EDU UK INTERMEDIATE LTD ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2015

Registered Number: 07285315

DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

E Lancaster
D Leigh
A Petersen
D Rammal
P Wilde

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. 07285315

Overview of the year

The Directors present their report and the consolidated financial statements for EDU UK Intermediate Limited, 'the Company', and its subsidiaries, together 'the Group' or 'Study Group', for the year ended 31 December 2015. 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 a leading international provider of higher education (HE), career education and English language programmes in the UK, Australasia (ANZ) and North America (NA). We deliver our programmes to international students from over 150 countries.

The Group had a strong revenue performance in 2015, increasing by 15% to £307.5 million (2014: £266.5 million), primarily driven by our HE ANZ business where revenue grew by 31%. In addition, there has been strong new student enrolment (NSE) growth of 15% across all of our international study centres (ISCs). Embassy continued to suffer the impact of macroeconomic pressures in key source markets; however volumes have stabilised, with growth in the final quarter of the year.

The Group has continued with its strategy of developing new and existing partnerships with our chosen university partners. During 2015, we demonstrated our strong record in this regard by renewing 5 university partnerships and signing a further 4 new partners: Coventry University London Campus and University of Law in the UK, and California Polytechnic State University and Merrimack College in North America. All of these new partners commenced teaching in the year, except California Polytechnic State University where we will deliver English language teaching from 2016. In addition, we have commenced teaching at the University of Sheffield, for which the first major intake occurred in autumn 2015.

The Group acquired Endeavour Learning Group (ELG), on 29 April 2015 for £31.4 million. ELG is one of Australia and New Zealand's leading providers of higher education and vocational training in the health, beauty and fitness sector. This acquisition complements the Group's pre-existing product offering and reinforces its position as the leading provider of higher education in natural health, fitness and beauty in Australia by strengthening its brand portfolio and broadening its product offering and pathway to current and prospective students.

Operating and financial review

Key performance indicators

Our financial and non-financial KPIs 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		
	2015	**2014 restated***	**% Variance**
Continuing revenue[(i)] (£m)	307.5	265.1	16%
Continuing adjusted EBITDA[(ii)] (£m)	42.4	37.7	12%
Student weeks taught [(iii)]			
ISC and High School	428,537	366,486	17%
Embassy	179,817	178,067	1%
Total student weeks taught	**608,354**	**544,553**	**12%**
New student enrolments (NSE) [(iv)]	**22,586**	**19,668**	**15%**

*Presentational restatement – see note 24 for detail

(i) Continuing revenue is a non-GAAP measure and represents revenue as adjusted to reflect certain non-continuing centres, including closure of the Taylor's Melbourne High School programme and rationalisation of the placement business in the United States.

(ii) Continuing adjusted EBITDA is a non-GAAP measure and represents EBITDA as adjusted to reflect non-continuing centres, including closure of the Taylor's Melbourne High School programme and rationalisation of the placement business in the United States. In addition, it excludes the impact of new centres in their start-up phase, which is defined as centres that are less than two years old at any point during the financial period and are loss-making.

(iii) Student weeks taught represents the number of weeks in which a single student is taught in one of our courses or subjects.

(iv) An NSE represents one new student arriving and enrolling in a course. The 2014 comparative has been restated to reflect the impact of students who enrol and arrive but subsequently drop out pre-census. This has reduced the 2014 NSE figure by 597 compared to the figure reported in the year ended 31 December 2014 financial statements.

EDU UK INTERMEDIATE LTD
STRATEGIC REVIEW (CONT'D)

Our results by division are summarised as follows:

£m	Revenue Year ended 31 December 2015	2014 restated*	% Variance	Adjusted EBITDA(ii) Year ended 31 December 2015	2014	% Variance
HE UK & Europe	120.0	108.2	11%	27.1	29.0	(7%)
HE ANZ	124.2	94.9	31%	36.8	22.7	62%
HE North America	8.8	6.2	42%	(0.4)	(1.4)	71%
Total HE	253.0	209.3	21%	63.5	50.3	26%
Embassy	54.5	57.2	(5%)	1.2	5.7	(79%)
Unallocated functional & corporate costs	-	-	-	(24.7)	(21.4)	(15%)
Total	**307.5**	**266.5**	**15%**	**40.0**	**34.6**	**16%**
Of which:						
Continuing Revenue(i) / Continuing Adjusted EBITDA(iii)	**307.5**	**265.1**	**16%**	**42.4**	**37.7**	**12%**

* Presentational restatement – see note 24 for detail

(i) Continuing revenue is a non-GAAP measure and represents revenue as adjusted to reflect certain non-continuing centres, including closure of the Taylor's Melbourne High School programme and rationalisation of the placement business in the United States.

(ii) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items. 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.

(iii) Continuing adjusted EBITDA is a non-GAAP measure and represents EBITDA as adjusted to reflect non-continuing centres, including closure of the Taylor's Melbourne High School programme and rationalisation of the placement business in the United States. In addition, it excludes the impact of new centres in their start-up phase, which is defined as centres that are less than two years old at any point during the financial period and are loss-making.

The tables below reconcile reported revenue to continuing revenue, and adjusted EBITDA to continuing adjusted EBITDA. Refer to footnotes below for definitions.

