

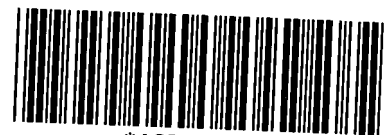
Study Group UK Limited

Annual report and financial statements

Registered number 03108030

31 December 2018

TUESDAY



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Strategic Report

The directors present their strategic report of Study Group UK (the 'Company') for the year ended 31 December 2018. The Company is a member of the EDU UK TopCo Limited group of companies (the 'Group' or 'Study Group').

Business review

The result for the year and financial position of the Company are as shown in the financial statements. The Company's main activities are to act as a holding company and to provide management services to subsidiaries and other group companies both in the UK and overseas, for which it receives fees.

Key performance indicators

In the directors view the key financial indicator for the business is its overall net asset value. At the end of the year the directors are satisfied with the balance sheet position of the Company. The net assets have increased from £14.2 million in 2017 to £16.7 million in 2018 due to the profit for the period of £2.5 million, of which £0.9 million was a tax credit.

Principal risks and uncertainties

A risk management framework is in place and under ongoing review and development. The Board is responsible for overseeing the framework. The most significant risks are described below.

Financial position and going concern

Going concern is assessed on a Group basis at our parent level. The Group's day to day working capital requirements are managed through a £49 million revolving credit facility. The Group has a term loan which includes a covenant requiring that the Group's leverage ratio remains within agreed limits. This is the only acting covenant and is forecast to be met for the foreseeable future. At 31 December 2018, the Group had available £32.2 million (December 2017: £22.6 million) of undrawn committed borrowing facilities, with £16.8 million of the £49.0 million revolving credit facility drawn (2017: £20.8 million drawn and £5 million carved out for lease guarantees). In addition, the liquidity outlook is positive for the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Business change and operational risk

Executing business change programmes, including changes to IT systems, organisation structure or relationships with partners and suppliers, present a variety of risks both in terms of our ability to deliver on objectives as well as minimising disruption to business as usual.

We have agreed governance structures in place within the Group to mitigate and monitor risks arising from any on-going change programmes.

Litigation risk

In common with most other businesses, from time to time, we are subject to litigation. The occurrence of material litigation could have an adverse effect on our financial results in the event of an unfavourable outcome. This could also have an impact on our reputation and brand within the marketplace. We employ internal counsel and retain outside counsel to provide advice in the event of any litigation as well as to ensure we are compliant with all relevant laws and regulations.

By order of the board



G A Bull
Director
26 April 2019

Directors' Report

The directors present their report on the Company for the year ended 31 December 2018.

Principal activities

The principal activity of the Company continues to be to act as a holding company and to provide management services to subsidiaries and other group companies.

Future developments

The Company intends to continue with the activities outlined above and there are currently no plans to make any significant changes to these activities.

Financial risk management objectives and policies

The Group's ability to recruit international students to its programmes depends on the ability of those students to procure visas. Study Group engages proactively with Government agencies in discussions on visa policy and frameworks and continually monitors students' processes through training agents in market.

With regards to the European Union (EU), it is unclear what the status will be of students from outside of the United Kingdom (UK), but within the EU, after the UK leaves the EU. However, the number of student weeks taught to EU students in the UK business represents approximately 5% of total weeks across the Group and therefore management consider the risk of Brexit to the Group to be low. Management cannot predict the impact Brexit would have on its EU-staff but will manage it as effectively as possible.

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

Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Company. This risk within the Group is mitigated by agents and students paying tuition fees prior to course commencement.

The Company's principal financial assets are its investment in subsidiaries and related party receivables from its subsidiaries. The recoverability of these investments and receivables is ultimately dependant on the performance of the subsidiaries.

Liquidity risk

The Company is exposed to liquidity risk. Ultimate responsibility for liquidity risk management rests with the Group's board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group actively monitors compliance with its covenants

Foreign currency risk

As a UK operating company with overseas subsidiaries, the Company is exposed to foreign currency risk. It is our general practice to collect revenues and pay expenses in the local currency of each country in which we operate. Conducting business across multiple currencies subjects us to currency fluctuation risks which could impact our business and reported results. In particular, our business is sensitive to fluctuations in the Australian dollar versus Pounds Sterling.

