EDU UK
TOPCO LIMITED
ANNUAL REPORT
&
FINANCIAL STATEMENTS

31 December 2018

Registered Number: 07285288

EDU UK TOPCO LIMITED

DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

E Lancaster
D Leigh
A Petersen
D Rammal
P Wilde
J Hood, Sir
N Williams (appointed 1 October 2018)
K Burnett, Sir (appointed 7 November 2018)
D Dracup (resigned 31 March 2018)
W Ethridge (resigned 31 March 2018)

INDEPENDENT AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

REGISTERED OFFICE

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

COMPANY REGISTERED NUMBER

Registered in England No. 07285288

Overview of the year

The Directors present their report and the consolidated financial statements for EDU UK Topco Limited, 'the Company', and its subsidiaries, together 'the Group' or 'Study Group', for the year ended 31 December 2018. The company is domiciled in the United Kingdom with its registered office at 1 Billinton Way, Brighton, East Sussex, BN1 4LF, and the Group is headquartered in London.

Overview

Study Group is the leading international provider of international education, driving success for its students and partners. Its core business is the delivery of Higher Education and Pathway programmes. This entails providing undergraduate, foundation or International Year 1, Pre-Masters and Masters programmes to international students on the campuses of its partner universities in the United Kingdom, Europe, The United States, Canada, Australia and New Zealand. It delivers these programmes in seven countries to international students from over 140 countries. The core business has exhibited strong growth over the last five years both in revenue and EBITDA.

During 2018 and since the year end the Group disposed of or discontinued a number of non-core operations, being Embassy English ("Embassy"), HE Proprietary Brands ("HE Proprietary") and Vocational Education and Training business ("VET"). Embassy and the largest HE Proprietary business (Endeavour Learning Group) were disposed of in 2018. A further HE Proprietary business, ACPE, was disposed of since the year end. The remaining HE Proprietary business, Martin Higher Education, was discontinued during the year, with a period of teach-out. The Group also concluded the teach-out of the VET business, which was discontinued in previous years. (Refer to Note 5 for further information with regards to the background and the financial impact of these discontinuations).

The UK Bellerbys business ("High Schools") was incorporated into the UK&EU Pathways operating segment to reflect the way that the business is monitored and managed now that the majority of its courses are foundation programmes.

Following the discontinuation of the non-core operations, the 'continuing' results throughout this report are wholly attributable to the core University Partnerships business. The Group operates its core business in three operating segments: United Kingdom & Europe ("UK&EU"), Australia & New Zealand ("ANZ") and North America ("NA"). In 2018 there was strong overall continuing revenue performance, increasing by 8% to £272.9 million (2017: £252.0 million) and student weeks taught increasing by 12% to 577,304 (2017: 516,166).

The Group has continued with its strategy of developing new and existing partnerships with its chosen university partners. During 2018, it demonstrated its strong capability in this regard by renewing nine university partnerships across the UK, Europe and New Zealand. It also signed a further two new partners during the year; the University of Waikato in New Zealand and Stenberg College International and Centre for Arts & Technology in Canada, as well as a partnership with the University of Aberdeen at the start of 2019.

The strong Group revenue performance of the higher margin core business has converted to growth in continuing adjusted EBITDA[(i)] of 5% to £41.9 million and reported EBITDA[(ii)] growth of 14% to £41.5 million.

On 21 February, the majority shareholders, Providence Equity Partners, entered into an agreement with Ardian, a private investment house, to sell their 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 June 2019 ('the shareholder transaction').

(i) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items (see Note 7 for details of exceptional and other items). Exceptional items are those which are material in size or are non-recurring in nature. Other items are not necessarily non-recurring in nature, but the Directors believe that it is helpful to show these amounts separately as they are not directly linked to the trading operations of the business.

(ii) Reported EBITDA is defined as earnings before interest, tax, depreciation, amortisation, and impairment.

Operating and financial review

Key performance indicators

The financial and non-financial KPIs for the continuing business are as follows. These KPIs are selected for monitoring the Group's medium term goal of continued revenue and EBITDA growth.

	Year ended 31 December		
	2018	**2017**	**% Variance**
Revenue (£m)	272.9	252.0	8%
Adjusted EBITDA[(i)] (£m)	41.9	39.9	5%
Operating profit before Exceptional and Other items (£m)	25.6	23.1	11%
Student weeks taught [(ii)]			
University Partnerships	577,304	516,166	12%
New student enrolments (NSE) [(iii)]			
University Partnerships	13,303	13,802	(4%)

The Group's results by line of business are summarised as follows:

£m	Revenue Year ended 31 December			Adjusted EBITDA[(i)] Year ended 31 December		
	2018	**2017**	% Variance	**2018**	**2017**	% Variance
On a continuing operations basis:						
United Kingdom & Europe	139.2	121.7	14%	28.1	23.9	18%
Australia & New Zealand	127.2	124.4	2%	43.1	41.9	3%
North America	6.5	5.9	10%	(4.4)	(3.3)	(33%)
Total University Partnerships	**272.9**	**252.0**	**8%**	**66.8**	**62.5**	**7%**
Unallocated functional & corporate costs	-	-	-	(24.9)	(22.6)	(10%)
Total	**272.9**	**252.0**	**8%**	**41.9**	**39.9**	**5%**

Reconciliation of reported EBITDA to adjusted EBITDA

£m	Year ended 31 December		
	2018	**2017 Restated[(iv)]**	% Variance
On a continuing operations basis:			
Reported EBITDA	**41.5**	36.5	14%
Exceptional and other items	**0.4**	3.4	(88%)
Adjusted EBITDA[(i)]	**41.9**	39.9	5%

(i) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items (see Note 7 for details of exceptional and other items). Exceptional items are those which are material in size or are non-recurring in nature. Other items are not necessarily non-recurring in nature, but the Directors believe that it is helpful to show these amounts separately as they are not directly linked to the trading operations of the business.
(ii) Student weeks taught represents the number of weeks in which a single student is taught in one of its courses or subjects.
(iii) An NSE represents one new student arriving and enrolling in a course.
(iv) The Group has restated its comparative amounts to reflect the impact of IFRS 15 (refer to Note 1.25) and newly classified discontinued operations (refer to Note 5)

A review of results by line of business is as follows:

University Partnerships

Overall NSEs declined by 4% in 2018. This was mainly due to a specific issue with respect to visa issuance for one partnership in ANZ. This has now been resolved with NSEs for that partnership recovering strongly.

UK & Europe
Revenue in 2018 increased by 14% to £139.2 million (2017: £121.7 million), mainly as a result of higher student enrolments with key university partners. 2018 was the first full year of partnership with Durham University. Adjusted EBITDA growth was 18% to £28.1 million (2017: £23.9 million).

Australia & New Zealand
Increased student volumes across a range of programmes and campuses led to revenue growth of 2% to £127.2 million (2017: £124.4 million). This led to adjusted EBITDA growth of 3% to £43.1 million (2017: £41.9 million).

North America
Revenue was up £0.6 million or 10% to £6.5 million (2017: £5.9 million). The increase is primarily due to a greater number of placement confirmations in 2018 resulting in higher matriculation revenue being recognised in the year. Adjusted EBITDA for the year increased to a loss of £4.4 million (2017: £3.3 million loss) as a result of upfront set-up costs incurred in 2018 for new centres to enable future growth.

Unallocated functional and corporate costs
Functional and corporate costs, being largely central IT, finance, HR and head office costs, increased by £2.3 million or 10% to £24.9 million (2017: £22.5 million) partly due to one-off recruitment fees and an overlap in staff costs as a result of changes within the Global Executive Team, and in order to support continued growth. These costs are managed and controlled centrally and as such are reported separately from the Group's operating segments.

Exceptional and Other items
Exceptional items are those which are material in size and are non-recurring in nature. Other items include adjustments which the Group believes are necessary to set aside when considering the underlying trading result.

Total exceptional costs in continuing operations reduced in 2018 to £3.8 million (2017: £5.8 million) and include lower restructuring costs of £0.3 million (2017: £2.0 million), shareholder and management fees of £0.8 million (2017: £0.8 million), £1.0 million of fees relating to aborted transaction costs (2017: £nil), foreign exchange losses of £2.6 million (2017: £1.0 million), offset by a release of property provisions due to change in circumstances of £1.6 million (2017: £0.1 million charge).

Total exceptional costs in discontinued operations were £9.5 million (2017: £11.7 million) relating to the Embassy, VET and HE Proprietary businesses (see Note 7), including £0.7 million of transaction fees relating to the disposal of Embassy and HE Proprietary businesses.

Depreciation and amortisation
Depreciation and amortisation for the year to 31 December 2018 for continuing business lines of £16.3 million was broadly in line with the prior year (2017: £16.8 million).

Finance expense
The net finance expense for the year increased by £3.5 million to £44.7 million (2017: £41.2 million). The financing of the Group did not change during 2018, however the term loan interest margin increased from 5.75% to 6.25% in Q4 2018 resulting in a £0.2 million increase in term loan interest costs. Interest on the Eurobond is rolled into the principal annually resulting in a £1.7 million increase in Eurobond interest costs. In addition, Other finance costs include interest on the revolving credit facility of £1.7 million (2017: £1.5 million), amortisation of deferred borrowing costs of £2.3 million (2017: 2.3 million), exceptional finance costs of £2.6 million (2017: £1.0 million) arising from foreign exchange losses, unwinding the discount and a change to the discount rate on onerous property lease provisions.

Taxation
For the year to December, the Group received a total tax credit of £3.5 million (2017: £1.1 million credit) being a current tax credit of £0.1 million (2017: £0.2 million charge) and a deferred tax credit of £3.4 million (2017: £1.3 million tax credit). The deferred tax credit is largely due to the accumulation of unused tax losses as well as the difference between allowable tax depreciation and accounting depreciation. The total tax credit has been split between continuing and discontinued businesses as detailed in Note 6. During the year, a net cash tax inflow of £0.3 million was received (2017: £0.8 million cash payment), being a withholding tax refund in Australia following payment of a dividend by the Australian group in 2017.

Balance sheet position
Net debt, being external borrowings less cash, was £440.8 million at 31 December 2018 (2017: £421.8 million). Within net debt, the revolving credit facility of £49.0 million was utilised by £16.8 million as at 31 December 2018 (2017: £20.8 million).

Cash flow
The Group generated free cash inflow (being cash available to service debt), including discontinued operations, of £15.0 million (2017: £12.0 million) in the year to 31 December 2018.

Free cash flow for the total business included cash exceptional outflows of £8.9 million (2017: £8.8 million), a cash inflow of £1.8 million (2017: outflow of £0.6 million) relating to movements in net working capital, a net cash tax inflow of £0.3 million (2017: net cash tax outflow of £0.8 million), and capital expenditure of £13.6 million (2017: £13.5 million).

Exceptional cash outflows primarily related to the discontinued VET business (£2.1 million) and disposed Embassy business (£2.1 million), as well as other onerous lease costs relating to closed Bellerbys and Embassy schools (£3.3 million).

Capital expenditure was in line with the prior year, with continued investment across the business, both in IT developments and tangible spend, including expansion of certain sites, launch costs for new centres, as well as facility refurbishments.

A reconciliation of adjusted EBITDA to free cash flow is set out below:

Reconciliation of Adjusted EBITDA to Free Cash flow	**2018**	**2017**
	£m	**£m**
Adjusted EBITDA for the continuing business	41.9	39.9
EBITDA attributable to discontinued businesses	(6.5)	(4.2)
Cash exceptional and other items	(8.9)	(8.8)
Movement in working capital	1.8	(0.6)
Cash tax refunded/(paid)	0.3	(0.8)
Capital expenditure and other investment activities	(13.6)	(13.5)
Free cash flow	15.0	12.0

Discontinued operations
As outlined above, strategically Study Group is focused on the core University Partnerships business and as a consequence, has discontinued its non-core operations. These non-core business segments are outlined below:

Embassy English ("Embassy")
The global Embassy business was sold on 30 November 2018 for net proceeds of £1.5 million. Net liabilities disposed of were £9.3 million and associated transaction costs totalled £0.6 million, resulting in a gain on disposal of £10.1 million booked in the 2018 accounts.

Revenue for the eleven months was down £11.2 million or 22% to £38.6 million (twelve months in 2017: £49.8 million), and similarly student weeks were down by 22% in November 2018. EBITDA for the eleven months was a £4.2 million loss (twelve months in 2017: £3.9 million loss).

HE Proprietary Brands ("HE Proprietary")
There are three business lines within this discontinued operating segment: Endeavour, ACPE and Martin HE. Revenue was down £10.5 million or 30% to £24.9 million (2017: £35.4 million) due to the sale of Endeavour on 31 October 2018 and lower revenues in Martin HE which is closed to new students and is in a teach out period, expected to be concluded by the end of 2019. EBITDA *was also down £2.8 million to £0.9 million (2017: £3.7 million).*

The sale of Endeavour completed on 31 October 2018 for net sales proceeds of £8.9 million (AUD $16.0 million). Prior to the discontinuation and disposal, HE Proprietary had a goodwill carrying value of £15.3 million which was fully written off as part of the disposal calculation. Net assets disposed of were £0.3 million with transaction costs of £0.1 million, resulting in a loss on disposal of £6.9 million booked in the 2018 accounts.

ACPE is classified as a disposal group 'Held for Sale' at 31 December 2018. The Board considered the ACPE business to meet the criteria to be classified as held for sale at that date for the following reasons:
- the business was available for immediate sale;
- a buyer had been identified and an agreement to sell the business was reached on 28 December 2018;
- the sales price was reasonable in relation to its fair value;

- the sale was highly probable within the next 12 months; and
- the actions required to complete the sale had been initiated and it was considered unlikely the sale would not complete.

Study Group subsequently sold the business on 11 February 2019 as noted in the post balance sheet events in Note 25.