Reconciliation of reported revenue to continuing revenue (£m)

£m	Year ended 31 December 2015	2014 restated*	% variance
Reported revenue	**307.5**	266.5	15%
Impact of non-continuing centres	-	(1.4)	100%
Continuing revenue(i)	**307.5**	265.1	16%

Reconciliation of reported EBITDA to continuing adjusted EBITDA

£m	Year ended 31 December 2015	2014	% variance
Reported EBITDA	**28.9**	31.5	(8%)
Exceptional and other items	**11.1**	3.1	258%
Reported adjusted EBITDA(ii)	**40.0**	34.6	16%
Impact of non-continuing centres	-	1.4	(100%)
Impact of centres less than two years old	**2.4**	1.7	41%
Continuing adjusted EBITDA(iii)	**42.4**	37.7	12%

* Presentational restatement – see note 24 for detail

(i), (ii) and (iii) definitions on page 3

Impact of foreign exchange

The Group's largest operations are in the United Kingdom, Australia and the United States. As a result, the Group's consolidated results can be sensitive to movements in foreign exchange.

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

	31 December 2015	31 December 2014
Australian Dollar - period average	**2.0350**	1.8268
Australian Dollar - period end	**2.0280**	1.9043
US Dollar - period average	**1.5286**	1.6479
US Dollar - period end	**1.4804**	1.5533

Our constant currency results are as follows:

£m	Revenue Year ended 31 December			Adjusted EBITDA(ii) Year ended 31 December		
	2015	2014 restated*	% Variance	2015	2014	% Variance
HE UK & Europe	120.0	108.0	11%	27.1	28.9	(6%)
HE ANZ	124.2	85.2	46%	36.8	20.3	81%
HE North America	8.8	6.4	38%	(0.4)	(1.5)	73%
Total HE	253.0	199.6	27%	63.5	47.7	33%
Embassy	54.5	57.4	(5%)	1.2	6.0	(80%)
Unallocated functional & corporate costs	-	-	-	(24.7)	(21.3)	(16%)
Total	**307.5**	**257.0**	**20%**	**40.0**	**32.4**	**23%**
Of which: Continuing Revenue(i) / Continuing Adjusted EBITDA(iii)	**307.5**	**255.7**	**20%**	**42.4**	**35.6**	**19%**

Higher Education UK and Europe (HE UK & Europe)

Student volumes
Overall NSE growth of 14% for the year to 31 December 2015 was driven by ISCs, which saw increases of 28%, primarily attributable to the opening of the new University of Sheffield International College. Underlying growth in ISCs excluding the University of Sheffield International College was 6%. This was partially offset by a 18% decline in our Bellerbys schools, which continued to operate in a challenging market.

Student weeks taught increased by 8% for the year to 31 December 2015, driven by ISCs and again offset by lower weeks taught at Bellerbys.

Revenue
Revenue was up £11.8 million or 11% to £120.0 million (2014: £108.2 million), reflecting the overall NSE and student weeks growth in the ISCs, which has outweighed a decrease in Bellerbys' volumes. The declines seen in Bellerbys were also partially offset by the year-on-year price increases.

(i), (ii) and (iii) definitions on page 3
* Presentational restatement – see note 24 for detail

Adjusted EBITDA
Adjusted EBITDA reduced by £1.9 million or 7% to £27.1 million (2014: £29.0 million). This was as a result of a combination of the effect of declining student volumes at Bellerbys, increased commissions following the changes we made to the commission structure for major agents last year, as well as pre-opening costs of £1.0 million relating to the University of Sheffield International College.

Higher Education Australia & New Zealand (HE ANZ)

Student volumes
HE ANZ NSEs grew by 15% during the year to December 2015. This came from 21% growth across our ISCs and 13% from our Careers business, driven by a strong market, the widening of distribution networks and the impact of NSEs in ELG.

Revenue
HE ANZ revenue was up £29.3 million or 31% to £124.2 million (2014: £94.9 million). The increase in revenue followed increased student volumes during the period across a range of programmes and campuses. £16.4 million of this growth came from ELG, a business acquired on 29 April 2015. On a constant currency basis excluding ELG, the growth was 27%.

Adjusted EBITDA
HE ANZ adjusted EBITDA increased £14.1 million or 62% to £36.8 million (2014: £22.7 million). Growth in student volumes was the main contributor to the increase, although we note that £3.7 million of the improvement was as a result of the acquisition of ELG, before functional costs. Excluding ELG and non-continuing centres, EBITDA growth was 53% on a constant currency basis.

EBITDA margins improved from 26% to 30% due to the higher student volumes particularly from our licence partnerships.

Non-continuing centres
In December 2013, the decision was made to close the Taylors High School programme in Melbourne in order to rationalise our High School campuses from three to two and ensure we have critical mass in each location. We continued to teach out the existing cohort of students during 2014. For the year to 31 December 2015, continuing revenue excludes revenue earned from this programme which totalled £nil (2014: £0.9 million). The related EBITDA for the period was £nil (2014: £1.5 million loss).

Higher Education North America (HE North America)

Student volumes
NSE growth was 9% for the year to December 2015, reflecting growth from our major source countries. Driven by the NSE growth seen in 2014, student weeks taught were up 50%.

Revenue
Revenue increased £2.6 million or 42% to £8.8 million (2014 restated*: £6.2 million) driven by growth across most campuses, notably James Madison University and the University of Vermont. On a constant currency basis the growth was 38%. Continuing revenue for the year was £3.1 million or 54% higher than last year at £8.8 million (2014: £5.7 million).

