INTO

INTO University Partnerships Limited

Annual report for the year ended 31 July 2018

Registered number: 05507863

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Directors and advisers

Directors

A J Colin
J B Sykes
S G Smale
J C Latham
J Leeds
D S Eastwood
C Mairs

Registered office

One Gloucester Place
Brighton
United Kingdom
BN1 4AA

Independent auditors

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

Strategic report for the year ended 31 July 2018

The directors present their strategic report on the group for the year ended 31 July 2018.

Review of the business

The principal activity of the group is the provision of educational and marketing services for international students through subsidiary undertakings and joint ventures with universities.

The subsidiary and associated undertakings of the Group are listed in note 22 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 long-term partnerships that support and drive leading universities' internationalisation goals. Through these partnerships, INTO expands opportunities for students to pursue higher education, investing in the resources, systems and processes to reach, recruit, retain and support international students through the provision of a first class student experience.

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. Universities benefit from access to resources, capacity building and global reach beyond that which an individual institution could achieve on its own.

Results and performance

The results of the group for the year, as set out on pages 6 and 14, show turnover up 6% to £85,050k (2017: £79,869k). Management monitor and review the business on a constant fx basis including the group's share of joint venture performance. On this basis adjusted turnover is up 10% to £183,939k (2017: £167,117k) and adjusted net EBITDA up 22% to £24,548k (2017: £20,166k). The group generated a profit on ordinary activities before taxation of £13,757k (2017: £16,572k) including a £1,966k net exceptional credit (see Note 2). The prior year result was impacted by a net exceptional credit of £8,450k. The shareholders' funds for the group total £24,596k (2017: £27,148k).

The year has been defined by the creation of additional partnerships and the continued development of our global marketing network, investing in new marketing channels, sophisticated technology and deeper reach into the world's fastest growing regions for international student demand. We have also delivered our best set of academic results and student satisfaction. 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.

Continued North American expansion

New partnership with Hofstra University

In January 2019 INTO announced its newest long-term partnership, with Hofstra University, INTO's twelfth in the United States. The agreement will provide opportunities for students from around the world to study at one of the leading universities in the United States and experience the unique culture and commerce of the New York City area. Recruitment will begin in Spring 2019 with the first students arriving on campus in Fall 2019.

New partnership with Illinois State University

During the year INTO University Partnerships announced a long term partnership in the United States with Illinois State University (ISU). ISU is located in Normal, Illinois, which has been ranked in the Top 10 College Towns in America by the American Institute for Economic Research. Working together, ISU and INTO have developed academic pathway programs for international students to improve their English language comprehension while preparing them to be successful, degree-seeking students at the University. The first students arrived on campus in the Fall of 2018.

New partnership with Suffolk University, Boston

The partnership announced last year with Boston-based Suffolk University was INTO's tenth in the United States, and built on Suffolk's international reputation as a magnet for ambitious students from around the world. INTO Suffolk, as the new venture is known, had its first students arrive on campus in the spring of 2018.

Investing in systems and service

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. During the year we have continued to develop our Partner Portal which enables our recruitment partners to provide an efficient digital service to our students and we have invested in INTOStudy.com to deliver a website for our students which better supports the application journey.

We have also continued to develop our student payment platform INTOPay to enable students to make deposit and full payments online in their destination or local currency.

Investment in technologies and smarter processes continues to be a key strategic focus for the coming year. It ensures we better serve our partners and students and enables us to drive our operating margins through a more detailed understanding of the student journey and student experience aligned with our core business values.

Key performance indicators ("KPIs")

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

	2018 £'000	2017 £'000
Adjusted turnover *	**183,939**	167,117
Profit on ordinary activities before tax	**13,757**	16,572
Underlying group and share of joint ventures operating profit	**12,691**	8,402
Adjusted EBITDA**	**24,548**	20,166
University Partnership Centres	**22**	21
Student satisfaction	**90%**	84%
Cash	**16,583**	35,024

* Adjusted turnover is calculated as statutory turnover plus the group's share of joint venture turnover. This helps INTO to ensure it is measuring the value we deliver to our Partners. Turnover is adjusted to remove discontinued operations and the prior year is stated at current year fx rates.

** Adjusted EBITDA is a metric used by management to assess the underlying performance of the business. This metric adjusts for losses incurred for both new partnerships and products, one off items and board costs which can distort profitability. This metric is measured at current year fx and includes group and share of joint ventures.

	2018 £'000	2017 £'000
Turnover	85,050	79,869
Share of joint venture turnover	98,892	98,318
Adjust prior year at current year fx rates	-	(7,194)
Adjust for discontinued operations	(3)	(3,876)
Adjusted turnover (at constant fx)	183,939	167,117

	2018 £'000	2017 £'000
Group and share of joint ventures operating profit	14,657	16,852
Less: group exceptional income	(1,966)	(8,450)
Add: depreciation and amortisation of group	2,942	2,823
Add: share of joint ventures' depreciation	1,621	1,245
New partnership and product start up losses	3,545	3,912
Board and one off costs	3,575	3,730
Adjustment to current year fx rates	-	(420)
Add: Non coterminous year end and other timing movements	174	474
Adjusted EBITDA (at constant fx)	24,548	20,166

The INTO group continued to grow and develop during the year resulting in a strong financial performance for the year ended 31 July 2018.

