

Company Registration No. 3108030

**Study Group International
Limited**

Annual Report and Financial Statements

31 December 2007



Study Group International Limited

Annual report and financial statements 2007

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9

Study Group International Limited

Annual report and financial statements 2007

Officers and professional advisers

Directors

J H Pitman
M H Cornes
T J Coope

Secretary

T J Coope

Registered office

1 Billinton Way
Brighton
East Sussex
BN1 4LF

Bankers

National Westminster Bank Plc
Hove Town Hall Branch
Hove
East Sussex
BN3 2BS

Solicitors

DMH Stallard
Gainsborough House
Peglar Way
Crawley
West Sussex
RH11 7FZ

Independent auditors

Deloitte & Touche LLP
Chartered Accountants
Crawley

Study Group International Limited

Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 2007

Change of accounting reference date

During the period, the company changed its accounting reference date from 30 September to 31 December

Principal activity

The principal activity of the company continues to be the provision of educational services

Business review

The result for the year and financial position of the company are as shown in the annexed financial statements

The profit on ordinary activities of the group before taxation amounted to £21,571,416 (2006 – £22,449,786), however this was after the gain on waiver of an intercompany loan balance with a fellow Group company, Study Group Australia Pty Ltd, of £22,843,610

On the 8 of September 2006 the group was sold by its former parent company, the Daily Mail & General Trust plc, to Study Group Holdings Ltd

As part of a planned reconstruction of the Group in December 2006 the company sold two of its subsidiaries, Study Group Australia Pty Ltd and Study Group USA Inc, to Study Group Finance Pty Ltd, for proceeds of £39,947,698

The company's main activity is as a holding company, and as such the key financial indicator for the business is its overall net asset value. This has increased in the year to £32.6 million and the Directors are satisfied with the balance sheet position of the company

Key business risks

The key risks to the business are risks to the underlying performance of its trading subsidiaries. These are primarily global risks that pose a danger to the world's economy and especially to the willingness and ability of international students to travel to our centres to study. In particular, these include risks such as global terrorism activities, the potential spread of virulent diseases such as Avian Bird Flu and the constantly changing immigration and visa policies of the countries where our schools are situated.

Although these risks are largely out of the control of the company the Directors do monitor these risks through the media and via involvement with the relevant government agencies and plan the activities of the Group accordingly.

Financial risk management objectives and policies

The main financial risks arising from the company's activities are cash flow risk, credit risk and liquidity risk. The company does not have exposure to price risk on commodities.

Cash flow risk

The company's activities expose it to a degree of financial risk of changes in foreign currency exchange rates for customers in certain markets. However, this is not material and the company does not manage its exposure to this risk with the use of foreign exchange contracts, due to cost benefit considerations.

Study Group International Limited

Directors' report (continued)

Financial risk management objectives and policies (continued)

Credit risk

The company's principal financial assets are intercompany receivables and cash. The intercompany receivable is with the company's parent company, Study Group Holdings Ltd, and based on the net asset value of that company in the Directors' view no provision is required against this receivable. The cash balances are held entirely with National Westminster Bank plc, which the Directors believe has a sufficiently strong credit rating.

Liquidity Risk

As part of the sale of the group on 8 September, loans totalling A\$90million were taken on by the group. Although these loans are held on the balance sheet of the company's parent companies, they are serviced from the cash flows generated by the company's trading subsidiaries.

In order to ensure that sufficient funds are available for ongoing operations the parent company has established a working capital facility of A\$10M for the group which is available should the need arise. However, it has not been necessary to draw on this facility and the Directors are of the opinion that cash generated from operations will continue to be more than sufficient to cover all interest and loan repayments as they fall due.

In order to reduce the risk of interest rate changes the group has in place interest rate swaps that cover 75% of the value of the loans and which continue until 2012.

Dividends

Dividends of £nil (2006 - £3,100,000) were paid for the year ended 31 December 2007. The directors have not proposed a final dividend for the year (2006 - £nil).