Adjusted EBITDA
Adjusted EBITDA in the HE North America division increased by £1.0 million to a £0.4 million loss (2014: £1.4 million loss), reflecting the higher student volumes in our new ISCs. Again, excluding the impact of loss making ISCs less than two years old, HE North America's EBITDA increased to £1.0 million profit (2014: £0.4 million).

Non-continuing operations
Continuing revenue excludes revenue from the centres which are part of our US placement business and which we continued to rationalise during the period. Placement revenue for the year was £nil (2014: £0.5 million). Placement EBITDA for the year was £nil (2014: £0.1 million).

Embassy

Student volumes
Embassy continued to be affected by weakness in a number of key source markets, limiting the increase in student weeks taught to 1%. Compared to prior year there has been a 20% decline in Summer school volumes and a 6% increase in the year round school volumes.

* Presentational restatement – see note 24 for detail

Revenue
Embassy revenue reduced by £2.7 million or 5% to £54.5 million (2014: £57.2 million), despite an overall increase in student weeks, which is reflective of the decline in student volumes in the higher gross margin summer school programmes as well as increased discounts to maintain our volumes.

Adjusted EBITDA
Adjusted EBITDA in the Embassy division has decreased £4.5 million to £1.2 million (2014: £5.7 million), driven by the volume decreases, increased discounts and additional headcount cost as vacancies have been filled. Part of the decrease can also be attributed to the volume mix, where we have seen growth in our lower margin ANZ business and decline in our UK and NA businesses.

Impairment charge
A detailed review of goodwill carrying value was conducted during the year on a cash generating unit (CGU) basis. In light of softening student enrolments and the resulting decrease in EBITDA, the directors have concluded that the Embassy CGU carrying value is impaired and as such an impairment of £26.0 million has been recorded against that CGU.

Unallocated functional and corporate costs

Adjusted EBITDA
Functional and corporate costs increased £3.3 million or 15% to £24.7 million (2014: £21.4 million). This includes an increase of £0.7 million functional costs as a result of ELG becoming part of the group.

Exceptional and Other items

Exceptional items are those which are material in size or are non-recurring in nature. Other items include adjustments which we believe it is beneficial to strip out when analysing the underlying trading result. Exceptional and other items included within operating profit amounted to £37.1 million (2014: £3.1 million). Full details can be found in note 6, with a summary also included below:

- As a result of a poor trading performance in our Embassy business during 2015:
  - An impairment charge of £26.0 million was recognised against the Embassy cash generating unit (2014: £nil). See note 7 for details.
  - Restructuring costs of £1.2 million were recorded (2014: £nil) as we took the decision to restructure the North America finance team.
  - We conducted a detailed review of the North American businesses' balance sheets, resulting in exceptional, legacy balances of £2.4 million being written off in the year (2014: £nil).
  - Property provisions on onerous leases were recognised of £0.5 million (2014: £0.8 million release of provision).
- Further restructuring costs of £1.9 million were recorded in the year (2014: £0.9 million) relating to the set-up of our admissions hub in Singapore.
- Transaction costs incurred of £1.0 million (2014: £0.1 million) related to the acquisition of ELG. See note 17 for full detail of the acquisition.
- Management fees and expenses charged by Providence Equity, Petersen Investments, and non-executive directors were incurred. These are included within other expenses and for the year totalled £1.0 million (2014: £1.0 million).
- The Group incurred £1.8 million (2014: £nil) in irrecoverable costs related to a contract with a licence partner in ANZ that has since entered administration. Please see note 23 for further detail.
- Included within exceptional charges in 'Other' are share based payments of £0.8 million (2014: £0.3 million).
- Unrealised foreign exchange losses for the year were £3.5 million (2014: £0.4 million gain) and are included within 'Other' items.

Depreciation and amortisation
Depreciation and amortisation for the year to 31 December 2015 increased £2.0 million to £17.3 million (2014: £15.3 million).

Finance expense
Net finance expense for the period increased £6.2 million to £25.4 million (2014: £19.2 million). This increase is primarily attributable to a £3.5 million unrealised foreign exchange loss (2014: £0.4 million gain). This arises from the multi-currency intra-group loans, with the loss as a result of the weakening of the Australian dollar against the Sterling spot rate. The

remaining increase is due to higher bank interest as a result of the RCF drawdown and short term, subordinated shareholder debt drawn in the period.

Taxation
For the year to December, the Group incurred a total tax credit of £9.6 million (2014: £10.8 million charge) being a current tax charge of £2.9 million (2014: £10.5 million) and a deferred tax credit of £12.5 million (2014: £0.3 million charge). In total, net cash tax of £4.2 million (2014: £3.1 million) was paid, which includes cash tax paid of £5.1 million (2014: £1.9 million) relating to a legacy Australian tax issue settled during the year.

During the year, a review of potential historic tax losses was undertaken. Following this review, deferred tax assets totalling £12.0 million relating to the Australian businesses were deemed to be sufficiently certain of recovery to be recognised, resulting in the credit to the income statement in the year.

Balance sheet position
Net debt, being external borrowings less cash, was £212.6 million at 31 December 2015 (2014: £175.1 million). Within net debt, the revolving credit facility of £30.0 million was drawn down by £21.9 million as at 31 December 2015. This compares with £nil at 31 December 2014.

Cash flow
The Group generated free cash inflow (being cash available to service debt) of £12.7 million in the period to 31 December 2015 (2014: £33.9 million).

This includes £5.1 million of cash tax paid to the Australian tax office in relation to the settlement of historic liabilities (noted above), movements in working capital and capital expenditure.