Vocational Education and Training business ("VET")
As result of regulatory reforms announced by the Australian government in October 2016, a decision was taken during 2017 to discontinue the VET business. It was announced in Q2 2017 that Study Group would no longer be accepting new student enrolments into the VET brands, and following this only students already enrolled in eligible courses, who had paid course fees in full or opted in to continue to receive loan funding for census periods arising in 2017, were then taught to the completion of their courses. By the end of 2018 all VET students had been taught out.

Revenue and EBITDA from the discontinued VET segment was £1.0m (2017: £8.6 million) and a loss of £3.2 million (2017: £4.0m loss) respectively.

Refer to Note 5 for further information with regards to the financial impact of these discontinuations.

Going concern
The Group manages its operational working capital requirements through a £49.0 million revolving credit facility. The Group's term loan 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.

Upon completion of the upcoming shareholder transaction (refer to Note 25), the Group expects to refinance which will result in a new covenant, the limits of which will be agreed upon with reference to the latest financial forecast. As such, the Directors have a reasonable expectation that the Group will be able to operate within the level of its new facilities when they come into effect.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Strategy
Study Group remains committed to a strategy of continuing to strengthen its position as a leading provider of international education. The Group has identified four key areas of delivery to achieve the strategy:

Student Success A key factor in the success of the Group's partnerships is continuing to drive high progression rates to the partner institutions. During 2018 this increased from 82% to 87%.

Highly Engaged Team The Group understands that recruiting, developing and retaining a strong team will be critical to achieving its strategic objectives.

Operational Excellence Everywhere Study Group aims to continuously improve the service it provides to its agents and develop direct channels, which it sees as critical to generating future revenue and margin growth.

Growth-Driven Working with the best university partners to ensure Study Group can offer the right propositions to its students to support them with the next phase of their education. To this end, the Group is constantly looking for new opportunities to expand its offering with its current partners, as evidenced by the renewals of nine of its existing university partnerships in 2018, and breadth of source channels in order to provide cultural and economic diversity for its existing partners. The Group believes that this, coupled with a longer term goal to explore new university partnerships, as demonstrated by the signing of The University of Waikato in New Zealand and Stenberg College International and Centre for Arts & Technology in Canada in 2018 and the University of Aberdeen at the start of 2019, positions it to be a global leader in international higher education and deliver exceptional student outcomes.

Study Group believes that this strategy, combined with a continued focus on operational effectiveness and efficiency, will be supportive of continued longer term revenue and EBITDA growth.

Outlook
Overall, the Group is pleased with the 2018 performance of the University Partnerships business and NSE volumes. Strong 2018 NSEs provide a good foundation for 2019.

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.

Economic, market and trading risks
Industry and political risks
If foreign direct investment in emerging markets were to slow down or there were to be political uncertainty in source markets, demand for a foreign-educated, English-speaking workforce may decline. The Group's students join from over 140 countries worldwide, which provides a degree of mitigation against these risks.

Brexit, visa frameworks and immigration policy
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 less than 1% 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.

Contract risks
University partners
The Group maintains relationships in the form of contractual agreements with its university partners. It works closely with these university partners to ensure that it maintains a good relationship and is adhering to the terms of its contractual arrangements.

Agent relationships
The Group relies on a global network of education agents to recruit its international students and market its programmes. The management structure is designed to ensure that the Group manages its agent relationships effectively and it constantly reviews its approach to ensure that it is able to continuously improve in this area.

Regulatory oversight
The majority of our partnerships are overseen by an independent third party regulator and many of these bodies are entitled to perform site visits at short notice in order to assess our performance. All of our centres, colleges, and campuses are overseen by appropriately qualified personnel and, where deemed appropriate, central staff are employed to review compliance with regulatory requirements.

Financial position
The Group has a leverage covenant attached to its term loans. The required leverage ratio reduces over time and therefore in order to meet the covenant, the Group must continue to deliver growth in EBITDA. The Group monitors its covenant requirements on a regular basis to ensure that it has time to take mitigating action in the event of a projected reduction in its leverage ratio.

Refer to the Directors' Report for discussion on the Group's foreign currency and liquidity risk.

Business systems risks
The Group relies on information technology systems and its online platform to operate its websites, facilitate student enrolment online, deliver its programmes and maintain cost-efficient operations. In common with many businesses, the Group's information technology systems and online platform could be impacted by interruption from both internal and external threats. In order to mitigate these risks, Study Group's production IT systems are housed and backed up appropriately to minimise the risk of catastrophic failure. All systems are monitored for environmental factors and system performance by a dedicated team of professionals.

Reputational risk
The Group reputation could be adversely affected by its ability to adequately update and expand the content of its existing programmes and develop new programmes, as well as the quality and integrity of its curricula, teaching staff or programme facilities. The Group continuously reviews its operations to ensure that it is able to respond to and mitigate any reputational risks.

Litigation risk
In common with many other businesses, from time to time, the Group is subject to litigation. The occurrence of material litigation could have an adverse effect on its reputation and financial results in the event of an unfavourable outcome. The Group employs internal counsel and retains outside counsel to provide advice in the event of any litigation.

N. Williams

N Williams
Director
29 April 2019

GENERAL INFORMATION

EDU UK Topco Limited ('the Company') is a holding company registered in England and Wales with the Company number 07285288. The Directors present their report and the audited consolidated financial statements for EDU UK Topco Limited 'the Company' and its subsidiaries, together 'the Group' or 'Study Group', for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

Study Group is a leading provider of international education. It delivers its University Partnerships programmes to international students from over 140 countries.

The subsidiaries and associated undertakings of the Group in the year are listed in Note 10 to the financial statements.

ULTIMATE PARENT COMPANY

In the view of the directors, the ultimate parent undertaking and controlling party is Providence Equity Partners VI International LP, a company incorporated in the Cayman Islands.

Refer to Note 25 (Events after the balance sheet date) for details of the change in ultimate parent undertaking and controlling party expected to take place in 2019.

RESULT AND DIVIDENDS

The Group loss for the year after taxation amounted to £34.2 million (2017: £40.6 million loss) including discontinued operations and a loss after taxation of £21.6 million (2017: £25.3 million loss) for continuing operations. Of the Group loss for the year, no loss is attributable to non-controlling interests. The directors do not recommend payment of a dividend (2017: £nil).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The information contained in the Strategic Review constitutes the review of the Group's business. It also contains details of expected future developments in the business of the Group, information about expenditure and key performance indicators used by management.

DIRECTORS

The persons who were directors at any time during or since the end of the financial year are listed below; details of the directors and their background are set out on pages 12 to 14:

E Lancaster
D Leigh
A Petersen
D Rammal
P Wilde
J Hood
N Williams (appointed 1 October 2018)
K Burnett (appointed 7 November 2018)
D Dracup (resigned 31 March 2018)
W Ethridge (resigned 31 March 2018)

The directors have no direct interest in the shares of the Company.

Providence Equity Partners, Petersen Investments, D Leigh and E Lancaster have an indirect interest through their interests in the Company's parent, EDU Luxco S.a.r.l.

DIRECTORS' INDEMNITIES

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 year and is in place as at the date of this report.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The Group's financial liabilities comprise borrowings, trade creditors and other creditors, the main purpose of which is to raise finance for the Group's operations. The Group also has financial assets comprising cash, trade and other debtors.

It is, and has been throughout the year under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have been reviewed and remain unchanged.

Interest rate risk
The Group's primary exposure to market interest rates relates to the Group's long-term borrowing obligations. The risk of the Group being exposed to movement in interest rates is partially mitigated through the use of different currency loans in Pound Sterling and Australian Dollars with different variable rate basis of Libor and BBSY. The interest rates currently applicable to this variable rate debt are LIBOR for Pound Sterling loans and BBSY for Australian Dollar loans plus 575-625 basis points. For the rolling credit facility the margin is set at 475 basis points. The Group also may at times hold cash and cash equivalents which earn interest at a variable rate. The Group utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates.

In February 2017, the Group entered into interest swap agreements to fix the interest cost on 50% on the total value of the Group's term loans until 9 February 2019. The Group will continue to regularly monitor and sensitise interest rate risk and will utilise further interest rate swap agreements to manage and mitigate its exposure to changes in interest rates if this is considered appropriate.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. This risk is mitigated by agents and students generally paying tuition fees prior to course commencement.

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the 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 covenant relating to the term loans. Note 14 includes detail of additional undrawn facilities that are available to the Company and the Group.

Foreign currency risk
The Group undertakes transactions denominated in foreign currencies, hence experiences translational and transactional exchange rate exposures. The Group is mainly exposed to movements between Pound Sterling and Australian Dollars/US Dollars. EBITDA for the year was generated as follows: 35.7% in Pound Sterling; 97.6% in Australian Dollars, (16.7%) in US Dollars and (16.6%) other. The transaction risk is mitigated by revenues being billed in the currency where the services/operating costs are delivered/incurred.

The largest elements of the Group external debt, being its term loans, are denominated 52% in Pound Sterling and 48% in Australian Dollars. It hedges the foreign exchange exposure on the Australian Dollar term loan using a net investment hedge (see Note 14). Part of the RCF drawdown is also in Australian Dollars so serves to provide a natural hedge towards Pound Sterling and Australian Dollar exchange rate movements. In addition, its leverage ratio (upon which its bank loan covenant compliance is calculated) is impacted by movements in foreign exchange rates; however this is something it regularly monitors and sensitises. It continues to review whether it would be beneficial to take out a foreign currency hedge to mitigate this risk.

EMPLOYMENT POLICIES

The Group'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. Study Group promotes equal opportunity and the avoidance of discrimination, by treating individuals equally and with fairness at all times when making employment decisions. The Group achieves this by reaching objective solutions based on merit, and ensuring that any unjustifiable barriers are removed. Staff are encouraged to raise any matters that are important to them within the workplace, in order to ensure that they are provided with appropriate levels of support.

It is the policy of the Group to follow equal opportunity employment practices and these include the full consideration of employment prospects for the disabled. 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 Group 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 Group places importance on the contributions to be made by all employees to the progress of the Group and aims to keep them informed by the use of formal and informal communications as well as the Group's intranet site, email, employee forums and newsletters. It wants and encourages our individuals to fulfil their potential and to build positive working relationships within a flourishing and dynamic environment. All balanced views are welcomed, and it routinely celebrates diversity across our global workforce, students and partners.

POLITICAL CONTRIBUTIONS

Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made donations of £44,000 (2017: £56,000) to its charitable partner, Plan International, which strives to advance children's rights and equality for girls all over the world. The Group's partnership with Plan International, known as 'Building Futures' invests in educational infrastructure projects in developing countries, and aligns with its mission to educate students from every corner of the globe.

Continuing the partnership's history, the donation made in the year was utilised to fund a project in the Kurigram district of Bangladesh. The project aim is to provide access to safer education to 1080 girls, 1320 boys and 128 teaching and education staff through the rehabilitation of 8 schools in the district. Starting in July 2018, the 2-year project aims to raise a total of £200,000 from donations from staff and students, and match funding from Study Group. This target is on track to be achieved.

GOING CONCERN

The financial statements have been prepared on the going concern basis, notwithstanding the loss in the year of £34.2 million (2017: loss of £40.6 million) and net current liabilities of £109.8 million (2017: £117.0 million), which the directors believe to be appropriate for the following reason:

The Group manages its day to day working capital requirements through a revolving credit facility ("RCF"). A covenant attached to the Group's term loans requires that the Group's leverage ratio remains within agreed limits. These have been met and are forecast to be met for the foreseeable future. This is the only acting covenant and is forecast to be met for the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will continue to be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing its consolidated and parent company financial statements.

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

So far as each of the directors at the time the report is approved are aware:

- there is no relevant audit information of which the auditor is unaware and
- they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

N.Williams

N Williams
Director
29 April 2019

DIRECTORS AND KEY MANAGEMENT

The Directors include the following individuals, being a balance of executive directors and non-executive directors, representing Providence Equity Partners and Petersen Investments:

Arvid Petersen
Chairman
Petersen Group

Arvid Petersen is Chairman of Petersen Group. Based in Sydney Australia, Petersen Group is a diversified investment company focusing on private equity, property and other family office related entities. Their private equity investments are primarily in private education and hospitality.

Mr Petersen has had a long and successful history in private education with his first investment in 1994. A founding shareholder of Study Group Australia, Mr Petersen led the growth of the company prior to selling to Daily Mail and General Trust (DMGT) in 2003.

In 2006 Mr Petersen partnered with CHAMP private equity to buy the global operations of Study Group. After growing the business significantly over the ensuing five years, the company was then sold to Providence Equity Partners in 2010. Mr Petersen has remained on the board of Study Group and retains a significant shareholding.

Prior to his involvement in private education, Mr Petersen spent many years in the soft drink industry with Pepsi Cola, coming to Australia from Canada in 1989 to establish Pepsi Cola Bottlers Australia, where he was the founding Managing Director.

Mr Petersen also serves on the boards on Scentia Education and the Petersen Family Foundation.

David Leigh
Chairman,
Study Group

David Leigh was appointed Chairman of Study Group on 1 September 2018, having previously been the CEO from March 2013. Prior to joining Study Group, Mr Leigh was CEO of SHL, the global leader in talent assessment with a presence in more than 50 countries. Prior to SHL, he was on the Executive Committee of Groupe Steria, with responsibility for Business Process Outsourcing.

Mr Leigh's earlier background was in private equity (iFormation Group, a joint venture between Goldman Sachs, General Atlantic Partners and the Boston Consulting Group), consulting (McKinsey & Co) and law (Herbert Smith).

Mr Leigh has an MA in Social and Political Sciences from Cambridge University and a post-graduate legal qualification from the College of Law, London. David also serves as a Non-Executive Director of the Ambassador Theatre Group.

Emma Lancaster
Chief Executive Officer,
Study Group

Emma Lancaster was appointed Chief Executive Officer of Study Group on 1 September 2018, having served as Chief Financial Officer since April 2013.