Adjusted turnover at constant fx increased 10% to £183,939k in 2018 (2017: £167,117k).

The group reported a profit on ordinary activities before tax of £13.8m (2017: £16.6m) including a £2.0m net exceptional credit. The prior year was impacted by a non-recurring exceptional net credit of £8.5m in respect of exceptional income.

Underlying group and share of joint ventures operating profit in the year was £12.7m, an increase of £4.3m on the prior year (2017: £8.4m). This growth in the underlying performance of the business has been driven by continued focus on outcomes for our partner universities, ongoing cost control initiatives and growth in the number of University Partnership Centres.

Adjusted EBITDA performance was in line with budget and continues to be strong despite increased investment by the group. Adjusted EBITDA, measured at current year fx rate, is £24.5m, £4.4m ahead of the prior year (2017: £20.2m).

Student satisfaction increased by 6 percentage points to 90% in 2018 as a result of the group's continued focus on providing an exceptional student experience and supportive learning environments.

The group continues to be debt free and has maintained a strong cash position. In the year the group continued to invest strongly, made some non-recurring tax payments and paid £15m in dividends therefore cash at year end was £16,583k (2017: £35,024k). The group continues to invest in new joint ventures which typically require cash injections during their start up period. During the year a capital reduction of £33m was undertaken.

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 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. The Board constantly reviews competitor activity. 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.

Outlook

Despite a challenging trading environment we anticipate further growth of the business through 2019. We will drive strong revenue growth through the launch of new INTO partnerships in North America together with further growth from our existing partnerships, whilst continuing to deliver excellent student satisfaction and supportive learning environments. We expect additional underlying profit growth through a continued focus on profit margin optimisation and on achieving economies of scale especially at our new and maturing partnerships across the United Kingdom and the United States.

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

	31 January 2019
John Latham, Director	Date

Directors' report for the year ended 31 July 2018

The directors present their annual report together with the audited consolidated financial statements of the group and company for the year ended 31 July 2018

Future developments

Please see Strategic Report for details.

Results and dividends

The profit for the financial year amounted to £10,464k (2017: £9,811k). The directors paid a dividend of £15m in the year (2017: £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. The group has access to a £20m rolling cash flow facility with its bankers. The financial commitments in relation to this facility are disclosed in Note 17.

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
C Harned (resigned 22 August 2018)
J Leeds
D S Eastwood
J C Latham
C Mairs (appointed 22 August 2018)

Company registration number

The company registration number is 05507863. The company is a limited company incorporated in the United Kingdom. The company's registered office is detailed on page 3.

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.

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 allocates a proportion of its profits to fund the operating costs of INTO Giving, a charity supporting educational projects for poor and disadvantaged children around the world. During the year this amounted to £114,389 (2017: £102,517).

Post balance sheet events

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

Environmental, social and community issues

The company is committed to the promotion of environmental initiatives and minimising the environmental impact of its businesses. 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 our partner universities and the local and regional economy that surrounds them. The group also works closely with INTO Giving, a charity that supports educational projects for some of world's poorest and most disadvantaged children. The group supports INTO Giving through fundraising activities, and through staff volunteering their time and skills. In 2017/18, £122,360 was raised to support educational, community and humanitarian projects in Afghanistan, Bangladesh, Cambodia, Greece, Guatemala, Nigeria, Uganda, the UK and US, and Zambia. Over the past year, funds raised by INTO staff have, for example, built a new primary school in Cambodia, opened a school library in Afghanistan, supported volunteer teachers working with Syrian, Afghani and Kurdish refugee schoolchildren in Greece, and launched a secondary school beekeeping course in Nigeria, and supported orphaned and impoverished schoolchildren in Uganda and Zambia.

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, if required. 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 multiple media and employee engagement surveys are conducted twice a year.

Branches outside the UK

The following branches exist outside of the UK in addition to the statutory entities listed in Note 22:

- In China the regional offices in Dalian, Shanghai and Tianjin are branches of Guangzhou INTO Education Ltd (incorporated in China).
- In Columbia MAS SAS (incorporated in Columbia), has a local branch as well as a legal entity.

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 Board Meeting.

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

	31 January 2019
John Latham, Director	Date

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

Report on the financial statements

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 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 July 2018; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities, set out on pages 9–10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Mark Jordan (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors London	31 January 2019 Date