Results and dividends

The profit for the financial year was £2.5 million (2017: £86.6 million profit). The decrease in profitability was due to the reduction in payments of dividends from its subsidiaries from £83.8 million in 2017 to £nil in 2018.

Directors' Report *(continued)*

Proposed dividend

During the year a nil dividend (2017: £76.0 million) was paid.

Employment policies

It is the policy of the Company to follow equal opportunity employment practices and these include the full consideration of employment prospects for the disabled.

The Company's employment policies are regularly reviewed and updated to ensure that they remain effective. The policies are designed to promote a collaborative working environment, free from discrimination which supports the recruitment and retention of effective employees.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes.

The Company places importance on the contributions to be made by all employees to the progress of the Company and aims to keep them informed by the use of formal and informal meetings as well as the Company's intranet site, email, employee forums and newsletter.

Directors

The directors who held office during the year were as follows:

J H Pitman
G A Bull
E V Lancaster
M Everett
C Phillips – resigned 18 May 2018

Directors' indemnity provision

The Company maintains liability insurance for its directors and officers. The Company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This indemnity has been in place throughout the financial period and is in place as at the date of this report.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Events after the balance sheet date

Events between the balance sheet date and the date the financial statements were issued are disclosed in Note 25.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Directors' Report *(continued)*

By order of the board



G A Bull
Director

Brighton Study Centre
1 Billinton Way
Brighton
East Sussex
BN1 4LF

26 April 2019

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STUDY GROUP UK LIMITED

Opinion

We have audited the financial statements of Study Group UK Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as deferred tax assets and provisions, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STUDY GROUP UK LIMITED (continued)

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



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

Date *26/4/2019*

Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2018

		Before Exceptional and Other Items	2018 Exceptional and Other Items (Note 6)	Total	Before Exceptional and Other Items	2017 Exceptional and Other Items (Note 6)	Total
	Note	£000	£000	£000	£000	£000	£000
Turnover	2	32,449	-	32,449	32,196	-	32,196
Cost of sales		-	-	-	-	-	-
Gross profit		32,449	-	32,449	32,196	-	32,196
Administrative expenses		(30,303)	(308)	(30,611)	(29,291)	(108)	(29,399)
Operating profit/(loss)		2,146	(308)	1,838	2,905	(108)	2,797
Income from shares in group undertakings		36		36	83,792	-	83,792
Other interest receivable and similar income	7	116	-	116	143	-	143
Interest payable and similar charges	8	(372)	-	(372)	(307)	-	(307)
Profit/(loss) before taxation		1,926	(308)	1,618	86,533	(108)	86,425
Tax on profit/(loss)	9	867	-	867	216	-	216
Profit/(loss) for the financial year		2,793	(308)	2,485	86,749	(108)	86,641
Total comprehensive profit/(loss) for the period		2,793	(308)	2,485	86,749	(108)	86,641

All of the activities are continuing.

The company incurred no other comprehensive income or expense in the period.

The notes on pages 11 to 25 form part of these financial statements.

Balance Sheet

At 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	10	3,568	2,549
Tangible assets	11	1,293	1,030
Investments	12	2,041	2,057
		<u>6,902</u>	<u>5,636</u>
Current assets			
Debtors	13	67,022	125,739
Cash at bank and in hand		7,321	84
		<u>74,343</u>	<u>125,823</u>
Creditors: amounts falling due within one year	14	<u>(63,934)</u>	<u>(117,159)</u>
Net current assets		<u>10,409</u>	<u>8,664</u>
Total assets less current liabilities		<u>17,311</u>	<u>14,300</u>
Provisions for liabilities			
Other provisions	16	(657)	(131)
		<u>(657)</u>	<u>(131)</u>
Net assets		<u>16,654</u>	<u>14,169</u>
Capital and reserves			
Called up share capital	18	1,538	1,538
Share premium account		7,927	7,927
Profit and loss account		7,189	4,704
Shareholders' funds		<u>16,654</u>	<u>14,169</u>

These financial statements were approved by the board of directors on 26 April 2019 and were signed on its behalf by:



G A Bull
Director

Company registered number: 03108030

The notes on pages 11 to 25 form part of these financial statements.