Working capital inflow is lower as a result of volatility in the timing of receipts for government funded ANZ courses, where we have seen delays in receiving 2015 payments, in addition to improved collections around the Group in December 2014 which brought forward cash from Q1 2015. This has been partially offset by an increase in provisions due to a licence partner entering administration and other creditors due to leasehold incentives received in the year.

Capital expenditure is higher than the prior year due to investments across the Group, including a new finance system, the Singapore admissions hub and the new Melbourne campus. There was significant further investment in the infrastructure at several other of our Australian campuses, which is offset by leasehold incentives received as noted above.

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

Reconciliation of Adjusted EBITDA to Free Cash flow £'m	**2015**	**2014**
Adjusted EBITDA	40.0	34.6
Cash exceptional and other items	(5.5)	(3.2)
Movement in working capital	2.4	16.7
Cash tax paid	(4.2)	(3.1)
Capital expenditure and other investment activities	(20.0)	(11.2)
Other movements	-	0.1
Free Cash flow	12.7	33.9
Free cash flow excluding exceptional tax	17.8	37.1

Going concern
The Group manages its day to day working capital requirements through a revolving credit facility ('RCF'). A covenant attached to the RCF 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 covenant on the RCF.

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.

At 31 December 2015, the Group had available £3.0 million (December 2014: £29.4 million) of undrawn committed borrowing facilities, with £21.9 million of the £30.0 million facility drawn as a loan and £5.1 million utilised for lease guarantees.

PRINCIPAL RISKS AND UNCERTAINTIES

Strategy
In our HE division, Study Group remains committed to a strategy of working with the best University partners to ensure we can offer the right propositions to our students to support them with the next phase of their education. To this end, we are constantly looking for new opportunities to expand our offering with our current partners and, longer term, explore new partnerships. Our focus in our Bellerbys schools is to stabilise our student volumes and restructure our cost base to be more flexible to changes in the size of the student body. Within our ANZ Careers business, we see further opportunities to move course content on-line and expand our range of courses. Within our Embassy division, we are investing in our student proposition to refresh the offering and continuing to drive operational efficiency.

Although we have made progress in the sales and marketing function during the year, we continue to be focussed on developing this function in order to improve the service we provide to our agents and develop direct channels, to drive future revenue growth.

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

Outlook
Overall, we are pleased with our 2015 performance and the H2 NSE growth in particular, sets us up well for 2016. We are seeing continued NSE growth in the first quarter of 2016 and we are expecting further growth from our new partnership with the University of Sheffield in H2 2016. Growth in the fourth quarter of 2015 and cost actions already underway mean that Embassy is expected to stabilise. This, combined with a full period of ELG trading, means we are expecting both revenue and EBITDA growth in 2016.

Economic, market and trading risks
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.

Industry drivers impacting demand for Higher and Language Education
We believe that the key industry drivers for our Higher Education and Embassy divisions include:

- globalisation, in particular strong wealth creation and economic growth in emerging markets;
- the increasing international mobility of students;
- the recognition of English as the global business language;
- the importance of an English language education;
- the importance (and limited domestic supply) of tertiary education in emerging markets; and
- demand by Anglophone universities for full fee paying international students.

If foreign direct investment in emerging markets were to slow down, demand for a foreign-educated, English-speaking workforce may decline and some families would likely no longer be able to afford a foreign education for their children.

We note that under the current European Union regulatory regime, the tuition fees of international higher education students from outside the European Union are not subject to caps, while the tuition fees of students from the European Union are capped. However, should caps be imposed on the tuition fees of such students, demand for international students may decrease.

We source our students from over 150 countries and have campuses in 7 countries worldwide, which provides a degree of mitigation against these risks.

Government FEE-HELP within our Career colleges business
The success of our Career colleges business depends partly on the ability of our students to secure tuition loans, as well as employment upon graduation. Specifically, programmes in our Career colleges business are eligible for FEE-HELP, an Australian government scheme that provides students who are Australian citizens or permanent humanitarian visa holders with an income-contingent loan to cover their tuition fees for certain qualified programmes, including those related to Vocational Education and Training (VET). FEE-HELP related funding accounted for approximately 17% and 10% of the Group's net revenue for the years ended 31 December 2015 and 31 December 2014 respectively. Accordingly, if our programmes lost FEE-HELP eligibility due to changes in regulation or otherwise, we would likely experience lower enrolment, which could adversely affect the results of our Career colleges business. Career colleges are our only business impacted by government fee funding for students.

PRINCIPAL RISKS AND UNCERTAINTIES

Visa frameworks and immigration policy
Our ability to recruit international students to our programmes in the United Kingdom and Europe, Australia and New Zealand, and North America depends on the ability of those students to procure visas, which is impacted by the visa regulatory frameworks and immigration policy in those countries. We continually monitor the process by which our students are granted visas through training agents in market, tracking compliance with governmental policy both pre-arrival and post-arrival and reporting any individual student circumstances that are required to be reported.

Political risks in source countries
Our student enrolments could be adversely affected by the political climate in source countries. However, our students join us from over 150 countries which mitigates this risk.

Contract risks
University partners
We maintain relationships in the form of contractual agreements with numerous universities in the United Kingdom and Europe, Australia and New Zealand and North America. We also maintain licensing arrangements to co-brand certain programmes and ISCs, which allow us to market the university partner directly to potential students. Should our relationships with any of our university partners deteriorate, we may experience a reduction in student enrolment as a result, which could impact on our financial results.