Consolidated statement of comprehensive income for the year ended 31 July 2018

Registered number: 05507863

	Note	Underlying £'000	Non-underlying £'000	**2018 £'000**	2017 Underlying	2017 Non-Underlying	2017 £'000
Group turnover[1]	1	85,050	–	**85,050**	79,869	–	79,869
Cost of sales		(16,689)	–	**(16,689)**	(15,480)	–	(15,480)
Gross profit		68,361	–	**68,361**	64,389	–	64,389
Administrative expenses		(53,568)	–	**(53,568)**	(54,337)	–	(54,337)
Profit on disposal of land and buildings		43	–	**43**	–	–	–
Group operating profit before exceptional items		14,836	–	**14,836**	10,052	–	10,052
Exceptional items	2	–	531	**531**	–	8,450	8,450
Group operating profit	3	14,836	531	**15,367**	10,052	8,450	18,502
Existing operations		14,489	531	**15,020**	10,052	8,450	18,502
Acquisitions		347	–	**347**	–	–	–
Share of operating (losses) / profit in joint ventures	13	(2,145)	1,435	**(710)**	(1,650)	–	(1,650)
Group and share of joint ventures operating profit		12,691	1,966	**14,657**	8,402	8,450	16,852
Net interest receivable / (payable)							
Group		(482)	–	**(482)**	110	–	110
Share of joint ventures'		(418)	–	**(418)**	(390)	–	(390)
Profit on ordinary activities before taxation		11,791	1,966	**13,757**	8,122	8,450	16,572
Tax on profit on ordinary activities of subsidiaries	5	(3,178)	191	**(2,987)**	(4,287)	(2,061)	(6,348)
Share of joint ventures taxation	5	(299)	(7)	**(306)**	(413)	–	(413)
Profit on ordinary activities after taxation		8,314	2,150	**10,464**	3,422	6,389	9,811
Profit for the financial year	15, 16	8,314	2,150	**10,464**	3,422	6,389	9,811
Currency translation difference on foreign currency net investments		682	-	**682**	(483)	–	(483)
Total comprehensive income		8,996	2,150	**11,146**	2,939	6,389	9,328

[1] Adjusted turnover which includes statutory turnover and share of joint ventures' turnover was £183,939k (2017: £167,117). Please see the Strategic Report for details of this

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 cost equivalents

The notes on pages 24 to 41 form part of these financial statements.

Consolidated balance sheet as at 31 July 2018

Registered number: 05507863

	Note	2018 £'000	2017[1] £'000
Fixed assets			
Intangible assets	6	11,634	9,851
Tangible assets	7	4,804	4,188
Investments in joint ventures	13	3,135	818
Other investments	8	150	150
Total fixed assets		19,723	15,007
Current assets			
Debtors	9	51,716	50,846
Prepayments and accrued income			
– amounts falling due within one year	9	22,176	21,305
– amounts falling due after one year	9	6,505	4,083
Cash at bank and in hand		16,583	35,024
		96,980	111,258
Creditors: Amounts falling due within one year	10	(12,744)	(15,353)
Accruals and deferred income	10	(36,517)	(43,561)
Provisions for liabilities	11	(3,932)	(3,261)
Net current assets		43,787	49,083
Total assets less current liabilities		63,510	64,090
Creditors: Amounts falling due after more than one year	12	(176)	(186)
Liabilities in respect of joint ventures	13	(38,738)	(36,756)
Net assets		24,596	27,148
Capital and reserves			
Called up share capital	14	1,277	1,206
Share premium account	15	2	33,002
Foreign exchange translation reserve	15	2,490	1,808
Profit and loss reserve	15	20,827	(8,868)
Total shareholders' funds	16	24,596	27,148

1 The group's interest in its joint ventures have been represented as discussed in note 13.

The consolidated financial statements on pages 14 to 41, were approved by the Board of Directors and signed on its behalf by:

John Latham, Director

31 January 2019

Date

The notes on pages 24 to 41 form part of these financial statements.

Company balance sheet as at 31 July 2018

Registered number: 05507863

	Note	2018 £'000	2017 £'000
Investments	8	36,066	36,066
		36,066	36,066
Current assets			
Debtors	9	10,156	5,207
Prepayments and accrued income	9	3,270	5,421
Cash at bank and in hand		745	14,890
		14,171	25,518
Creditors: amounts falling due within one year	10	(9,335)	(6,841)
Accruals and deferred income	10	(402)	(606)
Provision for liabilities	11	(2,999)	(2,978)
Net current assets		1,435	15,093
Total assets less current liabilities		37,501	51,159
Net assets		37,501	51,159
Capital and reserves			
Called up share capital	14	1,277	1,206
Share premium account	15	2	33,002
Profit and loss account	15	36,222	16,951
Total shareholders' funds	16	37,501	51,159

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 2018 of the parent company was a £40k profit (2017: £28,242k profit).

The financial statements on pages 14 to 41, were approved by the Board of Directors and signed on its behalf by

31 January 2019

John Latham, Director

Date

The notes on pages 24 to 41 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 July 2018

GROUP	Called up share capital £'000	Share premium £'000	Translation reserve £'000	Profit and loss account £'000	Total shareholders funds £'000
As at 1 August 2016	1,192	33,002	2,291	(18,679)	17,806
Profit for the financial year	–	–	–	9,811	9,811
Issue of shares to employees	14	–	–	–	14
Translation Reserve	–	–	(483)	–	(483)
As at 31 July 2017	1,206	33,002	1,808	(8,868)	27,148
Profit for the financial year	–	–	–	10,464	10,464
Capital Reduction	–	(33,002)	–	33,002	–
Dividends	–	–	–	(15,000)	(15,000)
Issue of shares to employees	71	2	–	(47)	26
Charge for equity settled share based payments	–	–	–	1,276	1,276
Translation Reserve	–	–	682	–	682
As at 31 July 2018	1,277	2	2,490	20,827	24,596