Ms Lancaster was CFO of SHL Group Ltd for 11 years, during which time it was both a public company listed on the London Stock Exchange and private equity backed. Prior to SHL, she was Director of Finance and Business Development at The Rank Group plc. Ms Lancaster's early career was at Arthur Andersen in a variety of both client-facing and internal roles in the Global Corporate Finance group.

Ms Lancaster has a BA (Hons) in Zoology from Oxford University.

Dany Rammal
Managing Director,
Providence Equity Partners VI International LP

Dany Rammal is a managing director based in its London office. Mr. Rammal is currently a director of Study Group, Galileo Global Education and NACE Schools.

Prior to joining Providence Equity Partners in 2008, Mr Rammal was a Vice President in the media and communications group within investment banking at Morgan Stanley in London, where he worked on transactions across a variety of sectors including fixed and wireless telecommunications, cable and satellite.

Previously, Mr Rammal worked in Paris as a Management Consultant with both KPMG Consulting and Diamondcluster International.

Mr Rammal received a Master of Business Administration from INSEAD and a Master of Science in Communications Engineering from L'École Supérieure d'Électricité

Peter O. Wilde
Managing Director,
Providence Equity Partners VI International LP

Peter Wilde is a managing director based in its Providence office. He leads the firm's private equity investment activities in the education and information sectors and is a member of the firm's investment, portfolio review and operating committees. Mr. Wilde is currently a director of Asurion, Blackboard, Galileo Global Education, KPA, NACE Schools, Study Group, Vector Solutions and Vistage.

Prior to joining Providence in 2002, Mr. Wilde was a general partner at BCI Partners, where he began his career in private equity in 1992. While at BCI, he was involved in many of BCI's investment activities in media, education and information services companies. Prior to BCI, Mr. Wilde worked at LaSalle Partners in the acquisitions group.

Mr Wilde received a Master of Business Administration from Harvard Business School and a Bachelor of Arts from Colorado College.

Sir John Hood
Non-Executive Director,
Study Group

Sir John Hood is President and Chief Executive Officer of the Robertson Foundation and Chair of the Rhodes Trust. He also serves as a director on the boards of Blackstone, WPP plc and Aurora Energy Research; he is Chairman of BMT Group.

In addition to these appointments, Sir John serves on the boards of the Fletcher Trust, the Mandela Rhodes Foundation, and the Said Business School Foundation.

From 2004 to 2009, Sir John served as Vice-Chancellor of the University of Oxford. He served as Vice-Chancellor of the University of Auckland from 1999 to 2004. Sir John has been appointed a Knight Companion to the New Zealand Order of Merit.

He was appointed a non-executive director of Study Group in January 2011 and was Chairman from 2011 - 2018.

Nick Williams
Chief Financial Officer
Study Group

Nick joined Study Group on 1 October 2018 as Chief Financial Officer and was appointed to the Board on the same day.

Nick began his finance career at KPMG, and prior to joining Study Group, he was finance leader for a number of growing, international businesses. Most recently he was CFO of JacTravel, the global B2B travel provider. Previous businesses included Masternaut, Truflo International and Biocompatibles. Nick also serves as Non-Executive Director of Cambridge Scientific Innovations.

He has a BA (Hons) in History from the University of Exeter, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Nick is married and lives in London and West Sussex.

Sir Keith Burnett
Non-Executive Director
Study Group

Professor Sir Keith Burnett served as the President and Vice-Chancellor of The University of Sheffield from 2007 to 2018. Prior to that, he was Head of the Division of Mathematical, Physical and Life Sciences at the University of Oxford.

A physicist who has worked in the USA and the UK, Sir Keith is a member of the Prime Minister's Council of Science and Technology and is President of the UK Science Council. He is also the Chair of the Nuffield Foundation.

Sir Keith is a member of the Higher Education Funding Council for Wales. A speaker of Mandarin Chinese, Sir Keith is a leading advocate of partnership between the UK and China in Science and Innovation. In 2014 and 2016 he was given an Award for Outstanding Personal Achievement by the People's Republic of China for his contribution to the understanding of Chinese language and culture.

Sir Keith is a regular commentator in the UK and international media on issues of education, science and innovation. He was the co-founder of the #WeAreInternational campaign which welcomes international students and scholars to the UK, now supported by over 100 UK universities, education providers and businesses.

Professor Burnett was awarded a knighthood in 2013 for services to science and higher education.

The Global Executive Team

The Global Executive Team ("GET") is responsible for the day to day management of the Group's affairs and strategic decision making. It is led by the Group's CEO, Emma Lancaster. All members of the team have extensive experience in, and in-depth knowledge of, the education sector or the function that they lead. The current members of the GET and roles are as follows:

Emma Lancaster, Chief Executive Officer (appointed on 1 September 2018)
Nick Williams, Chief Financial Officer (appointed on 1 October 2018)
Gordon Bull, Chief Legal Officer (appointed 1 April 2019)
Alex Chevrolle, Chief Operating Officer, Australasia (appointed on 1 February 2018)
Anthony Claridge, Chief Information Officer (appointed on 2 October 2018)
Mike Everett, Chief Operating Officer, UK & Europe
Nikki Hall, Chief Human Resources Officer (appointed on 30 April 2018)
Warren Jacobson, Managing Director, Development Australasia
Robert Morgan, Global Chief Operating Officer
Rajay Naik, Chief Commercial Officer (appointed 1 January 2019)
James Pitman, Managing Director, Development UK & Europe
Manoj Shetty, Chief Revenue Officer
Emily Williams Knight, Managing Director, North America

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

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

On behalf of the Board

N.Williams

N Williams
Director
29 April 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDU UK TOPCO LIMITED

1. Our opinion is unmodified

We have audited the financial statements of EDU UK TopCo Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2018 which comprise the Group Statement of Comprehensive Income, the Group and the Company's Statement of Financial Position, the Group and the Company's Statement of Changes in Equity, the Group Cash Flow Statement and the Group and the Company's 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 Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements 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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to Non-EU listed debt entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

The risk		Our response
Revenue (£272.9m; 2017: £252.0m)	**Timing of revenue recognition:** The main revenue streams within the Group (United Kingdom, United States and Australia Study Global) consists of high volume low value transactions. The initial recognition of which is driven by a complex calculation of deferred income. There has also historically been some inconsistent or weak financial controls and therefore there is a risk that revenue is recognised in the incorrect period due to an incorrect calculation of deferred income.	**Our procedures included:** Control re-performance. We tested the controls over the key processes of Revenue which included the recurring admissions process and the annual pricing approvals, including any discounts agreed. We performed a revenue to cash reconciliation involving the identification of revenue related cash receipts which were reconciled to the revenue recognised in the period. Test of detail. We used advanced data and analytics capabilities to perform a 100% reperformance of deferred revenue, for each relevant entity, which used key student admissions data of Start and End course dates and agreed price. We also recalculated 100% of the progression fee accrued income and deferred revenue provisions. In each instance we agreed underlying variables back to contractual documents and externally derived data, whilst billed revenue was reconciled to cash received. For the US, we utilised a KPMG statistical sampling programme to select a sample of revenue to agree back to invoices and cash receipt supporting evidence.

Parent Company other key audit matters:

The risk		Our response
Investments in parent company (£234.9m; 2017: £234.9m)	**Valuation of Investments:** The parent company has significant investments in subsidiary companies in the group. Whilst the risk is not considered significant over this, this number is a significant driver of the company's total or net asset value. Incorrect valuations or impairments could have a material impact on the total or net asset value of the company.	**Our procedures included:** Comparing significant investments to the recoverable amount of the Cash Generating Unit ('CGU') to which they relate, to assess that their recoverable amounts are not lower than their carrying amounts. The assessment of the recoverable amount of the CGUs was carried out by reviewing the cash flow forecast of the CGUs to assess if there were any indicators of impairment.

Brexit Key audit matter:

The risk		Our response
Unprecedented levels of uncertainty	**The impact of uncertainties due to the UK exiting the European Union on our audit** All audits assess and challenge the reasonableness of estimates, in particular as described in material uncertainty above, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the Group'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.	**Our procedures included:** We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. Sensitivity analysis – When addressing material uncertainty and other areas that depends on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. Assessing transparency – As well as assessing individual disclosures as part of our procedures on material uncertainties we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. 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.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £2.7m, determined with reference to a benchmark of group revenue as disclosed in note 2 with addition to discontinued revenue disclosed at note 5, of which it represents 0.80% (2017: 0.75%). We consider total revenue to be the most appropriate benchmark as using PBTCO would result in a low benchmark that would not be a useful basis for determining materiality. Materiality for the parent company financial statements was set at £1.3m, determined with reference to a benchmark of Parent Company net assets, of which it represents 5%. We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £130,000, in addition to other identified misstatements that warranted reporting on qualitative grounds. The Australian and the UK components of the group were subjected to full scope audit. The US component was subjected to audit of accounts balances and the rest of the components were either subjected to desktop reviews or not in scope as not financially significant. The components within the scope of our work accounted for 99 percent of the group revenue.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risk detailed above and the information to be reported back. The Group team approved the components materialities of £1.7m (63% of the group materiality across the group). The Group partner visited 1 (2017:1) component location in UK (2017: Australia) to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors. The remaining components are managed out of UK as such no other locations needed visiting. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group'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 their 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 group or the company will continue in operation. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures. Based on this work, 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.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon. Our responsibility is to read the other information 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 we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

6 We have nothing to report on the other 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; 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.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 15, the directors are responsible for: the preparation of the financial statements including 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 Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent 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.

8 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.

Jonathan Downer

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
30 April 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

		2018			2017		
		Before Exceptional and Other Items	Exceptional and Other Items (Note 7)	Total	Before Exceptional and Other Items Restated[a]	Exceptional and Other Items (Note 7)	Total Restated[a]
On a continuing operations basis:	Note	£m	£m	£m	£m	£m	£m
Revenue	2	272.9	-	272.9	252.0	-	252.0
Sales and marketing costs		(68.3)	-	(68.3)	(62.0)	-	(62.0)
Delivery costs		(113.7)	-	(113.7)	(105.7)	-	(105.7)
Administrative expenses		(49.0)	(0.4)	(49.4)	(44.4)	(3.4)	(47.8)
EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, NET FINANCING COSTS AND TAXATION:	2	41.9	(0.4)	41.5	39.9	(3.4)	36.5
Impairment	7	-	-	-	-	(0.2)	(0.2)
Depreciation and amortisation	8, 9	(16.3)	-	(16.3)	(16.8)	-	(16.8)
OPERATING PROFIT/(LOSS)		25.6	(0.4)	25.2	23.1	(3.6)	19.5
Finance income	3	0.5	-	0.5	0.6	-	0.6
Finance costs	3	(41.8)	(3.4)	(45.2)	(39.6)	(2.2)	(41.8)
Share of profit of associate	10	0.1	-	0.1	-	-	-
PROFIT/(LOSS) BEFORE TAXATION		(15.6)	(3.8)	(19.4)	(15.9)	(5.8)	(21.7)
Taxation charge	6	(2.2)	-	(2.2)	(3.6)	-	(3.6)
PROFIT/(LOSS) FOR THE PERIOD AFTER TAXATION FROM CONTINUING OPERATIONS		(17.8)	(3.8)	(21.6)	(19.5)	(5.8)	(25.3)
Discontinued operations:							
Loss after tax for the year from discontinued operations, net of tax	5	(3.1)	(9.5)	(12.6)	(3.6)	(11.7)	(15.3)
LOSS FOR THE PERIOD AFTER TAXATION		(20.9)	(13.3)	(34.2)	(23.1)	(17.5)	(40.6)
OTHER COMPREHENSIVE INCOME/(LOSS)							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Net gain/(loss) on cash flow hedges	18	0.2	-	0.2	(0.2)	-	(0.2)
Exchange differences on translation of foreign operations		2.7	-	2.7	1.6	-	1.6
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		2.9	-	2.9	1.4	-	1.4
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		(18.0)	(13.3)	(31.3)	(21.7)	(17.5)	(39.2)

The accompanying notes form an integral part of these financial statements.

[a] The Group has restated its comparative amounts to reflect the impact of IFRS 15 (refer to Note 1.25) and newly classified discontinued operations (refer to Note 5).

GROUP STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	31 December 2018 £m	31 December 2017 Restated[a] £m
ASSETS			
NON-CURRENT ASSETS			
Goodwill	8	**314.8**	**335.1**
Intangible assets	8	**22.4**	**29.9**
Property, plant and equipment	9	**24.9**	**33.3**
Investments	10	**0.3**	**0.2**
Deferred tax assets	16	**7.3**	**7.9**
Trade and other receivables	11	**7.5**	**7.0**
		377.2	**413.4**
CURRENT ASSETS			
Inventories		**-**	**0.3**
Derivative financial assets		**0.1**	**-**
Trade and other receivables	11	**115.0**	**126.4**
Current tax assets		**0.3**	**0.5**
Cash and cash equivalents		**15.2**	**22.5**
		130.6	**149.7**
Assets held for sale	24	**4.0**	**-**
		134.6	**149.7**
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	14	**16.6**	**18.5**
Current tax payable		**0.6**	**0.2**
Unearned revenues		**123.8**	**147.5**
Trade and other payables	12	**88.0**	**87.3**
Provisions	13	**7.8**	**13.1**
		236.8	**266.6**
Liabilities directly associated with the assets held for sale	24	**7.6**	**-**
		244.4	**266.6**
NET CURRENT LIABILITIES		**(109.8)**	**(116.9)**
NON-CURRENT LIABILITIES			
Borrowings	14	**429.2**	**415.6**
Unearned revenues		**15.6**	**15.6**
Trade and other payables	12	**2.1**	**8.5**
Provisions	13	**8.1**	**12.8**
Derivative financial liabilities		**-**	**0.3**
		455.0	**452.8**
NET ASSETS		**(187.6)**	**(156.3)**
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	17	**0.9**	**0.9**
Share premium reserve		**101.7**	**101.7**
Translation reserve		**16.2**	**13.5**
Hedging reserve		**-**	**(0.2)**
Accumulated losses		**(306.4)**	**(272.2)**
TOTAL SHAREHOLDERS' FUNDS		**(187.6)**	**(156.3)**

[a] The Group has restated its comparative amounts to reflect the impact of IFRS 15 (refer to Note 1.25).