Directors

The directors during the period under review were

A V Thick	Resigned 27 October 2006
A Petersen	Resigned 20 March 2007
B S Sebel	Appointed 28 September 2006, resigned 29 April 2008
D Smorgon	Appointed 28 September 2006, resigned 29 April 2008
A R Mills	Resigned 29 April 2008
T J Coope	Appointed 2 July 2007
J H Pitman	Appointed 15 March 2007
M H Cornes	Appointed 2 July 2007

Employee involvement

Under the company's general policy of decentralised management, it is the responsibility of the management in each department to encourage the involvement and participation of employees in their department. Increasingly a significant portion of remuneration is linked to performance targets.

The company gives full and fair consideration to suitable applications from disabled persons for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training.

Charitable contributions

The company has developed a charity initiative called Building Futures, which, through the Plan International Charity Organisation, is funding the building of schools in deprived areas of the world. Currently two schools have been completed, one in the Aceh region of Indonesia and one in Zounzoukanme in Benin, while a third school is being built in Brazil. The company contributed a total of £14,742 during the period, to equal staff contributions (2006 - £14,515).

Study Group International Limited

Directors' report (continued)

Independent auditors and statement of provision of information to the independent auditors

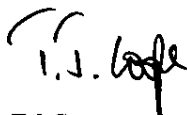
Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that they ought to have taken as a director 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 s234A of the Companies Act 1985

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

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



T J Coope
Secretary

21 May 2008

Study Group International Limited

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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, 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 Auditors' Report to the Members of Study Group International Limited

We have audited the company financial statements (the "financial statements") of Study Group International Limited for the period from 1 October 2006 to 31 December 2007 which comprise the profit and loss account, the balance sheet and the notes to the accounts 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

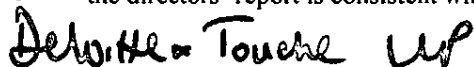
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the period from 1 October 2006 to 31 December 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the directors' report is consistent with the financial statements.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Crawley, United Kingdom

30 May 2008

Study Group International Limited

Profit and loss account

For the period from 1 October 2006 to 31 December 2007

	Note	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Turnover- continuing operations	2	5,638,000	4,020,980
Cost of sales		-	-
Gross profit		5,638,000	4,020,980
Administrative expenses (including £170,702 gain on waiver of intercompany loan 2006 - £nil)		(18,466,279)	(14,612,097)
Operating loss	4	(12,828,279)	(10,591,117)
Income from shares in group undertakings		4,003,050	43,500,100
Income from participating interests		67,736	50,005
Profit on sale of investments	11	6,952,112	-
Waiver of inter company debt		22,843,610	-
Net finance income /(charges)	6	533,187	(10,509,202)
Profit on ordinary activities before taxation		21,571,416	22,449,786
Tax credit on profit on ordinary activities	7	1,303,397	1,555,048
Profit for the financial period	17	22,874,813	24,004,834

All activities derive from continuing operations

There are no further recognised gains and losses for the current and preceding financial period/year other than as stated in the profit and loss account and as a result no statement of total recognised gains and losses is given

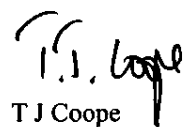
Study Group International Limited

Balance sheet At 31 December 2007

	Note	31 December 2007	30 September 2006
		£	£
Fixed assets			
Tangible assets	9	644,452	1,303,909
Investments	10	1,481,655	34,472,056
		<u>2,126,107</u>	<u>35,775,965</u>
Current assets			
Stocks	12	8,031	134,274
Debtors Amounts recoverable within one year	13	2,143,853	4,357,127
Debtors Amounts recoverable from group undertaking after more than one year		<u>42,758,329</u>	<u>-</u>
Total debtors		44,902,182	4,357,127
Cash at bank and in hand		<u>7,463,173</u>	<u>3,462,927</u>
		52,373,386	7,954,328
Creditors: amounts falling due within one year	14	(20,572,577)	(32,895,508)
Net current assets/(liabilities)		<u>31,800,809</u>	<u>(24,941,180)</u>
Total assets less current liabilities		33,926,916	10,834,785
Provisions for liabilities	15	-	(12,016)
Accruals and deferred income		<u>(1,657,653)</u>	<u>(1,428,319)</u>
		<u>32,269,263</u>	<u>9,394,450</u>
Capital and reserves			
Called up share capital	16	1,537,964	1,537,964
Share premium	17	7,927,452	7,927,452
Profit and loss account	17	22,803,847	(70,966)
Total shareholders' funds	18	<u>32,269,263</u>	<u>9,394,450</u>

These financial statements were approved by the Board of Directors on 21 May, 2008

Signed on behalf of the Board of Directors



T J Coope
Director

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been applied consistently throughout the current financial period and preceding financial year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold land and buildings	Term of lease
Assets in the course of construction	Not depreciated
Fixtures and fittings	15% - 50% per annum
Computer equipment	20% - 25% per annum
Motor vehicles	20% - 25% per annum

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Operating leases

Operating lease rentals are charged on a straight line basis to the profit and loss account over the term of the lease.