Company statement of changes in equity for the year ended 31 July 2018

	Called up share capital £'000	Share premium £'000	Profit and loss account £'000	Total shareholders funds £'000
As at 1 August 2016	1,192	33,002	(11,291)	22,903
Profit for the financial year	–	–	28,242	28,242
Issue of share to employees	14	–	–	14
As at 31 July 2017	1,206	33,002	16,951	51,159
Profit for the financial year	–	–	40	40
Capital Reduction	–	(33,002)	33,002	–
Dividends	–	–	(15,000)	(15,000)
Issue of bonus shares to employees	71	2	(47)	26
Charge for equity settled share based payments	–	–	1,276	1,276
As at 31 July 2018	1,277	2	36,222	37,501

Consolidated cash flow statement for the year ended 31 July 2018

Registered number: 05507863

	2018 £'000	2017 £'000
Cash flows from operating profit		
Profit for the financial year	10,464	9,811
Depreciation charge	1,019	919
Amortisation of intangibles	1,923	1,904
Loss on disposal of tangible assets	-	76
Share based payment charge	1,276	–
Interest received	482	(110)
Share of loss for the financial year in joint ventures	1,016	2,063
Share of interest in joint ventures	418	390
Taxation	2,987	6,348
Increase in debtors	(6,057)	(8,614)
Decrease in creditors	(4,160)	(11,564)
Cash from operations	9,368	1,223
Income taxes paid	(7,810)	(2,550)
Net cash inflow / (outflow) from operating activities	1,558	(1,327)
Cash flow from investing activities		
Interest received	27	358
Interest paid	(509)	(248)
Purchase of tangible fixed assets	(1,741)	(1,129)
Purchase of intangible fixed assets	(5,707)	(3,966)
Investment in joint ventures	(1,547)	(38)
Dividends received from joint ventures	3,568	7,411
Net cash (outflow) / inflow from investing activities	(5,909)	2,388
Cash flow from financing activities		
Issue of ordinary share capital	16	14
Dividends paid	(15,000)	–
Decrease in borrowings	(10)	(30)
Net cash (outflow) from financing activities	(14,994)	(16)
Net (decrease) / increase in cash and cash equivalents	(19,345)	1,045
Cash and cash equivalents at beginning of the year	35,024	34,500
Exchange adjustments	904	(521)
Cash and cash equivalents at the end of year	16,583	35,024

Principal accounting policies

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 and in accordance with the Companies Act 2006 and Financial Reporting Standard 102 (FRS 102), issued by the Financial Reporting Council.

The functional currency of the group is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the group operates.

INTO University Partnerships Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, and remuneration of key management personnel.

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.

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 statement of comprehensive income 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 2018, with comparatives representing an annual year to 31 July 2017.

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 2018. 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 FRS 102.

Subsidiaries

Acquisition of subsidiaries is accounted for using the acquisition method.

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 aligned where necessary to ensure consistency with the policies adopted by the group. In the parent company financial statements investments in subsidiaries are accounted for at cost less impairment.

Interests in joint ventures

The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the equity method of accounting. Under the 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 statement of comprehensive income 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.

In the parent company financial statements investments in joint ventures are accounted for at cost less impairment.

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 statement of comprehensive income.

Foreign operations

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 other comprehensive income and are included in the translation reserve.

Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of 4 – 7 years, on a straight line basis.

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 10 -15 years. It is believed that the useful life of 10-15 years is appropriate as the contacts in the acquired entities are expected to generate benefits over at least this period.

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.

At each reporting date an assessment is conducted to review if there is any indication of impairment. If there is objective evidence of impairment an impairment loss is recognised in the statement of comprehensive income.

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	20% – 25% straight line
Office Equipment	20% – 25% straight line

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

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

Pension obligations

The group only has defined contribution plans. Contributions in respect of defined contribution pension schemes are charged to the statement of comprehensive income 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.

Financial instruments

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price. As detailed in the directors' report the group does not have any complex financial instruments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the group's activities. Revenue 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.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

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.

Share based payments

The Group provides share based payment arrangements to certain employees and Directors. These arrangements include shares which have distribution rights in the event of a share sale or capital return. Equity settled arrangements are measured at fair value at the date of the grant. The fair value is expensed on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest. Cash settled arrangements are measured at fair value and the fair value of the liability is recalculated at each reporting date. The Directors take into account various factors, including the scheme rules, the award value and the likelihood of a qualifying event when deciding whether to recognise an expense in relation to these arrangements.

Taxation

Current tax including UK corporate tax and foreign tax, is provided at amounts expected to be paid using the tax rates and laws enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing difference that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date and the reversal of these items is deemed likely. Deferred tax is provided at amounts expected to be paid using the tax rates and laws enacted or substantially enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax is not provided for unused tax losses due to current uncertainties surrounding the reversal of the underlying differences.

Agent Commission

Commission paid to third party agents, where the entity has a right to recover the payments in the event the student leaves before the completion of their course, are deferred on the balance sheet and recognised over the same period as the related student revenue. Payments made where the entity has no recourse to recover them are expensed as they are earned by the third party.

Critical accounting judgements and key sources of estimation

In the application of the groups accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and / or future period as applicable.

The following are the critical judgements that have the most significant effect on the amounts recognised in the financial statements.

