Educational services
INTO Oregon State University Inc *	50%	Educational services
INTO USF Inc *	50%	Educational services
INTO CSU LLC *	50%	Educational services
INTO Marshall LLC *	50%	Educational services
INTO New York at Drew LLC*	50%	Educational services
INTO Mason LLC*	50%	Educational services
INTO Stirling LLP	50%	Educational services
Newcastle University INTO London LLP	50%	Educational services

* incorporated in North America;

** incorporated in Hong Kong;

*** incorporated in China;

**** exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of s479A.

24 Financial information for individually significant joint ventures of the group

INTO Newcastle University LLP	2015 £'000	2014 £'000
Share of assets		
Share of current assets	9,035	9,479
Share of fixed assets	1,071	768
	10,106	10,247
Share of liabilities		
Liabilities due within one year	(7,963)	(8,807)
Liabilities due after one year or more	-	–
	(7,963)	(8,807)
Share of net assets	2,143	1,440
Share of turnover	12,311	11,205
Share of profit for the financial year	3,013	2,288

INTO UEA LLP	2015 £'000	2014 £'000
Share of assets		
Share of current assets	6,216	6,491
Share of fixed assets	777	772
	6,993	7,263
Share of liabilities		
Liabilities due within one year	(6,414)	(6,392)
Liabilities due after one year or more	-	–
	(6,414)	(6,392)
Share of net assets	579	871
Share of turnover	9,839	9,189
Share of profit for the financial year	2,094	1,648

INTO USF Inc	2015 £'000	2014 £'000
Share of assets		
Share of current assets	12,090	6,582
Share of fixed assets	172	115
	12,262	6,697
Share of liabilities		
Liabilities due within one year	(11,394)	(6,806)
Liabilities due after one year or more	-	–
	(11,394)	(6,806)
Share of net assets / (liabilities)	868	(109)
Share of turnover	9,130	6,161
Share of profit for the financial year	1,425	90

INTO Oregon State University Inc	2015 £'000	2014 £'000
Share of assets		
Share of current assets	11,388	15,390
Share of fixed assets	325	252
	11,713	15,642
Share of liabilities		
Liabilities due within one year	(12,214)	(13,737)
Liabilities due after one year or more	-	–
	(12,214)	(13,737)
Share of net (liabilities) / assets	(501)	1,905
Share of turnover	13,955	11,626
Share of profit for the financial year	2,222	1,271

INTO Mason LLC	2015 £'000	2014 £'000
Share of assets		
Share of current assets	7,692	2,295
Share of fixed assets	742	274
	8,434	2,569
Share of liabilities		
Liabilities due within one year	(10,436)	(2,807)
Liabilities due after one year or more	-	(207)
	(10,436)	(3,014)
Share of net liabilities	(2,002)	(445)
Share of turnover	3,591	6
Share of loss for the financial year	(1,505)	(609)

Newcastle University INTO London LLP	2015 £'000	2014 £'000
Share of assets		
Share of current assets	142	–
Share of fixed assets	264	–
	406	–
Share of liabilities		
Liabilities due within one year	(1,069)	–
Liabilities due after one year or more	-	–
	(1,069)	
Share of net liabilities	(663)	–
Share of turnover	-	–
Share of loss for the financial year	(1,364)	–

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