The financial statements and notes on pages 18 to 64 were approved by the Board of directors on 29 April 2019 and were signed on its behalf by Nick Williams. The accompanying notes form an integral part of these financial statements.

N. Williams

N Williams, Director, EDU UK Topco Limited Registered no. 07285288

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

2018	Ordinary Share Capital £m	Share Premium £m	Cash flow hedge reserve	Translation Reserve £m	Accumulated Losses £m	Total Equity £m
Balance at 1 January 2018	0.9	101.7	(0.2)	13.5	(272.2)	(156.3)
Loss for the period	-	-	-	-	(34.2)	(34.2)
Net gain on cash flow hedges	-	-	0.2	-	-	0.2
Exchange gains on translation of foreign operations	-	-	-	2.7	-	2.7
Total comprehensive gain/(loss) for the year	-	-	0.2	2.7	(34.2)	(31.3)
Balance at 31 December 2018	0.9	101.7	-	16.2	(306.4)	(187.6)

2017	Ordinary Share Capital £m	Share Premium £m	Cash flow hedge reserve	Translation Reserve £m	Accumulated Losses Restated[a] £m	Total Equity £m
Balance at 1 January 2017	0.9	101.7	-	11.9	(232.4)	(117.9)
Loss for the period	-	-	-	-	(40.6)	(40.6)
Net loss on cash flow hedges	-	-	(0.2)	-	-	(0.2)
Exchange gains on translation of foreign operations	-	-	-	1.6	-	1.6
Total comprehensive gain/(loss) for the year	-	-	(0.2)	1.6	(40.6)	(39.2)
Share capital issued at a premium	-	-	-	-	0.8	0.8
Balance at 31 December 2017	0.9	101.7	(0.2)	13.5	(272.2)	(156.3)

[a] The Group has restated its comparative amounts to reflect the impact of IFRS 15 (refer to Note 1.25).

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2018

	2018 £m	2017 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(37.7)**	(23.4)
Adjustments for:		
Amortisation and depreciation	**18.6**	20.9
Impairment of tangible fixed assets	**5.1**	0.6
Impairment of intangible assets	**-**	1.5
Interest expense	**42.4**	21.7
Interest income	**(0.5)**	(0.6)
Equity settled share based payments	**-**	0.8
Gain on disposal of subsidiaries	**(3.3)**	-
Unrealised foreign exchange loss	**2.7**	1.0
	27.3	22.5
Decrease in inventories	**0.0**	0.2
(Increase)/decrease in trade and other receivables	**(4.4)**	19.5
Decrease in unearned revenues	**(3.3)**	(1.1)
Increase in provisions	**0.4**	1.1
Increase/(decrease) in trade and other payables	**5.7**	(15.9)
	25.7	26.3
Interest paid and financing costs	**(20.0)**	(13.8)
Tax refunded/(paid)	**0.3**	(0.8)
Net cash generated from operating activities	**6.0**	11.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**0.5**	0.6
Net proceeds from disposals of businesses	**6.2**	-
Proceeds from fixed asset disposals	**0.5**	-
Purchase of fixed assets	**(6.3)**	(7.9)
Purchase of intangible assets	**(7.4)**	(5.5)
Net cash used in investing activities	**(6.5)**	(12.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/proceeds from draw down of revolving credit facility	**(3.3)**	4.0
External borrowing costs (Note 14)	**(2.5)**	-
Net cash (used in)/generated from financing activities	**(5.8)**	4.0
Net (decrease)/increase in cash and cash equivalents	**(6.3)**	2.9
Cash and cash equivalents at the beginning of the financial year	**22.5**	21.2
Effect of exchange rate movements	**(0.7)**	(1.6)
	15.5	22.5
Cash transferred to Assets held for sale (Note 24)	**(0.3)**	
CLOSING CASH AND CASH EQUIVALENTS	**15.2**	

The Group has elected to present a statement of cash flows that analyses all cash flows in total, including both continuing and discontinued operations; amounts relating to discontinued operations are disclosed in Note 5.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Date of incorporation

EDU UK Topco Limited was incorporated on 15 June 2010 and is a company incorporated, domiciled and registered in the United Kingdom. The Group consolidated financial statements were authorised for issue by the Board of Directors on 29 April 2019.

Accounting policies for the year ended 31 December 2018

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.2 BASIS OF PREPARATION

These financial statements are based on the consolidated results of the EDU UK Topco Limited Group for the year to 31 December 2018.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006 applicable to companies reporting under IFRS and IFRIC interpretations. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 58 to 64.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.24. This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. The impact of these new accounting standards is discussed within Note 1.25.

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements (see Strategic Report for more detail).

1.3 BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Joint Arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Application of the equity method to joint ventures

Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

1.4 REVENUE RECOGNITION

Revenue is recognised as follows:

(a) Tuition revenue

Course fees are brought to account when the service is provided and is spread evenly over the duration of the course. Tuition revenue is net of any discounts and bursaries given to students.

(b) Online distance learning revenue

Revenue from online distance learning courses is recognised over the duration of expected study.

(c) Accommodation revenue

Accommodation revenue is recognised as the accommodation service is provided.

(d) Matriculation or placement revenue

Matriculation or placement revenue is recognised when the Group's performance obligations are met, which under IFRS 15 is the point at which matriculation or placement is confirmed. The revenue is recognised for all semesters and years, with an estimate of subsequent year amounts being made by taking into account average progression rates (refer to section 1.25 for the financial impact of IFRS 15 on the financial statements).

(e) Licence revenue

Licence revenue is treated as royalty income and is spread over the duration of the course and is specific to the licencing of curricula from VET colleges (now discontinued)

(f) Other revenue

Other revenue is recognised in line with IFRS 15 (refer to section 1.25) and when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity.

1.5 STUDENT ACQUISITION COSTS

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

1.6 LEASES

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received and predetermined non-contingent rent increases are recognised in the statement of comprehensive income as an integral part of the total lease expense over the lease term.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.7 EXCEPTIONAL AND OTHER ITEMS

Due to their material nature, certain exceptional and non-trading items have been classified separately in order to aid the understanding of the reader. In the judgement of the Directors, this presents the underlying business performance of the Group more accurately. Exceptional items comprise, inter alia, impairment charges, restructuring costs, costs associated with material financing or acquisition transactions, and provisions for onerous contracts. Other non-trading items include shareholder fees and unrealised gains and losses on structural intragroup foreign exchange balances and derivative instruments.

1.8 GOODWILL

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is subsumed into goodwill. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to CGU's for the purpose of impairment testing, with CGU's in line with the reported operating segments. The allocation is made to those CGU's or Groups of CGU's that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Goodwill is recorded in the functional currency of the CGU to which it relates.

1.9 INTANGIBLES

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally-generated intangible assets

An internally-generated intangible asset arising from software and course development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The following useful lives have been determined for internally generated intangible assets:

Course Development	3 years
Software Development	3-5 years

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition at fair value, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives have been determined for the intangible assets acquired:

Agent Network	10 years
Customer Lists	3 years
Brands	10 years
Software	3-5 years
Centre Contracts	Life of contract

1.10 TANGIBLE FIXED ASSETS

Fixed assets are shown at historical cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Repairs and maintenance are expensed as incurred, while major renovations and improvements are capitalised as fixed assets and depreciated over their estimated useful lives.

Depreciation is provided at rates calculated to write off the cost or valuation of each asset, on a straight-line basis over its expected useful life to their residual values, as follows:

Freehold buildings	- 50 years
Equipment	- 2-10 years
Leasehold improvements	- Term of lease
Asset Retirement obligations	- Term of lease

Freehold land is not depreciated.

1.11 IMPAIRMENT OF NON-CURRENT ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, which is considered to be the higher of value in use and fair value less costs to sell. In order to assess impairment, assets are grouped into the lowest levels for which there are separately identifiable cash flows (cash-generating units). Cash flows used to assess impairment are discounted using appropriate rates taking into account the cost of capital and any risks relevant to those assets.

1.12 INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.13 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

a) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables on a lifetime basis. The Group 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 the Group's financial statements. Refer to note 1.25 for further details regarding the adoption of IFRS 9.

b) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

c) Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as issue costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

d) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

1.14 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

a) Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

b) Fair value hedges

Where a derivative financial instrument is designated as a hedge of variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised in reserves.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) *Cash flow hedges*

Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings. Changes in the fair values of derivatives that are designated as cash flow hedges and are effective are recognised directly in equity. Any ineffectiveness in the hedging relationships is included in the income statement. The amounts deferred in equity are recognised in the income statement to match the recognition of the hedged item.

d) Hedge of a net investment

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 15 for more details.

1.15 PROVISIONS

Provisions are measured at the value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If material, provisions are determined by discounting the expected future cash flows of the Group at rates that reflect current market assessments of the time value of money.

Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting or exiting the contractual obligations exceed the economic benefits expected to be received under the contract.

1.16 TAXATION INCLUDING DEFERRED TAX

Corporation tax, where payable, is provided on taxable profits at the current rate.

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, 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. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Deferred tax assets and liabilities have not been discounted.

1.17 DISCONTINUED OPERATIONS

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 5. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits at all banks, other liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts or loans where there is no right of set off are shown within borrowings in current or non-current liabilities on the balance sheet as appropriate.

1.19 EMPLOYEE BENEFITS

Defined contribution plans

During the year the Group contributed to defined contribution pension schemes under which it pays contributions based upon a percentage of the members basic salary. The schemes are administered by trustees either appointed by the Group or elected by the members.

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income according to the year in which they are payable.

Employee leave entitlements

Employee benefit provisions relate predominantly to annual leave and long service leave entitlements payable to employees in certain jurisdictions.

Share based payments

The fair value of equity-settled share based payments is recognised as an employee benefit. The fair value is measured at grant date and charged to the Statement of comprehensive income over the expected vesting period.

Equity settled schemes have been created that enable certain senior employees to acquire ordinary shares at market value. Market value is determined based on an analysis of profit multiples in the Group's industry sector. These shares are expected to vest on a qualifying transaction, including a stock exchange listing.

1.20 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares issued are shown as share capital at nominal value. The premium received on the issuance of shares in excess of the nominal value is shown as share premium within shareholders' equity.

1.21 FOREIGN CURRENCY

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Pound Sterling , which is the Company's functional and the Group's presentation currency.

b) Transactions and balances

Transactions denominated in foreign currencies are recorded in Pound Sterling at the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from such transactions are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and any exchange differences are taken to the statement of comprehensive income.

Foreign exchange gains and losses relating to foreign currency loans and other foreign exchange adjustments are included within finance income and expenses.

On consolidation incomes and cash flows of foreign subsidiaries are translated into Pound Sterling using average rates that existed during the accounting period. The balance sheets of foreign subsidiaries are translated into Pound Sterling at the rates of exchange ruling at the balance sheet date. Gains or losses arising on the re-translation of opening and closing net assets are recognised in the statement of changes in equity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.22 FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, market interest rates, credit risk and its liquidity position. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group which is outlined in the Directors' Report.

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to be approximate to their book values. The fair values of the derivative financial instruments are disclosed in Note 15.

1.23 ASSETS HELD FOR SALE

Disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted. Refer to Note 24.

1.24 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) Goodwill and Intangibles

Annually the Group tests whether intangible assets and goodwill have suffered any impairment, in accordance with the accounting policy stated in Notes 1.8 and 1.9.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require management to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of key assumptions are disclosed in Note 8.

b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. A level of judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

c) 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.

d) 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 by Study Group. Provisions are shown in Note 13. 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 20.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.25 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group 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 consolidated financial statements of the Group. The Group has not chosen to adopt early 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.

The new revenue standard supersedes all current revenue recognition requirements under IFRS 15. The Group 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 Group 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, with one exception, being multi-year matriculation revenue and placement fees in North America. These were previously recognised at the beginning of each year or semester that the matriculation or placement relates to; however under IFRS15, given that the performance obligation is met in full at the point when matriculation, or the placement, is confirmed, revenue is recognised at the point when matriculation or placement is confirmed for all semesters and years, with an estimate of subsequent year amounts being made by taking into account average progression rates.

Additionally, 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 necessary changes as outlined above have been implemented in the 2018 financial statements. For the combined impact on revenue and costs, as well as P&L reserves, refer below:

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact on statement of comprehensive income (increase/(decrease)):

Note for the purpose of reconciling the 2017 reported result to the 2017 restated result, the Group has presented a full reconciliation below showing the impact of reclassifying the new discontinued business lines in 2018 (Embassy and HE Proprietary) from continuing to discontinued.