Useful economic lives of tangible and intangible assets

The annual depreciation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 6 and 7 for the carrying amount and Principal accounting policies for the useful economic lives for each class of assets.

Provision

The provision in the year relates to costs of shareholder projects and a release of a provision in respect of settlement of disputes and associated costs. Management consider them a prudent assessment of the likely settlement and costs.

Dilapidations

Provisions for dilapidations represent management's best estimate of liabilities in respect of dilapidations clauses likely to arise on expiry of the Group's property leases. These amounts are included within Provisions for Liabilities and Charges and are discounted at an appropriate rate.

Share based payments

During the year the company recognised an expense associated with the management share scheme (see Note 21). A charge has been booked for both equity and cash settled share based payments totalling £1.4m.

Notes to the financial statements

1 Turnover

	2018 £'000	2017 £'000
Geographical analysis		
UK	53,019	48,225
North America	28,671	29,586
Asia	3,360	2,058
	85,050	79,869

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

All turnover is derived from services provided in relation to the provision of education and marketing services for international students.

The figures shown above are at actual exchange rates (not at constant fx).

2 Exceptional items

Exceptional items relate to a £1,447k charge in respect of equity and cash settled share based payment, £1,343k in respect of shareholder project costs, and a £3,321k release of provisions (see Note 11).

3 Operating profit

The operating profit is stated after charging:

	2018 £'000	2017 £'000
Amortisation of intangible fixed assets	1,923	1,904
Depreciation of tangible fixed assets	1,019	919
Operating lease charges	3,554	2,774
Foreign exchange losses	(257)	116
Services provided by the Company's auditors		
Fees payable for the audit of the company's annual financial statements	30	30
Fees payable for other services – audit of subsidiaries pursuant to legislation	74	52
Fees payable for other services – tax services	75	101
Fees payable for other services – corporate finance	72	76
Fees payable for other services – other advisory	26	14

The company's auditors also audit a number of the joint ventures. The audit does not include fees payable by the respective joint ventures for those services.

4 Staff costs

Staff costs comprise:

	2018 £'000	2017 £'000
Wages and salaries	27,583	26,544
Social security costs	3,179	2,599
Other pension costs	1,519	1,424
	32,281	30,567

The average monthly number of employees during the year was as follows:

GROUP	2018 £'000	2017 £'000
Teaching	150	153
Marketing	186	158
Admission and enrolment	112	112
Administration	288	269
	736	692

COMPANY	2018 £'000	2017 £'000
Marketing	11	16
Administration	15	17
	26	33

Directors' remuneration	2018 £'000	2017 £'000
Directors' remuneration consists of:		
Emoluments	1,049	1,089
Payments to defined contribution pension scheme	38	35
	1,087	1,124

There were 2 directors in the company's defined contribution pension scheme during the year (2017: 3).

The emoluments of the highest paid director in the year were £460k (2017: £434k). Payments to defined contribution pension scheme in respect of the highest paid director were £nil (2017: £13k). Key management personnel is considered to be directors only and therefore is disclosed above.

5 Tax on profit on ordinary activities

	2018 £'000	2017 £'000
a) Tax on profit on ordinary activities		
Current tax:		
UK corporation tax on profits of the year	2,414	4,469
Foreign corporation tax on profits of the year	306	1,378
Tax charge relating to the prior period	955	1,200
Total current tax charge	3,675	7,047
Deferred tax:		
Effect of changes in the tax rate	138	–
Origination and reversal of temporary differences	(234)	(182)
Tax (credit) relating to prior years	(286)	(104)
Total deferred tax credit	(382)	(286)
Tax on profit on ordinary activities	3,293	6,761
b) Factors affecting the total tax charge		
Tax calculated at UK domestic rates applicable (2018: 19%, 2017: 19.67%)	2,614	3,259
Effects of:		
Expenses not deductible for tax purposes	412	602
Income not taxable	(132)	93
Reversal of previously disallowed provision	(433)	–
Adjustments in respect of foreign tax rates	23	584
Difference in tax rates	(344)	(164)
Deferred tax not recognised	484	1,291
Prior year adjustment	669	1,096
Total tax charge	3,293	6,761

c) Factors that may affect future tax charges:

As the UK corporation tax rate is due to decrease to 17% from 1 April 2020, deferred tax has been recognised at a rate of 17%. Deferred tax was recognised at a rate of 18% at 31 July 2017.

Deductible temporary differences and unused tax losses for which no deferred tax asset has been recognised total £4,295k (2017: £3,244k). 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.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as the group can control the timing of any dividends payable.

6 Intangible assets

GROUP	Goodwill £'000	Agency Relationship £'000	Computer Software £'000	Assets under course of construction £'000	Total £'000
Cost					
At 1 August 2017	5,806	900	6,100	2,899	15,705
Additions	1,375	428	304	3,600	5,707
Reduction in contingent consideration	(371)	–	–	–	(371)
Reclassification from tangible assets	–	–	1,747	(1,525)	222
Disposals	–	–	–	(1,706)	(1,706)
Foreign exchange	(17)	(8)	–	–	(25)
At 31 July 2018	6,793	1,320	8,151	3,268	19,532
Accumulated amortisation					
At 1 August 2017	1,997	176	3,681	–	5,854
Charge	343	91	1,489	–	1,923
Reclassification from tangible assets	–	–	116	–	116
Foreign exchange	4	1	–	–	5
At 31 July 2018	2,344	268	5,286	-	7,898
Net book value					
At 31 July 2018	4,449	1,052	2,865	3,268	11,634
At 31 July 2017	3,809	724	2,419	2,899	9,851

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

Amortisation is charged to Administrative expenses in the Statement of comprehensive income.

