ISTITUTO MARANGONI LIMITED

Report and Financial Statements

For the year ended 31 December 2014

Directors
S Krnic
R Riccio
R Appadoo

Secretary
D Medici

Auditor
Ernst &Young LLP
1 More London Place
London SE1 2AF

Registered Office
22-24 Ely Place
London
EC1N 6TE

Bankers
RBS Royal Bank of Scotland
62-63 Threadneedle Street
London, EC2R 8LA

Registered No. 04551096

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2014.

Principal activity and business review

The principal activity of the company during the year was the provision of higher educational courses related to the fashion industry.

The ultimate parent undertaking is Providence Equity Partners, having acquired Istituto Marangoni Limited from the former ultimate parent undertaking, Career Education Corporation, on 14th November 2011. Providence Equity Partners is a private equity firm incorporated in the United States of America.

Results and dividends

The profit for the year after taxation amounted to £ 2,514,418 (2013 amounting to £ 1,920,805). A dividend of £ 2,050,000 (2013 - £2,350,000) was approved by the directors and paid prior to the balance sheet date.

Directors

The directors who served the company during the year were:

S Krnic
R Riccio
R Appadoo

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing their report and to establish that the company's auditors are aware of that information.

Registered No. 04551096

Directors' report (continued)

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies' exemption

In preparing this Directors' report, the directors have taken advantage of the small companies' exemption under section 415(A) of the Companies Act 2006 for reduced disclosures. The directors have also taken exemption under Section 414 (B) not to prepare a Strategic Report.

On behalf of the Board

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S Krnic
Director
Date: 05 August 2015

Statement of directors' responsibilities in relation to the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and exampled in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of ISTITUTO MARANGONI LIMITED

We have audited the financial statements of Istituto Marangoni Limited for the year ended 31 December 2014 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on Page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report (Continued)

to the members of ISTITUTO MARANGONI LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies' exemption in not preparing the Strategic Report and take advantage of the small companies' exemption in preparing the Directors' Report.

Ernst & Young LLP

Gordon Cullen (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

12/8/15

Profit and loss account
for the year ended 31 December 2014

	Note	2014	2013
		£	£
Turnover	2	9,293,526	7,777,176
Cost of sales		(2,691,842)	(2,162,661)
Gross profit		6,601,684	5,614,515
Administrative expenses		(3,833,506)	(3,606,096)
Operating profit	3	2,768,178	2,008,419
Interest receivable and similar income		261,577	270,582
Interest payable and similar expenses		(43,843)	(31,711)
Net interest	4	217,734	238,871
Profit on ordinary activities before taxation		2,985,912	2,247,290
Tax on profit on ordinary activities	5	(471,494)	(326,485)
Profit for the financial year	11	2,514,418	1,920,805

All amounts relate to continuing activities.

There were no recognised gains or losses other than those included in the profit and loss account.

Balance sheet

at 31 December 2014

	Note	2014 £	2014 £	2013 £	2013 £
Non current assets					
Fixed assets					
Tangible assets	6		299,236		360,247
			299,236		360,247
Current assets					
Debtors amounts falling due within one year	7	5,177,354		5,080,945	
Debtors amounts falling due after more than one year	7	156,806		156,806	
Cash at bank and in hand		5,365,191		4,662,698	
		10,699,351		9,900,449	
Creditors amounts falling due within one year	8	8,125,396		7,817,943	
Net current assets			2,573,955		2,082,506
Total assets less current liabilities			2,873,191		2,442,753
Creditors amounts falling due after more than one year	8		14,440		48,420
Net assets			2,858,751		2,394,333
Capital and Reserves					
Called up share capital	10		50,000		50,000
Share premium account	11		250,000		250,000
Profit and loss account	11		2,558,751		2,094,333
Shareholders' Funds			2,858,751		2,394,333

The notes 1 to 17 form part of these financial statements.

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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S Krnic
Director
Date: 05 August 2015

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Going concern

The financial statements have been prepared on a going concern basis.
The company has earned a profit after tax of £2,514,418 (2013 - £ 1,920,805) and had net assets of £2,858,751 at the year-end (2013- net assets of £ 2,394,333).