Statement of Changes in Equity

	<i>Note</i>	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017		1,538	7,927	(5,937)	3,528
Profit and total comprehensive income for the period		-	-	86,641	86,641
Equity dividends paid	19	-	-	(76,000)	(76,000)
Balance at 31 December 2017		1,538	7,927	4,704	14,169

		Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018		1,538	7,927	4,704	14,169
Profit and total comprehensive income for the period		-	-	2,485	2,485
Equity dividends paid	19	-	-	-	-
Balance at 31 December 2018		1,538	7,927	7,189	16,654

The notes on pages 11 to 25 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Study Group UK Limited is a private company incorporated, domiciled and registered in England in the UK. The company is limited by shares. The registered number is 03108030 and the registered address is 1 Billinton Way, Brighton, BN1 4LF, UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements by virtue of being consolidated within the Group financial statements of its own parent company. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

The Company's intermediate parent undertaking, EDU UK Intermediate Limited includes the Company in its consolidated financial statements. The consolidated financial statements of EDU UK Intermediate Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 1 Billinton Way, Brighton, BN1 4LF, UK.

In these financial statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- a Cash Flow Statement and related notes;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of EDU UK Intermediate Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

Going concern is assessed on a Group basis at our ultimate parent level. The Group's day to day working capital requirements are managed through a £49 million revolving credit facility. The Group has a term loan which includes a covenant requiring that the Group's leverage ratio remains within agreed limits. This is the only acting covenant and is forecast to be met for the foreseeable future. At 31 December 2018, the Group had available £32.2 million (December 2017: £22.6 million) of undrawn committed borrowing facilities, with £16.8 million of the £49.0 million revolving credit facility drawn (2017: £20.8 million drawn and £5 million carved out for lease guarantees). In addition, the liquidity outlook is positive for the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise other debtors, cash and cash equivalents, loans and borrowings, and other creditors.

Other debtors

Other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Other creditors

Other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- | | |
|-------------------------------|---------------|
| • leasehold Improvements | term of lease |
| • computer equipment | 3 years |
| • fixtures and fittings | 5 years |
| • asset retirement obligation | term of lease |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software 3-5 years

1.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.9 Turnover

Turnover represents the value of management and marketing services invoiced to subsidiaries and fellow group companies, net of Value Added Tax and is recognised upon receipt of invoice.

1.10 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.12 Key areas of Judgement

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below;

a) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

b) Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required the company. Provisions are shown in Note 16. Contingent liabilities related to pending litigation or outstanding claims subject to negotiation as well as other contingent liabilities require the Group to exercise judgement when recognising in the financial statements. Contingent liabilities are set out in Note 22.

1.13 Changes in accounting policies and disclosures

New and amended standards and interpretations

The company applied IFRS 15 and IFRS 9 for the first time in 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the company. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 was issued in May 2014, amended in April 2016 and was effective from 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Notes (continued)

1 Accounting policies (continued)

The new revenue standard supersedes all current revenue recognition requirements under IFRS 15. The company has adopted this in the 2018 accounts using the full retrospective method. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The company did not apply any of the other available optional practical expedients.

A detailed impact assessment has been carried out and all revenue recognition remains the same.

There are set-up costs incurred solely in relation to the winning and delivering of new contracts in recent years which are required to be capitalised under IFRS 15, and the cost amortised over the life of the contract.

The Company has taken advantage of the exemption in IFRS 101 from the disclosure requirement of IFRS 15.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 has been effective for annual periods beginning on or after 1 January 2018 and brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

The Company adopted the new standard from 1 January 2018 and performed a detailed impact assessment of all three aspects of IFRS 9, concluding that there is no significant impact on its statement of financial position and equity for the current and prior period.

IFRS 9 requires the Company to record expected credit losses on all of its trade receivables on a lifetime basis. The Company has assessed the increase in the loss allowance, and corresponding related decrease in the deferred tax liability, and concluded that the impact is immaterial to its financial statements for the current and prior period.