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

1. Accounting policies (continued)

Turnover

Turnover represents the value of management and marketing services provided to subsidiaries and fellow group companies, net of value added tax

Group accounts

Group accounts are not required on the basis that the company is a subsidiary and its results are consolidated in the accounts of the SGI Group Holdings Pty Limited, a company registered in Australia. These financial statements relate to the company only.

2. Segmental information

The directors are of the opinion that the company only operates one class of business. Turnover is derived as follows:

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Turnover by destination and origin:		
USA	2,183,000	1,363,980
Australasia	3,455,000	2,657,000
Total	5,638,000	4,020,980

3. Staff costs

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Staff costs during the year:		
Wages and salaries	8,448,003	5,756,631
Social security costs	661,220	521,834
Other pension costs	350,056	232,075
	9,459,279	6,510,540
 Average number of persons employed:	 No.	 No.
Sales and administration	210	209

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

4. Operating profit/(loss)

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation – owned assets	624,920	379,796
Loss on sale of tangible fixed assets	1,537	201
Fees payable to company's auditors for the audit of the annual accounts	127,486	63,546
Fees payable to company's auditors and its associates for other services		
- other services	17,625	-
- tax services	37,894	19,975
Operating lease rentals - other	172,162	258,979
Foreign exchange (gain)/loss	(123,293)	262,142
Waiver of intercompany loan due to Study Group Australia Pty Ltd	(23,104,789)	-
Exceptional costs associated with the sale of the group	-	2,406,089
	<u> </u>	<u> </u>

Audit fees payable include fees borne on behalf of the company's parent company and subsidiary companies totalling £106,238 (2006 £53,047)

5. Directors' remuneration

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Directors' emoluments	432,658	1,806,000
Directors' pension contributions	33,269	42,720
	<u> </u>	<u> </u>

The number of directors for whom pension contributions were made was as follows

	No.	No.
Money purchase schemes	<u>4</u>	<u>2</u>
Highest paid director	£	£
Emoluments	181,989	1,188,000
Pension contribution	24,275	29,520
Compensation for loss of office	-	361,416
	<u>206,264</u>	<u>1,578,936</u>

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

6. Net finance (charge)/income

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Interest payable and similar charges (see below)	(420)	(10,722,074)
Less investment income (see below)	533,607	212,872
	<u>533,187</u>	<u>(10,509,202)</u>

Investment income

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Deposit account interest	447,296	212,872
Interest on loans to group companies	86,311	-
	<u>533,607</u>	<u>212,872</u>

Interest payable and similar charges

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Bank loan and overdraft interest	(420)	(163)
Interest on loans from group companies	-	(184,515)
Other interest	-	(415,735)
	<u>-</u>	<u>(600,413)</u>
Provision against amounts due from group undertakings	(420)	(10,121,661)
	<u>(420)</u>	<u>(10,722,074)</u>

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

7. Tax credit on profit on ordinary activities

(a) Analysis of tax credit on profit on ordinary activities

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Current tax		
United Kingdom corporation tax at 30% (2006 – 30%) based on the profit for the period	(1,463,068)	(1,343,336)
Adjustments in respect of prior years	255,873	(200,442)
Total current tax	(1,207,195)	(1,543,778)
Deferred tax		
Timing differences, origination and reversal (note 15)	(96,202)	(11,270)
	(1,303,397)	(1,555,048)

(b) Factors affecting current tax charge for the period/year

The tax assessed for the period/year is lower (2006 - lower) to that resulting from applying the standard 30% rate of corporation tax in the UK (2006 - 30%) The differences are explained below