In addition, our contracts with our university partners typically contain an agreement on our part to follow certain strict quality control measures, including minimum student progression rates, annual reviews of course content with university partners and regular inspections from industry associations. Should our university partners find that we are not in compliance with the quality control measures in our contracts, they may choose to not renew our contract upon its expiry or bring a claim or initiate litigation against us for breach of contract, which would adversely affect our reputation and business, operations and prospects.

We work closely with our university partners to ensure that we are adhering to the terms of our contractual arrangements.

Licence partners
In our Careers business in Australia we have entered into agreements whereby we licence our program content to third parties enabling them to deliver the programs. Study Group, as the Registered Training Organisation, retains responsibility for compliance, governance, oversight, registration and accreditation in respect of the programs. We continually monitor all aspects of the performance of our licence partners. Should the performance be below a level acceptable to us, or should the licence partner cease to complete the teach out of the programs to students for any reason, we would seek to enable the students to complete their studies, wherever possible, which could impact on our financial results.

Agent relationships
For our Higher Education and Embassy divisions, our key student recruitment platform is our global network of education agents, who recruit our students from over 150 countries. Whilst we also source students through alternative channels, including direct recruitment and feeder schools, we rely primarily on this network of education agents to recruit our international students and market our programmes.

Our management structure is designed to ensure that we manage our agent relationships effectively and we constantly review our approach to ensure that we are able to continuously improve in this area.

Financial position
The Group has a leverage covenant attached to its RCF which must be met. The required leverage ratio reduces over time and therefore in order to meet the covenant, the Group must continue to deliver growth in adjusted EBITDA. We monitor our covenant requirements on a regular basis to ensure that we have time to take mitigating action in the event of a projected reduction in our leverage ratio.

Foreign currency risk
It is our general practice to collect revenues and pay expenses in the local currency of each country in which we operate. Conducting business across multiple currencies subjects us to currency fluctuation risks which could impact our business and reported results. In particular, our business is sensitive to fluctuations in the Australian Dollar versus Pounds Sterling.

EBITDA for the year was generated as follows: 44% in Pounds Sterling; 78% in Australian Dollars and (12%) in US Dollars and (10%) other. The largest element of our external debt, being the bond, is denominated in Pounds Sterling and therefore we are not exposed to foreign exchange risk as the interest payments on the debt are in Pounds Sterling but a proportion of our cash flows are in other currencies. We do not currently hedge this foreign exchange exposure, but keep this position under constant review and may decide to do so in the future. Part of the RCF drawdown is also in Australian Dollars and the shareholder loan is in Australian and US Dollars. In addition, our senior secured net leverage ratio, (upon which our RCF covenant compliance is calculated) is impacted by movements in foreign exchange rates; however this is something we regularly monitor and sensitise. We also regularly review whether it would be beneficial to take out a foreign currency hedge to mitigate this risk.

See Directors' Report (pages 12-14) for discussion on the Group's management of currency risk and liquidity risk.

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

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

Business systems risks
We rely heavily on information technology systems and our online platform to operate our websites, facilitate student enrolment online, deliver our programmes across our various divisions and maintain cost-efficient operations. Given the significant number of client-oriented and internal processes that require technological capability, it is vital to maintain constant operation of our computer hardware and software systems and maintain cyber security. In common with all businesses, our information technology systems and online platform are vulnerable to damage or interruption from power loss, telecommunications failures, data corruption, network failure, computer viruses, security breaches, natural disasters, third-party intrusions or other technical malfunctions despite, where possible, efforts to prevent such damage or interruption.

In order to mitigate these risks, Study Group's Production IT systems are housed in Tier 4 Data Centres and operate with redundant and fault tolerant configurations to minimise the risk of catastrophic failure. They are backed up with both onsite and offsite copies held for recovery purposes. A Disaster Recovery facility with similar equipment levels to that of the production system is kept to allow for speedy restoration of core capabilities in the unlikely event of a prolonged outage to the primary environment. All systems are monitored for environmental factors and system performance by a dedicated team of professionals.

Reputational risk
Our reputation could be adversely affected under many circumstances, including the following:

- we are unable to adequately update and expand the content of our existing programmes and develop new programmes;
- the quality of our curricula, teaching staff or programme facilities are not perceived as sufficient by parents and students;
- there are accidents, epidemics or other events that adversely affect students in the local communities in which we operate;
- members of our staff or our education agents behave or are perceived to behave inappropriately or illegally or fail to appropriately supervise children under their care; and/or students engage in illegal or inappropriate conduct that poses a health and safety risk for the students or the surrounding local community and a public relations risk for our business.

We continuously review our operations to ensure that we are able to respond to and mitigate any reputational risks.

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

E Lancaster
Director
22 March 2016

EDU UK INTERMEDIATE LTD
DIRECTORS REPORT

GENERAL INFORMATION

EDU UK Intermediate Limited ('the Company') is a holding company registered in England and Wales with the Company number 07285315. The Directors present their report and the audited consolidated financial statements for EDU UK Intermediate Ltd 'the Company' and its subsidiaries, together 'the Group' or 'Study Group', for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

Study Group is a leading international provider of higher education, career education and English language programmes in the UK, Australasia and North America. We deliver our programmes to international students from over 150 countries each year.

The subsidiaries and associated undertakings of the Group in the year are listed in note 9 to the financial statements.