The Company does not have any hedge relationships.

2 Turnover

All turnover arises from the provision of management services.

	2018 £000	2017 £000
By geographical market		
United Kingdom	22,513	21,153
USA	1,348	1,803
Australasia	2,205	3,949
Canada	47	98
New Zealand	91	220
Singapore	4,823	4,973
	<hr/>	<hr/>
Total turnover	31,027	32,196
	<hr/>	<hr/>

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2018 £000	2017 £000
Depreciation on tangible assets	645	788
Amortisation on intangible assets	783	583
	<u> </u>	<u> </u>

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	32	26
Audit of subsidiary financial statements	145	126
	<u> </u>	<u> </u>

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, EDU UK Intermediate Limited.

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2018	2017
Sales and administration	373	360
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	15,078	15,944
Social security costs	1,464	1,636
Contributions to defined contribution plans	449	346
	<u> </u>	<u> </u>
	16,991	17,926
	<u> </u>	<u> </u>

5 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	268	271
Company contributions to money purchase pension plans	18	12
	<u> </u>	<u> </u>

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	3
	<u> </u>	<u> </u>

Notes (continued)

5 Directors' remuneration (continued)

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £112,453 (2017: £113,326), and company pension contributions of £5,873 (2017: £5,758) were made to a money purchase scheme on their behalf.

All of the Directors of the company who are remunerated through Study Group UK Limited have management responsibilities for other group companies. Whilst it is impossible to accurately allocate their costs due to the number of directorships and the subjectivity involved, it is estimated that Directors' costs borne and relating to their services in the governance of Study Group UK Limited are approximately £216,000 in 2018 (2017: £210,000).

Some of the directors of the company are remunerated through other group companies. Whilst it is impossible to accurately allocate their costs due to the number of directorships and the subjectivity involved, it is estimated that Directors' costs borne in other group companies but relating to their services in the governance of Study Group UK Limited are approximately £70,000 in 2018 (2017: £72,000).

6 Exceptional and other items

	2018 £000	2017 £000
Exceptional costs included within operating profit		
Restructuring costs	-	108
Costs on disposal of investments	308	-
	<u>308</u>	<u>108</u>

Exceptional costs are defined as those which are material in size and non-recurring in nature. In 2018 the costs relate to the disposals of Embassy Educational Services (UK) Ltd and Study Group (Netherlands) BV. In 2017 the costs related to the continuing restructure of the finance team and also redundancy costs following the closure of our distance learning programme.

7 Other interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from deposits	116	143
Total interest receivable and similar income	<u>116</u>	<u>143</u>

8 Interest payable and similar charges

	2018 £000	2017 £000
Other interest payable	372	307
Total other interest payable and similar charges	<u>372</u>	<u>307</u>

Notes (continued)

9 Taxation

Total tax credit recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	£000	2017 £000	£000
<i>Current tax</i>				
Adjustments in respect of prior periods		-		(30)
		-----		-----
Total current tax		-		(30)
<i>Deferred tax (see note 15)</i>				
Accelerated capital allowances	259		246	
Tax losses	608			
	-----		-----	
Total deferred tax		867		246
		-----		-----
Total tax		867		216
		=====		=====

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year after taxation	2,485	86,641
Total tax credit	867	216
	=====	=====
Profit excluding taxation	1,618	86,425
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	(307)	(2,007)
Tax losses not recognised/paid	295	796
Items not taxable or deductible	12	1,211
Accelerated capital allowances	259	246
Tax losses recognised	608	-
(Under) provided in prior years	-	(30)
	-----	-----
Total tax credit included in profit or loss	867	216
	=====	=====

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. Further reductions to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

Notes (continued)

10 Intangible assets

	Work in progress £000	Software costs £000	Total £000
Cost			
Balance at 1 January 2018	473	3,182	3,655
Additions	1,802	-	1,802
Transfer	(1,719)	1,719	-
Balance at 31 December 2018	556	4,901	5,457
Amortisation			
Balance at 1 January 2018	-	1,106	1,106
Amortisation for the year	-	783	783
Balance at 31 December 2018	-	1,889	1,889
Net book value			
At 1 January 2018	473	2,076	2,549
At 31 December 2018	556	3,012	3,568

Software costs are internally generated.