7 Tangible assets

GROUP	Land & Buildings Freehold £'000	Land & Buildings Leasehold Improvements £'000	Fixtures & Fittings £'000	Office Equipment £'000	Total £'000
Cost					
At 1 August 2017	995	2,440	2,482	2,899	8,816
Additions	–	990	230	521	1,741
Reclassification to intangible assets	–	–	–	(222)	(222)
At 31 July 2018	**995**	**3,430**	**2,712**	**3,198**	**10,335**
Accumulate Depreciation					
At 1 August 2017	111	831	1,813	1,873	4,628
Charge for the year	20	341	261	397	1,019
Reclassification to intangible assets	–	–	–	(116)	(116)
At 31 July 2018	**131**	**1,172**	**2,074**	**2,154**	**5,531**
Net book value					
At 31 July 2018	**864**	**2,258**	**638**	**1,044**	**4,804**
At 31 July 2017	884	1,609	669	1,026	4,188

8 Investments

GROUP	Other Investments £'000
At 1 August 2017	150
At 31 July 2018	**150**

COMPANY	Investment in subsidiaries £'000	Other Investments £'000	Total £'000
At 1 August 2017	35,962	104	36,066
At 31 July 2018	**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 22

9 Debtors

GROUP	2018 £'000	2017 £'000
Due within one year:		
Trade debtors	13,516	14,751
Amounts owed by related undertakings	34,714	33,261
Other debtors	3,486	2,834
	51,716	50,846
Prepayments and accrued income	22,176	21,305
Due after more than one year:		
Prepayments and accrued income	6,505	4,083

COMPANY	2018 £'000	2017 £'000
Due within one year:		
Amounts owed by group undertakings	8,017	1,558
Amounts owed by related undertakings	1,820	3,090
Other debtors	319	559
	10,156	5,207
Prepayments and accrued income	3,270	5,421

Prepayments and accrued income, for the Company, include £nil (2017: £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.

10 Creditors

GROUP	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade creditors	2,628	1,326
Amounts owed to related undertakings	5,215	6,177
Corporation tax	319	4,594
Other taxation and social security	1,002	1,123
Other creditors	3,580	2,133
	12,744	15,353
Accruals	14,004	20,145
Deferred income	22,513	23,416
	36,517	43,561

COMPANY	2018 £'000	2017 £'000
Trade creditors	767	176
Amounts owed to group undertakings	6,568	1,552
Amounts owed to related undertakings	1,125	1,080
Corporation tax	83	3,316
Other taxation and social security	251	172
Other creditors	541	545
	9,335	6,841
Accruals	182	177
Deferred income	220	429
	402	606

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

11 Provisions for liabilities

GROUP	Total £'000
At 1 August 2017	3,261
Charged	2,511
Utilised	(393)
Released	(1,447)
At 31 July 2018	3,932

COMPANY	Total £'000
At 1 August 2017	2,978
Charged	1,578
Utilised	(210)
Released to statement of comprehensive income	(1,347)
At 31 July 2018	2,999

Provisions for liabilities at 31 July 2018 comprise costs of dilapidations and provisions in respect of potential settlement of disputes in which the group is involved along with associated costs.

The directors consider that the provisions cover their best estimate of the likely settlement and costs in each case.

12 Creditors; amounts falling due after more than one year

GROUP	2018 £'000	2017 £'000
Long term		
Loans due after one year	176	186

Bank loans represent a commercial mortgage loan agreement secured against the freehold property of the group by way of a first legal charge. 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	2018 £'000	2017 £'000
Between 2 and 5 years	176	186

13 Investment in joint ventures

GROUP	2018 £'000	2017 £'000
Share of assets		
Share of current assets	76,289	82,113
Share of fixed assets	10,256	7,667
	86,545	89,780
Share of liabilities		
Liabilities due within one year	(122,148)	(125,718)
Share of net liabilities	(35,603)	(35,938)
Presented on the balance sheet as:		
Investment in joint ventures	3,135	818
Liabilities in respect of joint ventures	(38,738)	(36,756)
Share of turnover	98,892	98,318
Share of expenses	(99,602)	(99,968)
Share of operating loss	(710)	(1,650)

Exceptional items relate to the release of provisions in respect of potential settlement of disputes.

The group's does not have any individually significant joint ventures.

14 Called up share capital – group and company

Allotted, called up and fully paid	2018 £'000	2017 £'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
6,720,000 C Ordinary Shares of £0.01 each	82	67
100,000 D Ordinary Shares of £0.01 each	1	1
1,000,000 E Ordinary Shares of £0.01 each	10	10
1,000,000 F Ordinary Shares of £0.01 each	56	–
	1,277	1,206

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, E and F Ordinary Shares:

The C, D, E and F 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, E and F 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, E and F ordinary shares are not redeemable. The F shares issued in the year mirror the benefits of the C shares other than participating in any distribution in the event of a partial sale.