ULTIMATE PARENT COMPANY

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

RESULT AND DIVIDENDS

The Group loss for the year after taxation amounted to £30.2 million (2014: £13.8 million loss). Of this, no loss is attributable to non-controlling interests. The directors do not recommend payment of a dividend (2014: £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 page 15:

E Lancaster
D Leigh
A Petersen
D Rammal
P Wilde

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 mitigated through the use of a fixed coupon bond instrument as the sole long term source of financing. Interest risks on the shareholder loans are fixed and so do not represent a risk to the Group. Interest rates on the RCF are variable but do not represent a long term risk.

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 covenants relating to the revolving credit facility. Note 13 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 sterling and Australian Dollars/US Dollars. The transaction risk is mitigated by revenues being billed in the currency where the services/operating costs are delivered/incurred. During the year, the Group did not actively hedge foreign currency exposure but it continues to monitor whether a hedging strategy would be beneficial.

EMPLOYMENT POLICIES

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.

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.

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 meetings as well as the Group's intranet site, email, employee forums and newsletters.

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 £60,000 (2014: £40,000) to its charitable partner, Plan UK. Plan UK work with the world's poorest children so that they can move themselves from a life of poverty to a future with opportunity.

The Group's partnership with Plan UK, 'Building Futures', aligns with its mission to educate students from every corner of the globe, enabling them to realise their potential through investment in educational infrastructure projects in developing countries.

Continuing the partnership's history of developing educational infrastructure in some of the most deprived areas of the world, the donation made in the year was utilised to fund a project in Anuradhapura, Sri Lanka; a district still recuperating from the damage caused by the civil war that ended in 2009.

The overall aim of the project was to contribute to increased primary school enrolments, retention and completion of the compulsory basic education cycle in the Anuradhapura district, with the funding from the Group used to construct 2 new school buildings, a toilet and sanitation block, playground with toys and equipment and deliver both teacher training and parental engagement activities. It is expected that the project will improve the education opportunities for over 400 boys and girls in Anuradhapura.

GOING CONCERN

The Group manages its day to day working capital requirements through a revolving credit facility ('RCF'). A covenant attached to the RCF 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 covenant on the RCF.

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 23.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors are aware of that information.

E Lancaster
Director
22 March 2016

EDU UK INTERMEDIATE LTD
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
Managing Director,
Petersen Investments Company Pty Ltd

Arvid Petersen is Managing Director of Petersen Investments. Based in Sydney Australia, Petersen Investments is a diversified investment company focusing on private equity, property and other family office related entities.

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 was the President of Blackwood's Beverages in Calgary, Canada. Mr Petersen spent 20 years with Pepsi Cola, coming to Australia in 1989 to establish Pepsi Cola Bottlers Australia, where he was the founding Managing Director.

Mr Petersen also serves on the boards of directors of Waratahs Rugby Club, DMG Radio and the Petersen Family Foundation.

David Leigh
Chief Executive Officer,
Study Group

David Leigh joined Study Group as CEO in 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.

Emma Lancaster
Chief Financial and Operations Officer,
Study Group

Emma Lancaster joined Study Group in April 2013 and she is responsible for the global financial and operational management of Study Group.

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 (Keble College), UK.

Dany Rammal
Managing Director,
Providence Equity Partners VI International LP

Dany Rammal is a Managing Director based in the London office of Providence Equity Partners. Mr Rammal is currently a Director of Galileo Global Education and Study Group.

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 the Providence office of Providence Equity Partners. Mr Wilde is the Global Head of Education, Data and Information sectors at Providence. Mr. Wilde is currently a director of Ascend Learning, Blackboard, Galileo Global Education, NEW Asurion, PADI, VectorLearning and Study Group.

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 marketing 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.

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, David Leigh. All members of the team have extensive experience in, and in-depth knowledge of, the education sector or the function that they lead. The members of the GET and their roles are as follows:

GET:

David Leigh, Chief Executive Officer
Emma Lancaster, Chief Financial and Operations Officer
David Reeve, Chief Information and Technology Officer
James Pitman, Managing Director, Higher Education UK and Europe
Jeanette Gooding, Chief Human Resources Officer
Manoj Shetty, Executive Director, Sales
Paul Levett, Chief Commercial Officer
Mike Everett, Chief Operating Officer, UK and Europe
Robert Morgan, Managing Director, Embassy; Interim Managing Director, North American Higher Education
Warren Jacobson, Managing Director, HE ANZ

EDU UK INTERMEDIATE LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the 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 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 and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 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

E Lancaster
Director
22 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDU UK INTERMEDIATE LTD

We have audited the financial statements of EDU UK Intermediate Ltd for the year ended 31 December 2015 set out on pages 19 to 5~~6~~7. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Jonathan Downer

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
23 March 2016

EDU UK INTERMEDIATE LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the Year ended 31 December 2015