Amortisation

The amortisation is recognised in the following line items in the profit and loss account:

	2018 £000	2017 £000
Administrative expenses	783	583

Notes (continued)

11 Tangible fixed assets

	Land and buildings £000	Computer Equipment £000	Fixtures & fittings £000	Asset retirement obligation £000	Total £000
Cost					
Balance at 1 January 2018	164	5,156	1,023	94	6,437
Additions	96	616	30	166	908
Disposals	-	-	-	(44)	(44)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	260	5,772	1,053	216	7,301
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
Balance at 1 January 2018	114	4,424	775	94	5,407
Depreciation charge for the year	43	463	117	22	645
Disposals	-	-	-	(44)	(44)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	157	4,887	892	72	6,008
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 1 January 2018	50	732	248	-	1,030
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	103	885	161	144	1,293
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Fixed asset investments

<i>Cost</i>	Shares in group undertakings £000	Total £000
Balance at 1 January 2018	2,057	2,057
Additions	1	1
Disposals	(17)	(17)
Balance at the 31 December 2018	2,041	2,041

The Company has the following investments in subsidiaries:

	Registered office	Class of shares held	Ownership 2018 %	Ownership 2017 %
Bellerbys Educational Services Ltd	1 Billinton Way, Brighton, BN1 4LF, UK	Ordinary	100	100
Embassy Educational Services (UK) Ltd	1 Billinton Way, Brighton BN1 4LF, UK	Ordinary	-	100
Study Group Limited	1 Billinton Way, Brighton, BN1 4LF, UK	Ordinary	100	100
Bellerbys College Ireland Ltd	First Floor Segrave House, 19-20 Earlsford Terrace, Dublin, Ireland	Ordinary	-	100
Study Group (Netherlands) BV	Postbus 130, 3620 AC Breukelen, Utrecht, Netherlands	Ordinary	-	100
SGIPL Study Group India Private Ltd	B-66, National CHGS Limited, Sector 3, Plot 4, Dwarka, Delhi, West Delhi, Dehli, India, 110075	Ordinary	100	-
SG Study Group Malaysia Sdn. Bhd	1199609, Malaysia Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Ordinary	100	100
Study Group Distance Learning Ltd	1 Billinton Way, Brighton, BN1 4LF, UK	Ordinary	100	100
Study Group do Brazil Agenciamento e Participacoes LTDA	Rua Jose Clemente, 100, Jardim Paulista, Sao Paulo, Brazil	Ordinary	100	100
Study Group (Beijing)Ltd	Room 1509 West Tower, Twin Towers, B12 Jianguomenwai Avenue, Chaoyang District, Beijing, China	Ordinary	100	100
SGI Consulting Services Nigeria	First Business Alliance Suites, 2 nd Floor Plot 5, Chief Yesuf Abiodun St, Victoria Island, Lagos, Nigeria	Ordinary	100	100

Notes (continued)

13 Debtors

	2018 £000	2017 £000
Amounts owed by subsidiaries	3,352	42,031
Amounts owed by parent undertakings	53,622	49,683
Amounts owed by fellow group undertakings	5,987	32,590
Other debtors	1,083	174
Deferred tax assets (see note 15)	1,475	608
Prepayments	1,424	527
Accrued income	79	126
	<hr/> 67,022	<hr/> 125,739
	<hr/> <hr/> 67,022	<hr/> <hr/> 125,739
Due within one year	<hr/> <hr/> 67,022	<hr/> <hr/> 125,739

Amounts owed to parent and fellow group undertakings are unsecured, non-interest bearing and repayable on demand.

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	47	2
Bank loans and overdrafts	-	22,514
Amounts owed to subsidiaries	18,132	47,795
Amounts owed to parent undertakings	39,500	39,500
Amounts owed to fellow group undertakings	1,139	2,709
Corporation tax	125	137
Taxation and social security	613	412
Other creditors	392	43
Accruals	3,986	4,047
	<hr/> 63,934	<hr/> 117,159
	<hr/> <hr/> 63,934	<hr/> <hr/> 117,159

Amounts owed to parent and fellow group undertakings are unsecured, non-interest bearing and repayable on demand.