See Note 21.

15 Reserves

GROUP	Called up share capital £'000	Share premium account £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At 1 August 2017	1,206	33,002	1,808	(8,868)
Profit for the financial year	–	–	–	10,464
Capital Reduction	–	(33,002)		33,002
Dividends	–	–	–	(15,000)
Issue of shares net of expenses	71	2	–	(47)
Charge for equity settled share based payments	–	–	–	1,276
Foreign exchange on overseas operations	–	–	682	-
At 31 July 2018	**1,277**	**2**	**2,490**	**20,827**

COMPANY	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000
At 1 August 2017	1,206	33,002	16,951
Profit for the financial year	-	–	40
Capital Reduction	–	(33,002)	33,002
Dividends	–	–	(15,000)
Issue of shares net of expenses	71	2	(47)
Charge for equity settled share based payments	–	–	1,276
At 31 July 2018	**1,277**	**2**	**36,222**

16 Reconciliation of movement in shareholders' funds

GROUP	2018 £'000	2017 £'000
Opening shareholders' funds	27,148	17,806
Foreign exchange on overseas operations	682	(483)
Dividends	(15,000)	–
Issue of shares	26	14
Charge for equity settled share based payments	1,276	–
Profit for the financial year	10,464	9,811
Closing shareholders' funds	24,596	27,148

COMPANY	2018 £'000	2017 £'000
Opening shareholders' funds	51,159	22,903
Dividends	(15,000)	–
Profit for the financial year	40	28,242
Issue of shares net of expenses	26	14
Charge for equity settled share based payments	1,276	–
Closing shareholders' funds	37,501	51,159

17 Financial commitments

The following reflects the minimum total future commitments under operating leases for the group companies analysed by the remaining uncancellable lease term:

GROUP	2018 £'000	2017 £'000
Land and Buildings:		
Within one year	3,110	3,127
Between two years and five years	7,546	8,143
After five years	624	1,319

COMPANY	2018 £'000	2017 £'000
Land and Buildings:		
Within one year	573	573
Between two years and five years	1,481	2,054
After five years	-	–

The lease payments recognised as an expense in the year are £3,554k (2017: £2,774k).

There are debentures over assets held in INTO University Partnerships Limited, INTO Manchester Limited, INTO London World Education Centre Limited, Delta Language Training & Consultancy Limited, INTO TEFL Limited, INTO London MDX Street LLP, Newincco 1306 Limited and INTO USA LP in relation to a three year Revolving Loan Facility in place with HSBC PLC. In addition, there is a Security Agreement in place with IUP2 LLP in relation to the same loan facility which grants security over its assets other than those related to INTO UEA LLP. The facility was undrawn at the year end.

18 Related party transactions

The company has taken advantage of the exemptions available under FRS 102, 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 £42,182k (2017: £41,391k).

The total remuneration for key management personnel for the period totalled £1,120k (2017: £1,124k) being remuneration disclosed in Note 4.

At 31 July 2018, the group had the following balances with related parties:

	2018 £'000 Debtor / (Creditor)	2017 £'000 Debtor / (Creditor)	**Relationship**
INTO UEA LLP	311	(909)	50% owned by INTO Group
INTO University of Exeter LLP	(1,125)	(1,065)	50% owned by INTO Group
INTO Newcastle University LLP	(1,242)	(788)	50% owned by INTO Group
INTO Scotland LLP	1,648	896	50% owned by INTO Group
INTO Queen's LLP	1,907	1,527	50% owned by INTO Group
INTO City LLP	1,313	4,155	50% owned by INTO Group
INTO St George's Hospital Medical School LLP	-	2,992	50% owned by INTO Group
INTO Gloucestershire LLP	1,773	1,363	50% owned by INTO Group
INTO USF inc	(2,848)	(3,412)	50% owned by INTO Group
INTO Oregon State University inc.	1,133	960	50% owned by INTO Group
INTO CSU LLC	2,722	2,171	50% owned by INTO Group
INTO Marshall LLC	2,999	1,727	50% owned by INTO Group
INTO Mason LLC	559	(4)	50% owned by INTO Group
INTO New York at Drew LLC	5,372	5,612	50% owned by INTO Group
INTO Stirling LLP	1,400	1,047	50% owned by INTO Group
Newcastle University INTO London LLP	5,330	5,493	50% owned by INTO Group
INTO SLU LLC	1,570	1,505	50% owned by INTO Group
INTO UAB LLC	3,137	1,650	50% owned by INTO Group
INTO Washington State University LLC	637	1,736	50% owned by INTO Group
INTO Illinois State University LLC	1,659	–	50% owned by INTO Group
INTO Suffolk LLC	1,243	–	50% owned by INTO Group
Espalier Ventures Limited	-	(1)	Parent Company of the INTO Group

19 Ultimate controlling party

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

Accordingly, the largest and smallest group into which the results of the company are consolidated, as at 31 July 2018, is Espalier Ventures Limited. These financial statements are available to the public and may be obtained from the registered office at One Gloucester Place, Brighton, BN1 4AA.

20 Acquisition

On 1 November 2017 the Group, through a newly formed company, purchased the goodwill and business name of trade and assets of Shanghai Junyi Commercial Consulting Company for a purchase price of £1,402k, including contingent consideration.