	Note	**Before Exceptional and Other Items**	**Exceptional and Other Items (Note 6)**	**Total**	Before Exceptional and Other Items	Exceptional and Other Items (Note 6)	Total
			2015			2014 restated*	
		£'m	**£'m**	**£'m**	£'m	£'m	£'m
Revenue	2	**307.5**	**-**	**307.5**	266.5	-	266.5
Sales and marketing costs		**(66.2)**	**-**	**(66.2)**	(55.1)	-	(55.1)
Delivery costs		**(145.3)**	**(1.8)**	**(147.1)**	(128.6)	0.8	(127.8)
Administrative expenses		**(56.0)**	**(9.3)**	**(65.3)**	(48.2)	(3.9)	(52.1)
EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, NET FINANCING COSTS AND TAXATION:	2	**40.0**	**(11.1)**	**28.9**	34.6	(3.1)	31.5
Goodwill impairment	7	**-**	**(26.0)**	**(26.0)**	-	-	-
Depreciation and amortisation		**(17.3)**	**-**	**(17.3)**	(15.3)	-	(15.3)
OPERATING PROFIT/(LOSS)		**22.7**	**(37.1)**	**(14.4)**	19.3	(3.1)	16.2
Finance income	3	**0.4**	**-**	**0.4**	0.3	0.4	0.7
Finance costs	3	**(22.3)**	**(3.5)**	**(25.8)**	(19.7)	(0.2)	(19.9)
PROFIT/(LOSS) BEFORE TAXATION		**0.8**	**(40.6)**	**(39.8)**	(0.1)	(2.9)	(3.0)
Taxation credit/(charge)	5	**6.6**	**3.0**	**9.6**	(10.2)	(0.6)	(10.8)
PROFIT/(LOSS) FOR THE PERIOD AFTER TAXATION		**7.4**	**(37.6)**	**(30.2)**	(10.3)	(3.5)	(13.8)
OTHER COMPREHENSIVE LOSS							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		**(1.6)**	**-**	**(1.6)**	(0.3)	-	(0.3)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(1.6)**	**-**	**(1.6)**	(0.3)	-	(0.3)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		**5.8**	**(37.6)**	**(31.8)**	(10.6)	(3.5)	(14.1)

All of the activities of the Group are continuing.

*Presentational restatement – see note 24 for detail

GROUP STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	31 December 2015 £'m	31 December 2014 £'m
ASSETS			
NON-CURRENT ASSETS			
Goodwill	7	**351.4**	356.9
Intangible assets	7	**42.5**	40.8
Property, plant and equipment	8	**32.2**	23.0
Investments	9	**0.1**	0.1
Deferred tax assets	15	**11.3**	0.1
Trade and other receivables	10	**4.6**	5.1
		442.1	425.9
CURRENT ASSETS			
Inventories		**0.4**	0.1
Trade and other receivables	10	**137.6**	97.0
Current tax assets		**0.4**	1.0
Cash and cash equivalents		**21.3**	29.9
		159.7	128.0
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	13	**31.7**	-
Current tax payable		**2.1**	6.7
Unearned revenues		**146.4**	128.4
Trade and other payables	11	**86.8**	67.5
Provisions	12	**10.0**	6.5
		277.0	209.1
NET CURRENT LIABILITIES		**(117.3)**	(81.1)
NON-CURRENT LIABILITIES			
Borrowings	13	**202.2**	201.2
Unearned revenues		**16.5**	13.2
Trade and other payables	11	**15.2**	6.8
Provisions	12	**4.0**	3.8
Deferred tax liabilities	15	**1.8**	2.9
		239.7	227.9
NET ASSETS		**85.1**	116.9
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	16	-	-
Preference Share Capital		**222.3**	222.3
Translation reserve		**6.9**	8.5
Accumulated losses		**(144.1)**	(113.9)
TOTAL SHAREHOLDERS' FUNDS		**85.1**	116.9

The financial statements and notes on pages 19 to 57 were approved by the Board of directors on 22 March 2016 and were signed on its behalf by Emma Lancaster.

E Lancaster
Director, EDU UK Intermediate Ltd Registered no. 07285315

EDU UK INTERMEDIATE LTD

GROUP STATEMENT OF CHANGES IN EQUITY
for the Year ended 31 December 2015

2015	**Ordinary Share Capital £'m**	**Preference Share Capital £'m**	**Translation Reserve £'m**	**Accumulated Losses £'m**	**Total Equity £'m**
Balance at 1 January 2015	-	222.3	8.5	(113.9)	116.9
Loss for the period	-	-	-	**(30.2)**	**(30.2)**
Exchange losses on translation of foreign operations	-	-	**(1.6)**	-	**(1.6)**
Total comprehensive loss for the year	-	-	**(1.6)**	**(30.2)**	**(31.8)**
Balance at 31 December 2015	**-**	**222.3**	**6.9**	**(144.1)**	**85.1**

2014	Ordinary Share Capital £'m	Preference Share Capital £'m	Translation Reserve £'m	Accumulated Losses £'m	Total Equity £'m
Balance at 1 January 2014	-	222.3	8.8	(100.1)	131.0
Loss for the period	-	-	-	(13.8)	(13.8)
Exchange losses on translation of foreign operations	-	-	(0.3)	-	(0.3)
Total comprehensive loss for the year	-	-	(0.3)	(13.8)	(14.1)
Balance at 31 December 2014	-	222.3	8.5	(113.9)	116.9