Notes (continued)

15 Deferred tax assets

Deferred tax assets are attributable to the following:

	2018 £000	2017 £000
At 1 January	608	362
Credit to profit and loss account	867	246
At 31 December	<u>1,475</u>	<u>608</u>

Represented by:	2018 £000	2017 £000
Accelerated capital allowances	867	608
Tax Losses	608	
Net tax assets	<u>1,475</u>	<u>608</u>

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

At 31 December 2018, the Company had around £3.2 million (2017: £5.2 million) of carry-forward tax losses that would be available to offset against future profits. A deferred tax asset has been recognised in respect of £3.2 million (2017: £nil).

16 Provisions

	Restructuring £000	Other £000	Onerous lease provisions £000	Asset retirement obligation £000	Total £000
Balance at 1 January 2018	9	28	-	94	131
Additional provision in the year	-	-	416	215	631
Release of provision / Utilised in year	(9)	-	(57)	-	(66)
Unwind of discount	-	-	-	(39)	(39)
Balance at 31 December 2018	<u>-</u>	<u>28</u>	<u>359</u>	<u>270</u>	<u>657</u>

Asset retirement obligations relate to the lease terms on leased properties. Provisions will unwind over the length of the respective leases. Other provisions relate to property repairs and onerous lease provisions relates to a number of sites with onerous contracts which are expected to be loss making, where due to declining trading conditions the unavoidable costs of meeting the obligations under each contract exceeds the economic benefits expected to be received.

Notes (continued)

17 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £449,000 (2017: £346,000).

18 Capital and reserves

Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
14,259,825 (2017: 14,259,825) ordinary shares of US\$0.01 (2017: US\$0.01) each	89	89
144,022,000 (2017: 144,022,000) deferred ordinary £0.01 (2017: £0.01)	1,440	1,440
1,400,000 (2017: 1,400,000) deferred preference US\$0.01 (2017: US\$0.01)	9	9
	<hr/> 1,538 <hr/>	<hr/> 1,538 <hr/>

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.

19 Dividends paid and proposed

	2018 £000	2017 £000
<i>Declared and paid during the year:</i>		
Equity dividends on ordinary shares:		
Paid in 2017: £5.33p	-	76,000
	<hr/>	<hr/>
Dividends paid	-	76,000
	<hr/>	<hr/>

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	796	644
Between one and five years	2,057	592
Greater than five years	2,034	-
	<hr/> 4,887 <hr/>	<hr/> 1,236 <hr/>

During the year £805,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £1,050,000).

Notes (continued)

21 Commitments

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

	2018 £000	2017 £000
Less than one year	96	-
Between one and five years	17	-
	<hr/> 113 <hr/>	<hr/> - <hr/>

22 Contingencies

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

23 Related parties

The Company has taken advantage of the exemption in FRS101.8(K) from the requirement to disclose transactions between the Company and its wholly owned subsidiaries.

24 Ultimate parent company and parent company of larger group

The immediate parent undertaking is Study Group Holdings UK Ltd, registered office 1 Billinton Way, Brighton, BN1 4LF, UK.

The ultimate parent undertaking and controlling party is Providence Equity Partners VI International LP, registered office CR19197, Cayman Islands, PO Box 309, Ugland House, Grand Cayman KY1-3104, Cayman Islands.

The largest group in which the results of the company are consolidated is that headed by EDU UK TopCo Limited. The smallest group in which the results of the company are consolidated is that headed by EDU UK Intermediate Limited. Copies of the publicly available financial statements of EDU UK Intermediate Limited and EDU UK TopCo Limited are available from 1 Billinton Way, Brighton, BN1 4LF, UK.

As disclosed in Note 25, a change in ownership is expected in 2019.

25 Post balance sheet events

Ardian, a private investment house, announced on 21st February 2019 that they had reached an agreement with Providence Equity Partners to acquire a majority stake in Study Group. The transaction remains subject to authorisation from the Foreign Investment Review Board ("FIRB") in Australia and is expected to complete in May or June 2019.