	2017 Reported	2017 IFRS 15 adjustment	2017 Reclassification of Discontinued operations (Note 5)	2017 Restated
On a continuing operations basis:	£m	£m	£m	£m
Revenue	**337.8**	**(0.6)**	**(85.2)**	**252.0**
Sales and marketing costs	**(75.7)**	**0.1**	**13.6**	**(62.0)**
Delivery costs	**(163.1)**	**0.3**	**57.1**	**(105.7)**
Administrative expenses	**(64.8)**	**-**	**17.0**	**(47.8)**
EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, NET FINANCING COSTS AND TAXATION:	**34.2**	**(0.2)**	**2.5**	**36.5**
Impairment	**(0.4)**	**-**	**0.2**	**(0.2)**
Depreciation and amortisation	**(20.7)**	**-**	**4.0**	**(16.8)**
OPERATING PROFIT/(LOSS)	**13.1**	**(0.2)**	**6.7**	**19.5**
Finance income	**0.6**	**-**	**-**	**0.6**
Finance costs	***(41.9)***	**-**	***0.1***	***(41.8)***
PROFIT/(LOSS) BEFORE TAXATION	**(28.2)**	**(0.2)**	**6.8**	**(21.7)**
Taxation charge	**(2.9)**	**-**	**(0.7)**	**(3.6)**
PROFIT/(LOSS) FOR THE PERIOD AFTER TAXATION FROM CONTINUING OPERATIONS	**(31.1)**	**(0.2)**	**6.0**	**(25.3)**
Discontinued operations:				
Loss after tax for the year from discontinued operations, net of tax	**(9.3)**	**-**	**(6.0)**	**(15.3)**
LOSS FOR THE PERIOD AFTER TAXATION	**(40.4)**	**(0.2)**	**-**	**(40.6)**
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that may be subsequently reclassified to profit or loss:				
Net fair value loss on cash flow hedges	**(0.2)**	**-**	**-**	**(0.2)**
Exchange differences on translation of foreign operations	**1.6**	**-**	**-**	**1.6**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1.4**	**-**	**-**	**1.4**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(39.0)**	**(0.2)**	**-**	**(39.2)**

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact on the consolidated statement of financial position (increase/(decrease)):

31 December 2017	**2017 reported**	**2017 IFRS 15 adjustment**	**2017 restated**
	£m	**£m**	**£m**
NON-CURRENT ASSETS:			
Intangible assets	29.2	0.7	29.9
CURRENT ASSETS:	124.8	1.6	126.4
Trade and other receivables			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Accumulated losses	(274.5)	2.3	(272.2)

1 January 2017	**Opening 2017 pre-adjustment**	**Opening 2017 IFRS 15 adjustment**	**Opening 2017 restated**
	£m	**£m**	**£m**
NON-CURRENT ASSETS:			
Intangible assets	38.6	0.3	38.9
CURRENT ASSETS:			
Trade and other receivables	146.2	2.2	148.4
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Accumulated losses	(234.9)	2.5	(232.4)

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 Group 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 Group to record expected credit losses on all of its trade receivables on a lifetime basis. The Group 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 Group determined that all existing hedge relationships that are currently designated in effective hedging relationships continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 has not had a significant impact on Group's financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.26 REVISIONS TO IFRS NOT APPLICABLE IN 2018

Standards and interpretations issued by the IASB are only applicable if endorsed by the EU.

The following Adopted IFRS has been issued but have not been applied by the Group in these financial statements. The Group has conducted analysis on the likely impact of adoption of these standards on its financial statements:

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

I. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of property (including student accommodation, schools, classrooms, and office buildings), IT data centres, and motor vehicles. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised its operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous as described in Note 13. Instead the group will recognise an impairment of the relating right-of-use asset, and include the payments due under the lease in its lease liability.

During 2018, the Group has performed a detailed impact assessment of IFRS 16, and estimates that it will recognise:

- right-of-use assets and lease liabilities of c. £120-125 million as at 1 January 2019
- depreciation charges of c. £15-20 million on its right-of-use assets during the year ended 31 December 2019
- interest charges of c. £8-12 million on its lease liabilities during the year ended 31 December 2019

Due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17, the Group's EBITDA is expected to improve by an estimated amount of £20-25 million during the year ended 31 December 2019. There will be a corresponding addition of leases to the balance sheet meaning an increase in net debt.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with its existing term loan covenant requirements.

II. Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor.

Based on the information currently available, the Group expects that it will reclassify approximately 5 to 10 sub-leases as a finance lease, resulting in the recognition of total finance lease receivables of c. £10-15 million as at 1 January 2019.

No significant impact is expected for other leases in which the Group is a lessor.

III. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, where applicable, with no restatement of comparative information.

The Group plans to apply the following practical expedients upon transition:

- grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4
- apply the recognition exemptions for short-term leases and leases of low-value items
- apply a single discount rate to leases with similar characteristics
- use hindsight when determining the lease term
- exclude initial direct costs from ROU asset measurement
- apply IAS 37 Provisions rather than IAS 36 impairment of assets for its onerous contracts
- elect not to apply the requirements of IFRS 16 to leases of intangible assets
- elect not to separate lease and non-lease components for leases of student accommodation and motor vehicles.

2. SEGMENTAL ANALYSES

The primary reportable segments of the Group have been identified as UK & Europe Pathways, ANZ Pathways, North America Pathways, HE Proprietary, Embassy and VET. The latter three are classified as discontinued in 2018 and are therefore shown in Note 5. These are in line with the internal reporting of the Group's performance to the Chief Operating Decision Maker, ('CODM') identified as the CEO, Emma Lancaster. Goodwill has been allocated to each segment, where the segment is also a CGU.

£m	Revenue Year ended 31 December		Adjusted EBITDA(i) Year ended 31 December	
	2018	**2017 Restated (iv)**	**2018**	**2017 Restated (iv)**
On a continuing operations basis:				
University Partnerships by Geographical Segment (ii)				
United Kingdom & Europe(iii)	139.2	121.7	28.1	23.9
Australia & New Zealand	127.2	124.4	43.1	41.9
North America	6.5	5.9	(4.4)	(3.3)
Total University Partnerships	**272.9**	**252.0**	**66.8**	**62.5**
Unallocated functional & corporate costs	-	-	(24.9)	(22.6)
Total revenue and adjusted EBITDA	**272.9**	**252.0**	**41.9**	**39.9**
Exceptional and other items	-	-	(0.4)	(3.4)
Total revenue and reported EBITDA	**272.9**	**252.0**	**41.5**	**36.5**

(i) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items.
(ii) During the period there was no trading between segments and central and shared costs have been allocated on a reasonable and consistent basis.
(iii) During 2018, the Group's High Schools and UK & Europe Pathways businesses became more aligned in the courses offered, which led to the two business lines being monitored and managed as one operating segment. As a result the two have been combined into UK & Europe Pathways business above.
(iv) The Group has restated its comparative amounts to reflect the impact of IFRS 15 (refer to Note 1.25 for the total revenue impact).

The above adjusted EBITDA has been reconciled to the loss before tax on the face of the consolidated statement of Group comprehensive income on page 18.

3. FINANCE COSTS

	2018 £m	**2017 £m**
Finance costs:		
Interest – revolving credit facility	**(1.7)**	(1.5)
Interest – term loan	**(16.4)**	(16.2)
Interest on Eurobond	**(19.8)**	(18.1)
Amortisation of deferred finance setup costs	**(2.3)**	(2.3)
Other finance costs	**(1.6)**	(1.5)
Unwinding of discount and effect of changes in discount rate on provisions (Note 7)	**(0.7)**	(1.0)
Unrealised foreign exchange losses (Note 7)	**(2.6)**	(1.0)
Costs relating to refinancing (Note 7)	**(0.1)**	(0.2)
	(45.2)	(41.8)
Finance income:		
Bank interest	**0.5**	0.6
	0.5	0.6
Net finance costs	**(44.7)**	(41.2)

4. *OPERATING PROFIT/(LOSS)*

The following charges are included within cost of sales, administrative costs and depreciation and amortisation, on a continuing operations basis:

	2018 £m	2017 £m
Depreciation of property, plant and equipment:	**4.8**	5.1
Amortisation of intangible assets	**11.5**	11.6
Operating lease rentals payable	**23.5**	28.8
Impairment of tangible fixed assets	-	0.2
Allowance for bad debt	**0.1**	0.5

Services provided by the Group's auditor and network firms

	2018 £m	2017 £m
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**0.4**	0.4
Total fees payable for audit services	**0.5**	0.5
Fees payable to the Company's auditor and its associates for other services:		
- Services relating to taxation compliance	-	-
- Services relating to taxation advisory services	-	-
	0.5	0.5

5. DISCONTINUED OPERATIONS

As outlined in the Directors' report, strategically Study Group is focused on the core University Partnerships business and as a consequence, has discontinued the non-core parts of the business. These non-core business segments are outlined below:

Embassy English ("Embassy")
The global Embassy business was sold on 30 November 2018 for net proceeds of £1.5 million. The carrying value of goodwill was £nil following the 2016 impairment charges. Net liabilities disposed of were £9.3 million and associated transaction costs totalled £0.6 million, resulting in a gain on disposal of £10.1 million booked in the 2018 accounts.

HE Proprietary Brands ("HE Proprietary")
There are three business lines within this discontinued operating segment: Endeavour, ACPE and Martin HE.

The sale of Endeavour completed on 31 October 2018 for net sales proceeds of £8.9 million (AUD $16.0 million). Prior to the discontinuation and disposal, HE Proprietary had a goodwill carrying value of £15.3 million which was fully written off as part of the disposal calculation. Net assets disposed of were £0.3 million with transaction costs of £0.1 million, resulting in a loss on disposal of £6.9 million booked in the 2018 accounts.

ACPE is classified as a disposal group 'Held for Sale' at 31 December 2018. The Board considered the ACPE business to meet the criteria to be classified as held for sale at that date for the following reasons:
- the business was available for immediate sale;
- a buyer had been identified and an agreement to sell the business was reached on 28 December 2018;
- the sales price was reasonable in relation to its fair value;
- the sale was highly probably within the next 12 months; and
- the actions required to complete the sale had been initiated and it was considered unlikely the sale would not complete.

Study Group subsequently sold the business on 11 February 2019 as noted in the post balance sheet events in Note 25.

Martin HE is in the process of being wound down. 41 students currently remain and are expected to finish studying or be transferred to an alternative provider by the end of 2019.

Vocational Education and Training business ("VET")
As result of regulatory reforms announced by the Australian government in October 2016, a decision was taken during the 2017 to discontinue the VET business. It was announced in Q2 2017 that Study Group would no longer be accepting new student enrolments into the VET brands, and following this only students already enrolled in eligible courses, who had paid course fees in full or opted in to continue to receive loan funding for census periods arising in 2017, were then taught to the completion of their courses. By the end of 2018 all VET students had been taught out.

Accordingly, the above three operating segments were classified as a discontinued operations and are no longer presented in the segmental note. The results of the discontinued businesses for the year are presented below:

	Embassy	HE Prop	VET	Total
2018	**£m**	**£m**	**£m**	**£m**
Revenue	38.6	24.9	1.0	**64.5**
Operating expenses	(42.8)	(24.0)	(4.2)	**(71.0)**
Adjusted (loss)/earnings before depreciation, amortisation, impairment, net financing costs and taxation	**(4.2)**	**0.9**	**(3.2)**	**(6.5)**
Other exceptional costs	(3.3)	(3.1)	(1.2)	**(7.6)**
Reported loss before depreciation, amortisation, impairment, net financing costs and taxation	**(7.5)**	**(2.2)**	**(4.4)**	**(14.1)**
Exceptional impairments	-	(5.1)	-	**(5.1)**
Depreciation and amortisation	(0.3)	(1.9)	-	**(2.2)**

Finance costs	(0.1)	-	-	**(0.1)**
Loss before tax from discontinued operations	(7.9)	(9.2)	(4.4)	**(21.5)**
Tax credit	1.6	2.8	1.3	**5.7**
Loss for the year from discontinued operations	(6.3)	(6.4)	(3.1)	**(15.8)**
Gain/(loss) on disposal	10.1	(6.9)	-	**3.2**
Discontinued profit/(loss) after gain/(loss)	3.8	(13.3)	(3.1)	**(12.6)**

	Embassy	***HE Prop***	***VET***	**Total**
2017	**£m**	**£m**	**£m**	**£m**
Revenue	49.8	35.4	8.6	**93.8**
Operating expenses	(53.7)	(31.7)	(12.6)	**(98.0)**
Adjusted (loss)/earnings before depreciation, amortisation, impairment, net financing costs and taxation	**(3.9)**	**3.7**	**(4.0)**	**(4.2)**
Other exceptional costs	(2.1)	(0.1)	(7.4)	**(9.6)**
***Reported (loss)/earnings before depreciation,* amortisation, impairment, net financing costs and taxation**	**(6.0)**	**3.6**	**(11.4)**	**(13.8)**
Exceptional impairments	(0.2)	-	(1.7)	**(1.9)**
Depreciation and amortisation	(0.9)	(3.1)	(0.2)	**(4.2)**
Exceptional finance costs	(0.1)	-	-	**(0.1)**
(Loss)/profit before tax from discontinued operations	(7.2)	0.5	(13.3)	**(20.0)**
Tax credit/(charge)	0.9	(0.2)	4.0	**4.7**
(Loss)/profit for the year from discontinued operations	(6.3)	0.3	(9.3)	**(15.3)**

The exceptional impairment recognised in 2018 relates to the write down to fair value less costs to sell of tangible fixed assets in the ACPE business at the time at which the business became held for sale, and includes £4.8 million of leasehold improvements, £0.2 million of furniture and fittings, and £0.1 million of computer equipment. The exceptional impairment in 2017 related to the full write down of intangible and tangible fixed assets in the VET business at the time of discontinuation, and included £0.9 million of course development, £0.4 million of brands, £0.2 million of agent network and £0.2 million of leasehold improvements.

For details of other exceptional costs, see Note 7.