	Period from 1 October 2006 to 31 December 2007 %	Year ended 30 September 2006 %
Standard tax rate for period as a percentage of profits	30	30
Effects of		
UK Dividends received	(6)	(58)
Transfer pricing adjustments	10	8
Non-taxable profit on sale of investment	(9)	-
Non-taxable waiver of intercompany loan	(32)	-
Expenses not deductible for tax purposes	-	14
Adjustment in respect of prior years	1	(1)
Current tax rate for period as a percentage of profits/(losses)	(6)	(7)

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

8. Dividends on equity shares

	Period from 1 October 2006 to 31 December 2007 £	Year ended 30 September 2006 £
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the period ended 31 December 2007 of Nil pence (2006- 1 94 p) per deferred ordinary share	-	2,795,986
Interim dividend for the period ended 31 December 2007 of Nil pence (2006- 1 94p) per deferred preference share	-	27,179
Interim dividend for the period ended 31 December 2007 of Nil pence (2006 – 1 94p) per ordinary share	-	276,835
	-	3,100,000

9. Tangible fixed assets

	Short leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Assets in the course of construction £	Total £
Cost						
At 1 October 2006	211,505	667,594	10,509	3,905,944	202,697	4,998,249
Additions	-	12,057	-	157,641	-	169,698
Transfers	-	-	-	-	(202,697)	(202,697)
Disposals	-	(633,754)	-	(1,843,691)	-	(2,477,445)
At 31 December 2007	211,505	45,897	10,509	2,219,894	-	2,487,805
Accumulated depreciation						
At 1 October 2006	211,505	643,637	10,509	2,828,690	-	3,694,341
Charge for the period	-	16,613	-	608,307	-	624,920
Disposals	-	(633,754)	-	(1,842,154)	-	(2,475,908)
At 31 December 2007	211,505	26,496	10,509	1,594,843	-	1,843,353
Net book value						
At 31 December 2007	-	19,401	-	625,051	-	644,452
At 30 September 2006	-	23,957	-	1,077,254	202,697	1,303,909

The cost previously incurred in respect of assets in the course of construction have been transferred to a fellow group subsidiary in the period

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

10. Investments

	Shares in subsidiaries £	Shares in associate £	Total £
Cost			
At 1 October 2006	39,039,562	80,617	39,120,179
Disposals	(37,638,524)	-	(37,638,524)
At 31 December 2007	<u>1,401,038</u>	<u>80,617</u>	<u>1,481,655</u>
Provision			
At 1 October 2006	4,648,123	-	4,648,123
Disposals	(4,648,123)	-	(4,648,123)
At 31 December 2007	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2007	<u>1,401,038</u>	<u>80,617</u>	<u>1,481,655</u>
At 30 September 2006	<u>34,391,439</u>	<u>80,617</u>	<u>34,472,056</u>

The company has a 100% interest in the ordinary share capital of the following principal subsidiary undertakings -

Name of subsidiary	Principal activity	Country of operation
Bellerbys Educational Services Limited	Academic training	United Kingdom
Embassy Educational Services (UK) Limited	Language training	United Kingdom
Study Group Properties Limited	Property company	United Kingdom
Hobsons Study Group (Hong Kong) Ltd	Representative office	Hong Kong
Study Group Limited	Academic training	United Kingdom

The company has a 20% interest in the ordinary share capital of the following associate undertaking -

Name of associate	Principal activity	Country of operation
Worldwide Education & Training Limited	Academic training	Vietnam

During the year the company completed the liquidation of Hobsons Study Group Singapore Pte Ltd, a 100% owned subsidiary. This company ran a representative office which was no longer required within Singapore and no gain or loss was made on the liquidation.

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

11. Sale of subsidiary undertakings

During the period the company sold its 100% interests in the ordinary share capital of Study Group Australia Pty Ltd, Study Group USA Inc and CCI Spain Ltd. Study Group Australia Pty and Study Group USA Inc were both sold to another Group company, Study Group (Finance) Pty Ltd, as part of a group re-organisation. The sale proceeds were satisfied through the repayment of an intercompany loan.