In forming their conclusion on the going concern basis of preparation, the directors have taken into account the current and forecasted cash flows to 30 September 2016 expected from operating income and expenditure, as well as financing and capital expenditure payments of the company.

As a result of their assessment, the directors are satisfied that the going concern basis of preparation is appropriate for the statutory financial statements for the year ended 31 December 2014.

Cash flow

The financial statements do not include a Cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

Turnover

Turnover comprises revenue recognised by the company in respect of services in provision of higher education supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover represents the value of work done in the year, including estimates of amounts not invoiced.
Turnover in respect of contracts for on-going services is recognised by reference to the stage of completion.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Improvements	20% straight line
Plant & machinery	20% straight line
Fixtures & fittings	25% straight line
Computer equipment	33% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Financial Lease

Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in the fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases.

The lease repayments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss account.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Notes to the financial statements

at 31 December 2014

2. Turnover

The whole of the turnover is attributable to the provision of higher educational courses related to the fashion industry.

All turnover arose within the United Kingdom.

3. Operating profit

The operating profit is stated after charging:

	2014	2013
	£	£
Depreciation of tangible fixed assets:		
owned by the company	167,526	217,416
Held under finance lease	35,084	20,465
Auditors' remuneration	35,630	23,028
Net loss on foreign exchange transactions	268,344	62,442
	506,584	323,351

During the year, no director received any emoluments (2013 - £NIL). The directors were remunerated by other group undertakings.

4. Interest

	2014	2013
	£	£
Interest receivable and similar income	25,567	3,286
Interest receivable on intercompany loan	236,010	267,296
	261,577	270,582
Interest payable and similar expenses	(29,810)	(26)
Interest payable on bank loan	(3,184)	(24,457)
Interest payable on financial lease	(10,849)	(7,228)
	(43,843)	(31,711)

Notes to the financial statements

at 31 December 2014

5. Taxation

	2014	2013
	£	£
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	464,804	343,160
Adjustments in respect of prior periods - corporation tax	379	(1,051)
	465,183	342,109
Group taxation relief	-	-
Total current tax	465,183	342,109
Deferred tax (see note 9)		
Origination and reversal of timing differences	6,311	(15,624)
Tax on profit on ordinary activities	471,494	326,485

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 21,49% (2013: 23.25%). The differences are explained below:

	2014	*2013*
	£	*£*
Profit on ordinary activities before tax	2,985,912	2,247,289
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 -23.25%)	641,673	522,495
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,013	3,990
Capital allowances for year in excess of depreciation	(7,500)	18,805
Tax rate differences	67	-
Finance lease depreciation	-	-
Other timing differences	-	-
Adjustments to tax charge in respect of prior periods	379	(1,051)
Group relief - no payment made	(173,449)	(202,130)
Current tax charge for the year (see note above)	465,183	342,109

Notes to the financial statements

at 31 December 2014

5. Taxation (continued)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

The reduction in the rates will not affect the company's deferred tax position which is based on a tax rate of 20% as this was substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2014

6. Tangible fixed assets

	L/Term Leasehold Property	Plant & machinery	Fixtures & fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2014	847,730	60,176	363,464	482,379	1,753,749
Additions	6,113	28,735	52,838	53,914	141,600
At 31 December 2014	853,843	88,911	416,302	536,293	1,895,349
Depreciation					
At 1 January 2014	665,597	50,056	334,908	342,942	1,393,503
Charge for the year	116,286	5,719	13,539	67,066	202,610
At 31 December 2014	781,883	55,775	348,447	410,008	1,596,113
Carrying value					
At 1 January 2014	182,133	10,120	28,557	139,437	360,247
At 31 December 2014	71,960	33,136	67,855	126,285	299,236

The net book value of computer equipment includes £ 50,764 (2013: £85,848) in respect of assets held under finance lease.

7. Debtors

	2014	2013
	£	£
Due after more than one year		
Other debtors	156,806	156,806
	156,806	156,806
Due within one year		
Trade debtors	56,128	469,893
Amounts owed by group undertakings	4,098,087	3,676,627
Prepayments	1,017,411	572,079
Other debtors	-	274,719
Corporation Tax receivable	-	74,566
Deferred tax asset (see note 9)	5,728	13,061
	5,177,354	5,080,945

The amount in other debtors due after more than one year relates to a rent deposit.