The net cash flows incurred by discontinued operations are as follows:

	Embassy	HE Prop	VET	Total
2018	**£m**	**£m**	**£m**	**£m**
Net cash generated from/(used in) operating activities	2.4	0.6	(5.6)	**(2.6)**
Net cash used in investing activities	-	(0.5)	-	**(0.5)**
Net cash inflow/(outflow)	2.4	0.1	(5.6)	**(3.1)**

	Embassy	HE Prop	VET	Total
2017	**£m**	**£m**	**£m**	**£m**
Net cash generated from/(used in) operating activities	(0.9)	3.3	(24.2)	**(21.8)**
Net cash used in investing activities	(0.4)	(0.6)	(0.3)	**(1.3)**
Net cash inflow/(outflow)	(1.3)	2.7	(24.5)	**(23.1)**

6. TAXATION

Analysis of tax (charge)/credit in the year

	2018 £m	2017 £m
Current tax		
- Overseas current tax on losses for the year	**(0.4)**	(0.3)
- Overseas adjustments in respect of prior periods	**0.5**	0.1
Total current tax credit/(charge) to the Statement of comprehensive income	**0.1**	(0.2)
Analysed by:		
Total current tax credit/(charge) on continuing operations	**0.1**	(0.2)
Total current tax (charge)/credit	**0.1**	(0.2)
Deferred Tax (Note 16)		
- UK origination and reversal of temporary differences	**2.4**	1.4
- UK adjustments in respect of prior periods	**1.8**	-
- Overseas origination and temporary differences	**2.7**	(0.1)
- Overseas adjustments in respect of prior periods	**(3.5)**	-
Total deferred tax credit to the Statement of comprehensive income	**3.4**	1.3
Analysed by:		
Total deferred tax credit attributable to a discontinued operation	**5.7**	4.7
Total deferred tax charge on continuing operations	**(2.3)**	(3.4)
Total current tax credit	3.4	1.3
Total tax credit to the Statement of comprehensive income	**3.5**	1.1
Analysed by:		
Total tax credit attributable to a discontinued operation	**5.7**	4.7
Total tax charge on continuing operations	**(2.2)**	(3.6)
Total tax credit to the Statement of comprehensive income	**3.5**	1.1

6. TAXATION (CONT'D)

The tax for the year differs to the standard rate of corporation tax in the UK 19.00% (2017: 19.25%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The total charge for the year can be reconciled to the profit in the statement of comprehensive income as follows:

	2018 **£m**	2017 £m
Loss before taxation from continuing operations	**19.4**	21.7
Loss before tax from discontinued operations	**18.3**	19.8
Loss before taxation	**37.7**	41.5
Loss on ordinary activities multiplied by rate of corporation tax in UK of 19.00% (2017: 19.25%)	**7.2**	8.0
Effects of:		
Items not taxable or deductible	**(9.7)**	(10.0)
Tax losses not recognised/paid	**(0.5)**	(1.7)
Timing differences	**8.5**	(0.1)
Difference on overseas rates of tax	**(1.2)**	4.8
Withholding tax recovered	**0.5**	-
Adjustments in respect of prior periods – corporation tax	**0.5**	0.1
Adjustments in respect of prior periods – deferred tax	**(1.8)**	-
Total taxation credit	**3.5**	1.1

The main rate of corporation tax in the UK is 19% from 1st April 2017 and will reduce to 17% from 1st April 2020.

7. EXCEPTIONAL AND OTHER ITEMS

	Group	Group	Group	Group	Group	Group
	Exceptional Items	Other items	Total	Exceptional Items	Other items	Total
	2018	2018	2018	2017	2017	2017
	£m	£m	£m	£m	£m	£m
Exceptional and other items included within operating profit/(loss):						
Restructuring costs	0.3	-	**0.3**	2.0	-	2.0
Property provision	(1.6)	-	**(1.6)**	0.1	-	0.1
Transaction costs	1.0	-	**1.0**	-	-	-
Shareholder & management fees	-	0.8	**0.8**	-	0.8	0.8
Other	(0.1)	-	**(0.1)**	(0.3)	0.8	0.5
	(0.4)	**0.8**	**0.4**	1.8	1.6	3.4
Impairment	-	-	-	0.2	-	0.2
Exceptional and other items included within finance costs:						
Foreign exchange losses	-	2.6	**2.6**	-	1.0	1.0
Unwinding of discount and effect of changes in discount rate on provisions	0.7	-	**0.7**	1.0	-	1.0
Costs relating to refinancing	0.1	-	**0.1**	0.2	-	0.2
Total costs relating to continuing operations	**0.4**	**3.4**	**3.8**	3.2	2.6	5.8
Exceptional and other items included within discontinued operations:						
Costs relating to discontinued operations (Note 5)	9.5	-	**9.5**	11.7	-	11.7
	9.5	**-**	**9.5**	11.7	-	11.7
Total exceptional and other costs	**9.9**	**3.4**	**13.3**	14.9	2.6	17.5

Exceptional items are those which are material in size or are non-recurring in nature. Other items include adjustments which it believes are beneficial to strip out when analysing the underlying trading result.

Exceptional items included within operating loss:

- Restructuring projects in the year included £0.3 million in respect of a specific finance transformation project in the ANZ division.
- Adjustments to previously recognised provisions for onerous property contracts were booked, resulting in a gain of £1.6 million (2016: loss of £0.1 million).
- Transaction costs relate to external aborted transaction fees of £1.0 million (2017: nil).

7. EXCEPTIONAL AND OTHER ITEMS (CONT'D)

Exceptional items included within finance costs:

- Exceptional finance costs in the year consist of unavoidable fees arising from the 2016 refinancing project totalling £0.1 million (2017: £0.2 million), and the unwinding of the discount and changes to the discount rate on onerous property contract provisions totalling £0.7 million (2017: £1.0 million).

Exceptional items included within discontinued operations

- Exceptional items within discontinued operations include: £15.1 million of costs relating to HE Proprietary, and £1.2 million of costs relating to VET (2017: £9.1 million), offset by a £6.8 million of gains relating to Embassy.
- Exceptional items relating to HE Proprietary include: the loss on disposal of Endeavour of £6.9 million, the impairments of tangible fixed assets on revaluation to fair value less costs to sell in ACPE of £5.1 million, onerous property contract provisions of £1.9 million, the write off of historic unrecoverable receivables of £1.0 million, and other costs associated with the disposal transaction of £0.2 million.
- Exceptional items relating to VET include redundancy costs and legal fees of £1.4 million, and a provision for refunds of £0.2 million, offset by a gain from the release of previously recognised onerous property contract provisions of £0.4 million.
- Exceptional items relating to Embassy include the gain on disposal of £10.1 million, offset by onerous property provisions of £1.7 million, restructuring provisions of £1.2 million, and disposals of fixed assets of £0.4 million.

Other items:

- Other items within operating loss consist of management fees and expenses charged by Providence Equity, Petersen Investments, and non-executive directors totalling £0.8 million (2017: £0.8 million).
- Unrealised foreign exchange losses for the year were £2.6 million (2017: £1.0 million loss) and are also included within 'Other' items.

8. INTANGIBLE ASSETS

2018	Goodwill	Software	Course Development	Agent Network and Customer Lists	Brands	Centre Contract	Total
	£m	£m	£m	£m	£m	£m	£m
COST							
At 1 January 2018	421.2	39.8	4.9	58.1	24.7	2.3	551.0
Additions	-	4.9	-	-	-	2.6	7.5
Impairment charge	-	(0.1)	(0.2)	-	-	-	(0.3)
Businesses disposed of	(10.8)	(1.2)	(1.0)	-	(5.4)	-	(18.4)
Exchange difference	(3.7)	(1.2)	(0.2)	(0.3)	(0.2)	-	(5.6)
At 31 December 2018	**406.7**	**42.2**	**3.5**	**57.8**	**19.1**	**4.9**	**534.2**
ACCUMULATED AMORTISATION & IMPAIRMENT							
At 1 January 2018	86.1	25.7	4.1	48.1	21.3	0.7	186.0
Charge for the year	-	5.9	0.3	4.8	0.7	0.3	12.0
Impairment charge	-	(0.1)	(0.2)	-	-	-	(0.3)
Businesses disposed of	4.5	(1.0)	(0.8)	-	(3.3)	-	(0.6)
Exchange difference	1.3	(1.0)	(0.2)	(0.1)	(0.1)	-	(0.1)
At 31 December 2018	**91.9**	**29.5**	**3.2**	**52.8**	**18.6**	**1.0**	**197.0**
Net book value at 31 December 2018	**314.8**	**12.7**	**0.3**	**5.0**	**0.5**	**3.9**	**337.2**

8. INTANGIBLE ASSETS (CONT'D)

2017	Goodwill	Software	Course Development	Agent Network and Customer Lists	Brands	Centre Contract	Total
	£m	£m	£m	£m	£m	£m	£m
COST							
At 1 January 2017 (restated)	426.2	35.4	4.4	59.1	26.0	1.9	553.0
Additions	-	4.8	0.6	-	0.1	0.4	5.9
Disposals	-	-	(0.1)	-	(1.0)	-	(1.1)
Exchange difference	(5.0)	(0.4)	-	(1.0)	(0.4)	-	(6.8)
At 31 December 2017	**421.2**	**39.8**	**4.9**	**58.1**	**24.7**	**2.3**	**551.0**
ACCUMULATED AMORTISATION & IMPAIRMENT							
At 1 January 2017 (restated)	90.1	19.8	2.9	43.8	20.9	0.5	178.0
Charge for the year	-	6.2	0.4	4.9	1.4	0.2	13.0
Disposals	-	-	(0.1)	-	(1.0)	-	(1.1)
Impairment charge	-	-	0.9	0.2	0.4	-	1.5
Exchange difference	(4.0)	(0.3)	-	(0.8)	(0.4)	-	(5.5)
At 31 December 2017	**86.1**	**25.7**	**4.1**	**48.1**	**21.3**	**0.7**	**186.0**
Net book value at 31 December 2017	**335.1**	**14.1**	**0.8**	**10.0**	**3.4**	**1.6**	**365.0**

Opening balance at 1 January 2017 has been restated for IFRS 15.

During the year the Group disposed of its Embassy and Endeavour Learning Group businesses, as disclosed in Note 5.

Amortisation is included within 'depreciation and amortisation' in the statement of comprehensive income.

Impairment review

Impairment charges relate to the ACPE business, which was sold by the Group on 11 February 2019. As at 31 December 2018 these assets had been fully amortised, and therefore the net impairment charge recognised in 2018 was £nil.

In addition, an annual impairment review is performed each year in December, and any impairment triggers are reviewed throughout the year. Management consider that each segment, with the exception of corporate and functional costs, represents a CGU. Functional costs have been allocated to each other segment. Goodwill is allocated to the CGUs using a relative value method and the annual impairment test was performed on this basis.

Based on the tests performed, no additional impairment has been recorded in 2018.

Key assumptions used in the value in use calculation

	2018 All CGUs	2017 All CGUs
Pre-tax discount rate	11.3%	11%
Long term growth rate	2%	2%

The EBITDA projections considered as at 31 December 2018 were based on the latest Board approved forecast for 2019, with the following years being based on the 'five year plan' growth rates by CGU.

8. INTANGIBLE ASSETS (CONT'D)

Sensitivity to changes in assumptions

The Group has carried out a sensitivity analysis on the impairment tests of each group of cash-generating units to which goodwill has been allocated, and under both base case and sensitised cases no indicators of impairment exist. Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount by a material amount.

9. TANGIBLE FIXED ASSETS

2018	Freehold land and buildings	Leasehold improvements	Equipment	Asset retirement obligation	Total
	£m	£m	£m	£m	£m
COST					
At 1 January 2018	5.2	38.8	43.4	3.3	**90.7**
Additions	-	1.5	5.4	0.3	**7.2**
Disposals	-	(2.2)	(1.3)	(0.3)	**(3.8)**
Impairments	-	(7.3)	(2.9)	-	**(10.2)**
Businesses disposed of	-	(8.8)	(6.0)	(0.1)	**(14.9)**
Exchange difference	-	(1.0)	(0.7)	-	**(1.7)**
At 31 December 2018	5.2	21.0	37.9	3.2	**67.3**
ACCUMULATED DEPRECIATION					
At 1 January 2018	0.8	22.0	33.8	0.8	**57.4**
Charge for the year	0.1	2.7	3.4	0.2	**6.4**
Disposals	-	(2.0)	(1.3)	(0.1)	**(3.4)**
Impairment	-	(2.5)	(2.6)	-	**(5.1)**
Businesses disposed of	-	(6.4)	(5.4)	-	**(11.8)**
Exchange difference	-	(0.5)	(0.6)	-	**(1.1)**
At 31 December 2018	**0.9**	**13.3**	**27.3**	**0.9**	**42.4**
Net book value at 31 December 2018	**4.3**	**7.7**	**10.6**	**2.3**	**24.9**

9. TANGIBLE FIXED ASSETS (CONT'D)

2017	Freehold land and buildings	Leasehold improvements	Equipment	Asset retirement obligation	Total
	£m	£m	£m	£m	£m
COST					
At 1 January 2017	5.2	36.8	39.3	2.6	**83.9**
Additions	-	2.6	4.6	0.7	**7.9**
Disposals	-	-	(0.1)	-	**(0.1)**
Exchange difference	-	(0.6)	(0.4)	-	**(1.0)**
At 31 December 2017	5.2	38.8	43.4	3.3	**90.7**
ACCUMULATED DEPRECIATION					
At 1 January 2017	0.7	18.6	30.1	0.6	**50.0**
Charge for the year	0.1	3.3	4.2	0.2	**7.8**
Disposals	-	-	(0.1)	-	**(0.1)**
Impairment	-	0.5	0.1	-	**0.6**
Exchange difference	-	(0.4)	(0.5)	-	**(0.9)**
At 31 December 2017	**0.8**	**22.0**	**33.8**	**0.8**	**57.4**
Net book value at 31 December 2017	**4.4**	**16.8**	**9.6**	**2.5**	**33.3**

Freehold land is not depreciated.

During the year the Group disposed of its Embassy and Endeavour Learning Group businesses, as disclosed in Note 5.

Impairment review

On 11 February 2019 the Group sold its ACPE business and as a result its tangible fixed assets were considered impaired as at 31 December 2018, for which a charge of £5.1 million has been recognised in 2018.