	Study Group Australia Pty Ltd	Study Group USA Inc	CCI Spain Ltd	Total
	£	£	£	£
Date of sale	8 Dec 2006	8 Dec 2006	1 Nov 2006	
Carrying value of net assets	29,621,327	3,315,650	53,424	32,990,401
(Loss)/profit on sale	(1,071,217)	8,081,938	(58,609)	6,952,112
Sale proceeds	<u>28,550,110</u>	<u>11,397,588</u>	<u>(5,185)</u>	<u>39,942,513</u>

12. Stocks

	31 December 2007	30 September 2006
	£	£
Finished goods	<u>8,031</u>	<u>134,274</u>

13. Debtors: amounts recoverable within one year

	31 December 2007	30 September 2006
	£	£
Trade debtors	9,065	13,738
Amounts owed by group undertakings	-	1,767,138
Corporation tax recoverable	1,463,067	1,343,336
Deferred tax (see note 15)	84,186	-
Other debtors	145,591	675,894
Prepayments and accrued income	441,944	557,021
	<u>2,143,853</u>	<u>4,357,127</u>

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

14. Creditors: amounts falling due within one year

	31 December 2007 £	30 September 2006 £
Trade creditors	180,941	274,791
Amounts owed to group undertakings	20,009,535	32,171,827
Taxation and social security	279,037	-
Other creditors	103,064	448,890
	<u>20,572,577</u>	<u>32,895,508</u>

15. Provisions for liabilities

	2007 £	
Deferred taxation		
At 1 October 2006	12,016	
Credited to profit and loss account	(96,202)	
	<u>(84,186)</u>	
At 31 December 2007		
	31 December 2007 £	30 September 2006 £
Represented by:		
Depreciation (in excess)/ less than of capital allowances	(77,673)	19,927
Short term timing differences	(6,513)	(7,911)
	<u>(84,186)</u>	<u>12,016</u>

16. Called up share capital

	31 December 2007 £	30 September 2006 £
Authorised, allotted, issued and fully paid:		
144,022,000 deferred ordinary £0 01	1,440,220	1,440,220
1,400,000 deferred preference US\$0 01	9,026	9,026
14,259,825 ordinary US\$0 01	88,718	88,718
	<u>1,537,964</u>	<u>1,537,964</u>

The deferred preference shares have a preference over the deferred ordinary and ordinary shares in the event of the winding up of the company up to the nominal value of the shares and do not carry any voting rights. In all other respects the shares rank pari passu.

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

17. Reserves

	Share Premium account £	Profit and loss account £
At 1 October 2006	7,927,452	(70,966)
Profit for the financial period	-	22,874,813
At 31 December 2007	<u>7,927,452</u>	<u>22,803,847</u>

18. Reconciliation of movements in shareholder's funds

	2007 £	2006 £
Profit for the financial period/year	<u>22,874,813</u>	<u>24,004,834</u>
Net addition to shareholder's funds	22,874,813	24,004,834
Dividends paid	-	(3,100,000)
Capital contribution	-	476,345
Opening shareholder's funds	<u>9,394,450</u>	<u>(11,986,729)</u>
Closing shareholder's funds	<u>32,269,263</u>	<u>9,394,450</u>

19. Operating lease commitments

At 31 December 2007 the company have the following commitments due within twelve months under non-cancellable operating leases

	Land and Buildings 31 December 2007 £	30 September 2006 £
Leases which expire:		
Within one year	<u>184,173</u>	<u>141,517</u>

Study Group International Limited

Notes to the accounts

For the year ended 31 December 2007

20. Ultimate controlling party

The directors regard the immediate parent company as Study Group Holdings Limited, a company incorporated in England and Wales

The ultimate parent company is SGI Group Holdings Pty Limited, a company registered in Australia. The majority of shares in SGI Group Holdings Pty Limited are owned by investment funds managed by entities affiliated to Castle Harlan Inc. a company registered in New York, USA

21. Related party transactions

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" available to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, not to disclose transactions with entities that are part of the group where consolidated financial statements are publicly available

22. Contingent liabilities

The company has given, in conjunction with Embassy Educational Services (UK) Limited, Bellerbys Educational Services Limited, Study Group Holdings Limited and Study Group Properties Limited, an unlimited composite guarantee in respect of bank loans and overdrafts of certain group companies to The Royal Bank of Scotland plc. At 31 December 2007 the relevant bank loans and overdrafts of the relevant companies amounted to £691,880 (2006 - £231,176)

The company's assets have been pledged as security for borrowings undertaken by fellow group companies SGI Finance Pty Limited and Study Group Holdings Limited. As at 31 December 2007 the borrowings of these companies amounted to £37,067,000 (2006 - £nil)