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

The following table sets out the fair values of the goodwill arising:

	Fair Value £'000
Purchase consideration:	
Cash paid	450
Contingent consideration	852
Direct cost relating to the acquisition	100
Total purchase consideration	1,402
Less: Fair value of intangible assets acquired	(419)
Goodwill	983

21 Share-based payments

The company has a Management Incentive Plan ("MIP") where certain key employees and Directors have been awarded C, D, E and F 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	2,186,219	22
D Eastwood	258,000	3
J Latham	4,492,172	45
All other qualifying staff	7,234,404	72
Total	14,912,516	149

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 based on 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. The company recognised total expenses of £1.4m related to share-based payment transactions in the year (2017: £nil).

22 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 (Registered No. 06438137) **** (1)	100%	Educational services
Delta Language Training & Consultancy Limited (Registered No. 02976005) **** (1)	100%	Educational services
Friars 607 Limited (Registered No. 06885738) **** (1)	100%	Investment holding Company
IUP East Anglia Limited (Registered No. 06296000) **** (1)	100%	Investment holding Company
INTO Exeter Limited (Registered No. 05980246) **** (1)	100%	Investment holding Company
INTO Newcastle Limited (Registered No. 06030536) **** (1)	100%	Investment holding Company
Newincco 821 Limited (Registered No. 06556353) **** (1)	100%	Investment holding Company
Newincco 921 Limited (Registered No. 06858769) **** (1)	100%	Investment holding Company
Newincco 922 Limited (Registered No. 06858821) **** (1)	100%	Investment holding Company
INTO Medical Limited (Registered No. 07601122) **** (1)	100%	Investment holding Company
INTO UOG Limited (Registered No. 08404156) **** (1)	100%	Investment holding Company
INTO University Partnerships (Asia) Limited ** (2)	100%	Educational services
IUP 2 LLP (Registered No. OC376452) **** (1)	100%	Provision of corporate services
Newincco 1183 Limited (Registered No. 08068260) ****** (1)	100%	Dormant
Newincco 1306 Limited (Registered No. 09083887) **** (1)	100%	Investment holding Company
INTO GP LP* (3)	100%	Investment holding Company
INTO Newcastle Line East Property Limited (Registered No. 09061279) **** (1)	100%	Development of building projects
INTO York Property Limited (Registered No. 08848481) **** (1)	100%	Development of building projects
INTO MAS Limited (Registered No. 09738488) **** (1)	100%	Educational services
MAS Education S.A.S ***** (4)	100%	Educational services
MDX Street Former Member Limited (Registered No. 09382151) ****** (1)	100%	Dormant

Indirectly held subsidiary undertakings	Holding	Main activities
IUP Asia Limited ** (2)	100%	Educational services
INTO TEFL Limited (Registered No. 07269199) **** (1)	100%	Educational services
INTO London MDX Street LLP (Registered No. OC346266) **** (1)	100%	Educational services
INTO China Limited ** (2)	100%	Educational services
Guangzhou INTO Education Limited *** (5)	100%	Educational services
INTO London World Education Centre Limited (Registered No. 07956509) **** (1)	100%	Educational services
INTO USA LP* (3)	100%	Investment holding Company
INTO North America Inc* (3)	100%	Provision of corporate services
International Student Education Services, Inc* (6)	100%	Educational services
INTO UK Service Centre Limited ****** (1)	100%	Dormant
INTO Global Service Centre Limited** (2)	100%	Educational services
Newincco 1184 Limited ****** (1)	100%	Dormant
INTO USF LP* (7)	100%	Investment holding Company
University Access Services HK Limited **(2)	100%	Educational services
DPU Global Limited **(2)	100%	Educational services
Suzhou INTO Business Consulting Co., Ltd ***(22)	100%	Educational services
DPU (Shanghai) Business Consulting Co., Ltd *** (23)	100%	Educational services

Indirectly held interests in joint ventures	Holding	Main activities
INTO UEA LLP (8)	50%	Educational services
INTO University of Exeter LLP (1)	50%	Educational services
INTO Newcastle University LLP (1)	50%	Educational services
INTO Scotland LLP (9)	50%	Educational services
INTO City LLP (1)	50%	Educational services
INTO Queens LLP (10)	50%	Educational services
INTO Gloucestershire LLP (1)	50%	Educational services
INTO Oregon State University Inc * (11)	50%	Educational services
INTO USF Inc * (7)	50%	Educational services
INTO CSU LLC * (12)	50%	Educational services
INTO Marshall LLC * (13)	50%	Educational services
INTO New York at Drew LLC* (14)	50%	Educational services
INTO Mason LLC* (15)	50%	Educational services
INTO Stirling LLP (16)	50%	Educational services
INTO SLU LLC* (17)	50%	Educational services
INTO UAB LLC* (18)	50%	Educational services
INTO Washington State University LLC* (19)	50%	Educational services
INTO Suffolk LLC* (20)	50%	Educational services
Newcastle University INTO London LLP (1)	50%	Educational services
INTO Illinois State University LLC* (21)	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 financial statements by virtue of s479A
***** incorporated in Columbia
****** exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s394A in respect of Dormant Companies.

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