Tangible fixed assets are reviewed for impairment once indicators of impairment are identified. Based on the review performed, no additional impairment has been recorded in 2018.

10. INVESTMENTS

The movements in the net book value of investments are as follows:

	Investments in joint venture 2018	Investments in joint venture 2017
	£m	£m
Balance at the beginning of the year	**0.2**	0.1
Share of associate's profit	**0.1**	0.1
At 31 December	**0.3**	0.2

Subsidiary Undertakings

Details of the subsidiary undertakings of the Company, which are included in the consolidated financial statements, are set out in the following table.

10. INVESTMENTS (CONT'D)

Name of Entity	Country of Incorporation	Ownership Interest %	Nature
Controlled Entities:			
EDU Holdings SPV Pty Ltd	Australia	100	Holding
EDU Investments SPV Pty Ltd	Australia	100	Holding
Study Group (Finance) Pty Ltd	Australia	100	Holding
Study Group Pty Ltd	Australia	100	Holding
ACPE Ltd (i)	Australia	100	Trading
Australian Institute of Applied Sciences Pty Ltd	Australia	100	Trading
Study Group Australia Pty Ltd	Australia	100	Trading
Taylors Institute of Advanced Studies Ltd (ii)	Australia	-	Dormant
Applied Training Pty Ltd	Australia	100	Dormant
Study Group do Brazil Agenciamento e Participacoes LTDA	Brazil	100	Trading
Study Group Canada Higher Education Inc.	Canada	100	Trading
Xueji Education Information Consulting (Guangzhou) Ltd	China	100	Dormant
Xueji Education Consulting (Beijing) Ltd	China	100	Trading
SGIPL Study Group India Private Limited	India	100	Trading
Bellerbys College Ireland Ltd.	Ireland	100	Dormant
SG Study Group Malaysia Sdn. Bhd	Malaysia	100	Trading
Study Group (Netherlands) B.V.	Netherlands	100	Dormant
Study Group NZ Ltd	New Zealand	100	Trading
SGI Consultancy Services Nigeria	Nigeria	100	Trading
EDU UK Intermediate Ltd	United Kingdom	100	Holding
EDU UK Management Services Ltd	United Kingdom	100	Holding
Study Group Holdings UK Ltd (iii)	United Kingdom	100	Holding
Study Group UK Ltd	United Kingdom	100	Holding
Bellerbys Educational Services Ltd	United Kingdom	100	Trading
Study Group Distance Learning Ltd (iii)	United Kingdom	100	Trading
Study Group Ltd (iii)	United Kingdom	100	Dormant
EDU US Holdco Inc.	USA	100	Holding
FSL Scholarships Foundation (ii)	USA	-	Dormant
Study Group USA Higher Education LLC	USA	100	Trading
Study Group USA Inc.	USA	100	Trading
Joint Venture:			
University of Sydney Foundation Program Pty Ltd	Australia	50	Trading

(i) ACPE is classified as held for sale at 31 December 2018, refer to Note 24

(ii) This entity is classified as a controlled entity as the Group has the capacity to control both the operating and financial decisions, and the capacity to dominate and control the composition of the Board of Directors.

(iii) EDU UK Management Services Ltd (registered number: 07285370), Study Group Holdings UK Ltd (registered number: 05888001), and Study Group Distance Learning Ltd (registered number: 07145464), wholly owned subsidiaries of the company, are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A for non-dormant subsidiaries. All outstanding liabilities as at 31 December 2018 of EDU UK Management Services Ltd, Study Group Holdings UK Ltd, Study Group Ltd and Study Group Distance Learning Ltd have been guaranteed by the company and no liability is expected to arise under the guarantee.

11. TRADE AND OTHER RECEIVABLES

	2018 £m	2017 *Restated* (i) £m
CURRENT:		
Trade receivables(ii)	92.6	86.2
Less: provision for impairment of receivables	(6.8)	(8.6)
Trade receivables – net	85.8	77.6
Other receivables	7.8	20.1
Prepayments	21.4	28.7
	115.0	126.4
NON CURRENT:		
Trade receivables(ii)	7.5	6.1
Other receivables	-	0.9
	7.5	7.0

(i) The closing balance at 31 December 2017 has been restated for IFRS 15.
(ii) Tuition fees in some jurisdictions are invoiced in full prior to course commencement; however they are not payable until commencement of each semester resulting in non-current receivables. No interest is charged on trade receivables.

Trade receivables can be analysed as follows:

Ageing of trade receivables net of provision

Ageing of trade receivables net of provision	2018 £m	2017 £m
Not past due	85.5	72.7
30 - 60 days	2.3	2.6
60 - 90 days	1.7	2.1
90 - 120 days	2.2	2.1
> 120 days	1.6	4.2
	93.3	83.7

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired receivables	2018 £m	2017 £m
1 - 120 days	(0.6)	-
> 120 days	(6.2)	(8.6)
	(6.8)	(8.6)

The net credit relating to the decrease in provision has been included in 'administrative expenses' in the statement of comprehensive income.

Trade receivables represent amounts due from students or, in some cases, their agents.

12. TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
CURRENT:		
Trade payables	25.2	28.1
Other payables and accruals	56.2	52.7
Interest accrued – *term loans*	*6.6*	*6.5*
	88.0	87.3

	2018 £m	2017 £m
NON CURRENT:		
Other payables and accruals	2.1	8.5
	2.1	8.5

13. PROVISIONS

	2018 £m	2017 £m
CURRENT:		
Employee benefits	4.1	5.4
Property provisions	3.1	6.0
Restructuring and other	0.6	1.7
	7.8	13.1

	2018 £m	2017 £m
NON CURRENT:		
Employee benefits	0.7	1.0
Property provisions	7.4	11.8
	8.1	12.8

13. PROVISONS (CONT'D)

Movement in provisions:	Employee Benefit	Property	Restructuring	Other	Total
	2018	2018	2018	2018	2018
	£m	£m	£m	£m	£m
Balance at the start of the year	6.4	17.8	0.2	1.5	25.9
Additional provision recognised	2.9	9.4	1.0	1.0	14.3
Unwinding of discount and changes in the discount rate	-	0.1	-	-	0.1
Provisions utilised	(3.2)	(5.1)	(0.1)	(1.9)	(10.3)
Reversal of provisions	-	(2.2)	-	-	(2.2)
Businesses disposed of	(0.8)	(3.6)	(1.1)	-	(5.5)
Transferred to assets held for sale	(0.2)	(5.7)	-	-	(5.9)
Exchange movements	(0.3)	(0.2)	-	-	(0.5)
	4.8	10.5	-	0.6	15.9

Employee benefit provisions relate predominantly to annual leave and Australian long service leave entitlements and will be utilised upon employees taking their long service leave.

Property provisions relate to onerous contracts on loss making contracts at specific properties around the group and dilapidation provisions on leased properties. Property provisions will unwind over the length of the respective leases, which expire across a variety of dates, ranging from three to twenty years.

Other additional provisions recognised include a provision for student refunds in the VET business and reflects the Group's expected liability to refund students for fees paid up front and where the course was not completed.

During the year the Group disposed of its Embassy and Endeavour Learning Group businesses, as disclosed in Note 5.

14. BORROWINGS

CURRENT BORROWINGS	Interest rate	Maturity	2018 £m Principal	2018 £m Value	2017 £m Value
£49.0m Revolving credit facility	4.75% + Libor/BBSY	2021	16.8	14.9	18.5
Loan notes (i)	8.00%	2019	1.7	1.7	-
			18.5	16.6	18.5
NON CURRENT BORROWINGS					
Secured borrowings at amortised cost					
£115.0m Term loan	6.25% + Libor	2022	115.0	110.8	111.2
$110.2m Term loan	6.25% + BBSY	2022	61.0	58.8	61.6
$81.8m Term loan	6.25% + BBSY	2022	45.3	43.4	45.4
Eurobond	10.09%	2020	216.2	216.2	196.4
Loan notes (i)	8.00%	2020	-	-	1.0
			437.5	429.2	415.6

(i) The company has loan notes due to former employees totalling £1.7 million The notes accrue interest at 8% annually and become payable in the event of a change of ownership, or 20 years from the date of issue, whichever is sooner. As a result of the upcoming shareholder transaction the maturity date of these loan notes is now expected to be 2019.

14. BORROWINGS (CONT'D)

Undrawn borrowing facilities

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.

As a result of the business disposals in 2018, the Group were required to request consent from its external lenders before disposing of Endeavour Learning Group and consequently incurred external borrowing costs of £2.5 million. Debt issue and external borrowing costs are amortised to the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

15. FINANCIAL INSTRUMENTS

The Group s policies and strategies in relation to risk and financial instruments are explained in the Directors Report. Accounting policies used to account for financial instruments are detailed in Note 1.

Net investment hedge

At 31 December 2018, the Group had entered into a net investment hedge using the AUD $110.2 million drawn in the UK to hedge the Group's foreign operations. The hedge is deemed 100% effective up to the value of the loan.

Hedging activities and derivatives

On 3 February 2017 the Group entered into three interest swap agreements to fix the floating interest rates on a 6-monthly basis until 9 February 2019, covering 50% of the Group's term loans. These interest rate swaps are valued using valuation techniques which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

Fair values of non-derivative financial assets and liabilities

At 31 December 2018 there is no difference between the carrying amount and fair value of each of the following classes of financial assets and liabilities, principally due to their short maturity: trade and other receivables, cash at bank and in hand, trade and other payables and current borrowings. There is no significant difference between the fair value and carrying amount of non-current borrowings as the impact of discounting is not significant.

Foreign currency sensitivity

The Group is primarily exposed to fluctuations in the Australian Dollar and US Dollar. The following table details how the Group's income and equity would increase on a before tax and exceptional costs basis, given a 10% decrease in the respective year-end currencies against Pound Sterling and in accordance with IFRS 7 all other variables remaining constant. A 10% decrease in the value of Pound Sterling against the respective year-end currencies would have the opposite effect.

	Income Sensitivity 2018 £m	**Equity Sensitivity 2018 £m**	Income Sensitivity 2017 *£m*	Equity Sensitivity 2017 *£m*
Australian Dollar	**(2.2)**	**(0.5)**	(2.7)	(2.7)
US Dollar	**0.7**	**(1.8)**	0.8	(1.0)
Other	**0.7**	**0.5**	0.8	(0.1)
Equity decrease	**(0.8)**	**(1.8)**	(1.1)	(3.8)

15. FINANCIAL INSTRUMENTS (CONT'D)

Foreign exchange rates

Period end and average exchange rates per £1.00 are as follows:

	31 December 2018	31 December 2017
Australian Dollar - period average	**1.7862**	1.6811
Australian Dollar - period end	**1.8055**	1.7285
US Dollar - period average	**1.3350**	1.2887
US Dollar - period end	**1.2736**	1.3493

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to remain as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. Net debt is calculated as the principal amount outstanding of external indebtedness, including term loans and RCF, less cash and cash equivalents. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

	2018 £m	2017 £m
Total borrowings (Note 14)	**456.0**	444.3
Less: Total cash and cash equivalents (excluding cash within Assets held for sale)	**(15.2)**	(22.5)
Net Debt	**440.8**	421.8
Total Equity	**(187.6)**	(156.3)
Total Capital	**253.2**	265.5
Gearing	**174%**	159%

16. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax assets and liabilities is as shown below:

	2018 £m	2017 £m
Balance at the beginning of the year	**7.9**	6.5
Credit to statement of comprehensive income (Note 6)	**3.4**	1.3
Cash flow hedge reserve losses (Note 18)	-	0.1
Transferred to assets held for sale	**(3.6)**	-
Exchange differences	**(0.4)**	-
Net deferred tax asset at end of the year	**7.3**	7.9

Deferred tax assets have been recognised in respect of all losses and other temporary differences to the extent that it is probable that those assets will be recovered.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset.

	2018 £m	2017 £m
Deferred tax assets and liabilities relates to the following:		
Deferred tax assets		
Tax losses carried forward	**3.6**	1.4
Property, plant and equipment	**2.9**	1.9
Accruals and provisions	**8.4**	8.7
Cash flow hedge reserve (Note 18)	-	0.1
Transferred to assets held for sale	**(3.6)**	-
	11.3	12.1
Deferred tax liabilities		
Property, plant and equipment	-	(0.1)
Intangible assets	**(1.4)**	(4.1)
Prepayments	**(2.6)**	-
	(4.0)	(4.2)
Net deferred tax asset	**7.3**	7.9

Presented in the statement of financial position as follows:

	2018 £m	2017 £m
Deferred tax assets	**7.3**	7.9
Net deferred tax asset	**7.3**	7.9

17. SHARE CAPITAL

	2018 Number of shares	2018 £	2017 Number of shares Restated (i)	2017 £ Restated (i)
Ordinary shares authorised, allotted and issued of £1 each				
Balance at the beginning of the year	**899,541**	**899,541**	899,541	899,541
New issues of shares	**-**	**-**	-	-
Balance at 31 December	**899,541**	**899,541**	899,541	899,541

(i) Within the prior year financial statements, the number of shares for the year ended 31 December 2017 had been understated. Although the Directors do not consider this to be a material misstatement, the comparative disclosure has been restated to ensure appropriate comparability for users of the financial statements.

18. CASH FLOW HEDGE RESERVE

	2018 £m	2017 £m
Gains/(losses) arising during the year on interest rate swaps:		
Gains/(loss) during the year of not-yet matured contracts	**0.2**	(0.3)
Deferred tax asset on cash flow hedge reserve losses (Note 16)	**-**	0.1
	0.2	(0.2)

19. EMPLOYEES

	2018 £m	2017 £m
Staff costs for the Group during the year:		
Wages and salaries	**119.9**	124.2
Social security costs	**9.9**	10.6
Superannuation and other pension costs	**6.6**	7.1
	136.4	141.9

Average monthly number of people (including Executive Directors) employed by the Group:

	2018	2017 Restated (ii)
Teaching (Direct and Indirect)	**2,109**	2,142
Sales, marketing and distribution	**526**	466
Administration	**714**	705
	3,349	3,313

(ii) Within the prior year financial statements, the average monthly number of sales, marketing and distribution staff for the year ended 31 December 2017 had been understated. Although the Directors do not consider this to be a material misstatement, the comparative disclosure has been restated to ensure appropriate comparability for users of the financial statements.