Notes to the financial statements

at 31 December 2014

Included in amounts owed by group undertakings is a loan of £1,500,000 to Galileo Global Education Luxco S.a.r.l (formerly MBSP 3 S.a.r.l). The loan accrues interest at a rate of 8.1875% per annum and is repayable on demand or on 18 December 2018, whichever occurs earlier. Accrued interest is included in amounts owed by group undertaking. On 11 February 2014 an interim distribution comprising an intercompany receivable of £1,500,000 owed by Galileo Global Education Luxco S.à.r.l. occurred.

8. Creditors

Due within one year	2014	2013
	£	£
Trade creditors	377,855	284,431
Amounts owed to group undertakings	4,077	117,642
Corporation tax	145,077	-
Social security and other taxes	102,050	115,599
Dividends payable	127,423	20,000
Accruals	417,537	620,223
Deferred income	6,911,319	5,788,358
Other creditors	40,058	37,334
Bank Loan	-	833,334
Deferred tax liability (see note 9)	-	1,022
	8,125,396	7,817,943

Due after more than one year	2014	2013
	£	£
Obligations under finance lease (note 14)	10,440	48,420
Other	4,000	-
	14,440	48,420

9. Deferred tax asset

The deferred tax asset is made up as follows:

	2014	2013
	£	£
At beginning of year	12,039	(3,585)
Charged during year	(6,311)	15,624
Asset at end of year	5,728	12,039

Notes to the financial statements

at 31 December 2014

9. Deferred tax asset (continued)

	2014	2013
	£	£
Accelerated capital allowances	5,728	12,039
	5,728	12,039

10. Share Capital

	2014	2013
	£	£
Authorised, allotted, called up and fully paid		
*Ordinary Shares of £*each	50,000	50,000

11. Reserves

	Share Premium Account	Profit and loss account
	£	£
At 1 January 2014	250,000	2,094,333
Profit for the year	-	2,514,418
Dividends paid on equity capital	-	(2,050,000)
At 31 December 2014	250,000	2,558,751

12. Dividends

	2014	2013
	£	£
Dividends paid on equity capital	2,050,000	2,350,000

Notes to the financial statements

at 31 December 2014

13. Operating lease commitments

At 31 December 2014 the company had commitments under non-cancellable operating leases as follows:

Building

	2014	2013
	£	£
Buildings rent (annual, subject to renegotiations)	1,025,030	810,358

Lease agreement for the company is set to expire on 11 August 2019.

Equipment

	2014	2013
	£	£
Amounts payable:		
Within one year	21,780	21,780
In two to five years	5,445	27,225
	27,225	49,005

14. Financial Lease commitments

At 31 December 2014 the amounts due under non-cancellable financial leases as follows:

	2014	2013
	£	£
Amounts payable:		
Within one year	37,980	32,562
In two to five years	10,440	48,420
	48,420	80,982

Notes to the financial statements

at 31 December 2014

15. Post balance sheet events

On 4 June 2015 a dividend of £510,000 has been approved and declared payable to PSFG Ltd by Istituto Marangoni Ltd with the consent of its sole stakeholder Marangoni Holdings Ltd.

16. Related party transactions

The company has taken advantage of the exemption permitted by Financial Reporting Standard 8 not to disclose transactions with other undertakings within its qualifying group.

As at the balance sheet date there is a fixed and floating charge on the assets of the immediate parent company Marangoni Holdings Limited. These charges relate to the Royal Bank of Scotland plc loan granted to Istituto Marangoni Limited.

17. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Marangoni Holdings Limited, a company incorporated in England and Wales. The parent undertaking of Marangoni Holdings Limited is PSFG Limited, a company incorporated in England and Wales. Group financial statements for PSFG Limited are not prepared on the basis that consolidated financial statements are prepared by the ultimate parent undertaking.
The ultimate parent undertaking is Providence Equity Partners, having acquired Istituto Marangoni Limited from the former ultimate parent undertaking, Career Education Corporation, on 14th November 2011. Providence Equity Partners are a private equity firm incorporated in the United States of America. This is the smallest and largest undertaking within which the results of the company are included.