Key management compensation:

Key management are defined as the Global Executive Team (GET), which is the team of senior management who support the Chief Executive Officer in the day to day management of the Group's affairs and are involved in strategic decision making.

19. EMPLOYEES (CONT'D)

	2018 £m	2017 £m
Salaries and short-term benefits	4.6	4.7
Termination payments	-	-
Post-employment benefits	0.2	0.2
	4.8	4.9

Aggregate Directors' remuneration:

The total amount for directors' remuneration was as follows:

	2018 £m	2017 £m
Salaries and short-term benefits	1.6	1.6
	1.6	1.6

Highest paid director	2018 £m	2017 £m
Salaries and short-term benefits	1.0	1.0
	1.0	1.0

20. FINANCIAL COMMITMENTS

CAPITAL COMMITMENTS

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

	2018 £m	2017 £m
Less than one year	2.7	3.9
Between one and five years	0.6	4.4
More than five years	-	1.6
	3.3	9.9

CONTINGENT LIABILITIES

The Company and its subsidiary undertakings are, from time to time, parties to legal proceedings and claims, which arise in the ordinary course of business.

The Group's activities are monitored by a number of regulatory bodies depending on the jurisdiction of the operation. From time to time, there is a risk that the Group may not comply with all requirements imposed by the relevant regulator giving rise to a risk of refund of fees, penalties or both.

The Group had £18.1 million (2017: £25.5 million) in outstanding bank guarantees at the end of the year against an AUD $34.2 million lease line facility held with HSBC Plc. The majority of these are guarantees against future rental commitments. In January and February 2019 a number of these guarantees were released resulting in outstanding bank guarantees at February 2019 of £12.3 million.

21. OPERATING LEASE COMMITMENTS

	2018 £m	2017 £m
Lease payments under operating leases recognised as an expense in the year	**25.1**	36.1

The totals of future minimum lease payments in respect of non-cancellable operating leases, falling due are as follows:

	Land and Buildings	
	2018 £m	2017 £m
Not later than one year	**25.5**	31.3
Later than one year but not more than five years	**90.9**	106.7
More than five years	**89.4**	107.0
	205.8	245.0

The total commitments disclosed above include operating lease commitments of £26.8 million relating to ACPE, a business which was sold on 11 February 2019. Consequently these operating lease commitments have left the business upon sale.

22. RELATED PARTY DISCLOSURES

There were no contracts with the EDU UK Topco Limited (the Company) or any of its subsidiaries existing during or at the end of the financial year in which a director of the Company was materially interested. The Group has taken advantage of the exemption available under IAS 24 Related party disclosures not to disclose transactions and balances between Group entities that have been eliminated on consolidation.

The Group paid a management fee and expenses totalling £0.0 million (2017: £0.5 million) to Providence Equity Partners VI International LP during the year with £0.6 million outstanding as at 31 December 2018 (2017: £0.3 million). The Group paid Petersen Investments Company Pty Limited £0.2 million (2017: £0.2 million) with £0.0 million outstanding as at 31 December 2018 (2017: £0.0 million). There were management fees paid to Sir John Hood of £0.1 million (2017: £0.1 million), Will Ethridge of £0.0 million (2017: £0.1 million), Dennis Dracup of £0.0 million (2017: £0.1 million) and Sir Keith Burnett of £0.0 million, as well as management expenses of £0.0 million (2017: £0.0 million). Will Ethridge and Dennis Dracup resigned as non-executive directors on 31 March 2018 and Sir Keith Burnett was appointed as a non-executive director on 7 November 2018.

EDU Lux Co SARL is a shareholder of EDU UK TopCo Ltd. Petersen Investments Company Pty Limited is an entity related to a shareholder of EDU UK TopCo Ltd.

Trading transactions

	Sale of goods		Purchase of goods		Amounts owed to related parties	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Company under common control	**0.4**	0.1	**0.4**	-	-	-

Director's interests in shares

No director has shares directly in the Company. However, refer to accounting policy 1.19 Employee benefits for details of employee share schemes.

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is EDU LuxCo S.a.r.l.

The ultimate parent undertaking and controlling party is Providence Equity Partners VI International LP, a company incorporated in the Cayman Islands.

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

24. DISPOSAL OF ASSETS HELD FOR SALE

On 28 December 2018, management committed to sell the ACPE business within the HE Proprietary operating segment. Accordingly that business is presented as a disposal group held for sale at 31 December 2018 and was subsequently sold on 11th February 2019.

Impairment losses relating to the disposal group
Impairment losses of £5.1 million for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in the HE Proprietary discontinued result. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

Assets and liabilities of disposal group held for sale
At 31 December 2018, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	£m
Deferred tax	3.6
Cash and equivalents	0.3
Trade and other receivables	0.1
Assets held for sale	**4.0**
Trade and other payables	1.6
Provisions	6.0
Liabilities held for sale	**7.6**

Cumulative income or expenses included in SOCI
There are no cumulative income or expenses included in SOCI relating to the disposal.

Measurement of fair values – valuation technique and significant unobservable inputs
The fair values were based on agreed upon disposal amounts.

25. EVENTS AFTER THE BALANCE SHEET DATE

ACPE Ltd is shown as 'Held for Sale' at 31 December 2018 and was subsequently sold on 11 February 2019.

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 June 2019.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	31 December 2018	31 December 2017
		£m	£m
ASSETS			
NON-CURRENT ASSETS			
Investments	3	234.9	234.9
Deferred tax assets		0.6	-
Other receivables	4	1.4	3.9
		236.9	238.8
CURRENT ASSETS			
Other receivables	4	1.6	-
Current tax assets	5	0.1	0.1
		1.7	0.1
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	6	1.7	-
		1.7	-
NET CURRENT ASSETS		-	0.1
NON-CURRENT LIABILITIES			
Borrowings	6	216.2	197.4
		216.2	197.4
NET ASSETS		20.7	41.5
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		0.9	0.9
Share premium		101.7	101.7
Accumulated losses		(81.9)	(61.1)
TOTAL EQUITY		20.7	41.5

The financial statements and notes on pages 58 to 64 were approved by the Board of directors on 29 April 2019 and were signed on its behalf by Nick Williams.

N.Williams

N Williams
Director EDU UK Topco Limited Registered no. 07285288

The accompanying notes form an integral part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year ended 31 December 2018

2018	**Ordinary Share Capital £m**	**Share Premium £m**	**Accumulated Losses £m**	**Total Equity £m**
Balance at 1 January 2018	**0.9**	**101.7**	**(61.1)**	**41.5**
Loss for the period	**-**	**-**	**(20.8)**	**(20.8)**
Balance at 31 December 2018	**0.9**	**101.7**	**(81.9)**	**20.7**

2017	Ordinary Share Capital £m	Share Premium £m	Accumulated Losses £m	Total Equity £m
Balance at 1 January 2017	0.9	101.7	(43.8)	58.8
Loss for the period	-	-	(18.1)	(18.1)
Employee share option credit			0.8	0.8
Balance at 31 December 2017	0.9	101.7	(61.1)	41.5

The accompanying notes form an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Accounting policies for the year ended 31 December 2018

As used in the financial statements and related notes, the term 'Company' refers to EDU UK Topco Limited which was incorporated on 15 June 2010. The Directors have confirmed that they believe that the Company's accounting policies are the most appropriate for the purposes of providing a true and fair view of the Company's results and state of affairs and have been consistently applied except where indicated below. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Company financial statements were approved by the Board of Directors on 29 April 2019.

1.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') on the historical cost basis. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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 IFRS'), but makes amendments where necessary in order to comply with the Companies Act 2006.

- In these financial statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- a cash flow statement and related notes; and
- the requirements of IAS 24 Related Party Transactions and has, therefore, not disclosed transactions between the Company and its wholly owned subsidiaries; and
- the effect of new but not yet effective IFRSs
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*

As permitted by Section 408 of the Companies Act 2006, a separate income statement for the Company has not been included in these financial statements. As permitted by the audit fee disclosure regulations, disclosure of non-audit fees information is not included in respect of the Company

1.3 INVESTMENTS

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any impairment.

1.4 TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

1.5 TRADE AND OTHER PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.6 FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.7 EMPLOYEE BENEFITS

During the year Group companies contributed to defined contribution pension schemes under which contributions are paid based upon a percentage of the members' basic salary. The schemes are administered by trustees either appointed by the Group or elected by the members.

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the relevant subsidiary company according to the year in which they are payable.

The fair value of equity-settled share based payments is recognised as an employee benefit in the relevant Group companies and a respective increase in equity in the Company. The fair value is measured at grant date and charged to the Statement of Comprehensive Income in the Group companies over the expected vesting period.

Equity settled schemes have been created that enable certain senior employees to acquire ordinary shares at market value. Market value is determined based on an analysis of profit multiples in the Group's industry sector. These shares are expected to vest on a qualifying transaction, including a stock exchange listing.

1.8 TAXATION INCLUDING DEFERRED TAX

Corporation tax, where payable, is provided on taxable profits at the current rate. Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, 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. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and liabilities have not been discounted.

1.9 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

1.10 FINANCIAL RISK MANAGEMENT

The Companies operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, market interest rates, credit risk and its liquidity position. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company which is outlined in the Directors' Report.

1.11 FOREIGN CURRENCY

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Pound Sterling , which is the Company's functional and the Group's presentation currency.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.11 FOREIGN CURRENCY (CONT'D)

b) Transactions and balances

Transactions denominated in foreign currencies are recorded in Pound Sterling at the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from such transactions are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and any exchange differences are taken to the statement of comprehensive income.

Foreign exchange gains and losses relating to foreign currency loans and other foreign exchange adjustments are included within finance income and expenses.

2. OPERATING RESULT

Auditor's remuneration has been borne by the company's subsidiary undertaking.

3. INVESTMENTS

The movements in the net book value of interests in subsidiary undertakings are as follows:

	£m
Cost at 1 January 2018 and 31 December 2018	234.9

COMPANY SUBSIDIARY UNDERTAKINGS

Details of the subsidiary undertakings of the Company, which are included in the financial statements, are set out below.

Name of Entity	Country of Incorporation	Ownership Interest %	Nature
Controlled Entities:			
EDU UK Intermediate Limited	United Kingdom	100	Holding

4. OTHER RECEIVABLES

	2018 £m	2017 £m
CURRENT:		
Other receivables	**1.6**	-
NON CURRENT:		
Other receivables	**1.4**	3.9

5. CURRENT TAX ASSETS

	2018 £m	2017 £m
UK Corporation tax receivable	**0.1**	0.1

6. BORROWINGS

CURRENT BORROWINGS	2018 £m Value	2017 £m Value
Loan notes	1.7	-
	1.7	-

	2018	2017
NON CURRENT BORROWINGS		
Secured borrowings at amortised cost		
Eurobond	**216.2**	196.4
Loan notes	-	1.0
	216.2	179.2
Total borrowings		
Amount due for settlement after less than one year	1.7	-
Amount due for settlement after one year	**216.2**	179.2
	217.9	179.2

The Eurobonds in issue are unsecured and have a fixed interest rate of 10.09%. Interest is accrued annually and settled via the issue of additional Eurobonds with the same terms as the original issue. The unsecured Eurobonds, including all principal plus interest, are redeemable on 30 June 2020.

The company has loan notes accruing to former employees totalling £1.7 million (2017: £1.0 million). The notes accrue interest at 8% annually and become payable in the event of a change of ownership, or 20 years from the date of issue, whichever is sooner. As a result of the upcoming shareholder transaction the maturity date of these loan notes is now expected to be 2019.

Movement in Borrowings	**£m**
At 1 January 2018	**197.4**
Interest Accrued	**20.1**
Loan notes issued	**0.6**
At 31 December 2018	**217.9**

7. SHARE CAPITAL

	2018		2017	
	Number of shares	£	Number of shares Restated (i)	£ Restated (i)
Ordinary shares authorised, allotted and issued of £1 each				
Balance at the beginning of the year	899,541	899,541	899,541	899,541
New issues of shares	-	-	-	-
Balance at 31 December	899,541	899,541	899,541	899,541

(i) Within the prior year financial statements, the number of shares for the year ended 31 December 2017 had been understated. Although the Directors do not consider this to be a material misstatement, the comparative disclosure has been restated to ensure appropriate comparability for users of the financial statements.

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There were no employees in the current year other than the directors who were remunerated by a subsidiary undertaking.

9. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is EDU LuxCo S.a.r.l .

The ultimate parent undertaking and controlling party is Providence Equity Partners VI International LP, a company incorporated in the Cayman Islands.

10. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in IAS 24 from the requirement to disclose transactions between the Company and its wholly owned subsidiaries.

As disclosed in note 11, a change in ownership is expected in 2019.

11. EVENTS AFTER THE BALANCE SHEET DATE

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 June 2019.

12. CAPITAL AND OTHER COMMITMENTS

Study Group Holdings UK Ltd (registered number: 05888001); Study Group Ltd (registered number: 04275123); EDU UK Management Services Ltd (registered number: 07285370) and Study Group Distance Learning Ltd (registered number: 07145464), wholly owned subsidiaries of the company, are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A for non-dormant subsidiaries.

All outstanding liabilities as at 31 December 2017 of Study Group Holdings UK Ltd, Study Group Ltd, EDU UK Management Services Ltd and Study Group Distance Learning have been guaranteed by the company and no liability is expected to arise under the guarantee.

13. CONTINGENT LIABILITIES

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, 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.