EDU UK INTERMEDIATE LTD

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2015

	2015 £'m	2014 £'m
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(30.2)**	(13.8)
Adjustments for:		
Amortisation and depreciation	**17.3**	15.3
Impairment of Goodwill	**26.0**	-
Interest expense	**22.3**	19.9
Interest income	**(0.4)**	(0.3)
Equity settled share based payments	**0.8**	0.3
Unrealised foreign exchange loss / (gain)	**3.5**	(0.4)
Taxation	**(9.6)**	10.8
	29.7	31.8
Increase in trade and other receivables	**(34.1)**	(8.5)
Increase in unearned revenues	**14.2**	15.9
Increase / (decrease) in provisions	**1.9**	(1.4)
Increase in trade and other payables	**20.4**	10.4
	32.1	48.2
Interest paid and financing costs	**(19.3)**	(19.7)
Tax paid	**(4.2)**	(3.1)
Net cash generated from operating activities	**8.6**	25.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**0.4**	0.3
Acquisition of business net of cash acquired (note 17)	**(29.6)**	-
Purchase of fixed assets	**(10.7)**	(6.9)
Purchase of intangible assets	**(9.3)**	(4.3)
Net cash used in investing activities	**(49.2)**	(10.9)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from draw down/(repayment) of revolving credit facility	**21.9**	(3.1)
Proceeds from subordinated shareholder debt	**9.8**	-
Foreign exchange gains on loan restructure	**-**	1.0
	31.7	(2.1)
Net (decrease)/increase in cash and cash equivalents	**(8.9)**	12.4
Cash and cash equivalents at the beginning of the financial year	**29.9**	17.5
Effect of exchange rate movements	**0.3**	-
	21.3	29.9

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Date of incorporation
EDU UK Intermediate Ltd was incorporated on 15 June 2010 and is a company incorporated in the United Kingdom and domiciled in the United Kingdom. The Group consolidated financial statements were authorised for issue by the Board of Directors on 22 March 2016.

Accounting policies for the year ended 31 December 2015
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.

Following a review of contracts, certain comparative amounts in the statement of comprehensive income have been restated as a result of a change in accounting policy relating to one centre contract, being an equal reduction in revenue and delivery costs with no impact on profit. Further details of the impact of the restatement on the financial statements are disclosed in note 24.

1.2 BASIS OF PREPARATION

These financial statements are based on the consolidated results of the EDU UK Intermediate Ltd Group for the year to 31 December 2015.

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 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 1.25.

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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) Distance learning revenue

Revenue from online distance learning courses is recognised over the duration of the course. Revenue from other distance learning courses where course material is delivered in hard copy is recognised on despatch of the material, which is when our obligation to the student is discharged.

(c) Accommodation revenue

Accommodation revenue is recognised as the accommodation service is provided.

(d) Placement revenue

Placement revenue is recognised when the following conditions are met:

- the student commences the academic term at their enrolled institution; and
- initial payment is received.

(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 our curricula from our career colleges.

(f) Other revenue

Other revenue is recognised 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

1.7 EXCEPTIONAL AND OTHER ITEMS

Due to their material nature, certain exceptional and non-trading items have been classified separately in order to draw them to the attention of the reader. In the judgement of the Directors, this presentation shows the underlying business performance of the Group more accurately. Significant non-recurring items of income and expenditure are disclosed as exceptional items to help provide an understanding of the Group's underlying performance. Exceptional items comprise inter alia, impairment charges, restructuring costs, costs associated with material financing or acquisition transactions, and provisions for onerous leases. 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. 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 impairment. Amortisation is charged 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

Only third party expenditure on course and software development is capitalised. Internal costs, including staff costs, are expensed as incurred. 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- 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. Course development is amortised straight-line over 3 years and software development over 3 – 5 years dependant on the individual asset.

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

* Centre contract purchased as part of the ANU acquisition

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

to be the higher of its 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.

1.13 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.

1.14 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.

1.15 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.

1.16 TRADE PAYABLES

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

1.17 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.

1.18 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

1.19 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.

1.20 EMPLOYEE BENEFITS

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

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.

1.21 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.

1.22 BORROWINGS

Borrowings are recognised initially at fair value, net of direct issue costs. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of issue 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.23 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 Great British Pounds (GBP), which is the Company's functional and the Group's presentation currency.

b) Transactions and balances

Transactions denominated in foreign currencies are recorded in GBP 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 GBP using average rates that existed during the accounting period. The balance sheets of foreign subsidiaries are translated into GBP 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.

1.24 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 14.

1.25 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 7.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 12. 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.

1.26 REVISIONS TO IFRS NOT APPLICABLE IN 2015

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

Once endorsed, IFRS 9 *Financial Instruments* will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.

IFRS 15 *Revenue from Contracts with Customers* (effective for the year ending 31 December 2018, not yet endorsed by the EU) provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts currently included in IAS 11 *Construction Contracts* and IAS 18 *Revenue*.

IFRS 16 *Leases* (effective for the year ending 31 December 2019, not yet endorsed by the EU) will require all leases to be recognised on the balance sheet. Currently, IAS 17 *Leases* only requires leases categorised as finance leases to be recognised on the balance sheet, with leases categorised as operating leases not recognised.

The Group has not yet conducted analysis on the likely impact of adoption of these standards on its financial statements.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements

2. SEGMENTAL ANALYSES

The primary reportable segments of the Group have been identified as, Higher Education UK & Europe, Higher Education ANZ, Higher Education North America, and Embassy. These are in line with the internal reporting of the Group's performance to the Chief Operating Decision Maker, identified as the CEO, David Leigh.

The Higher Education business tends to generate higher revenues at the start and end of the year, being the three months to March and December respectively, whereas Embassy runs its Summer School programme in the summer months, which partially offsets the Higher Education cycle.

	Revenue		**Adjusted EBITDA(i)**	
	2015	2014 restated*	**2015**	2014
	£m	£m	**£m**	£m
HE UK & Europe	**120.0**	108.2	**27.1**	29.0
HE ANZ	**124.2**	94.9	**36.8**	22.7
HE NA	**8.8**	6.2	**(0.4)**	(1.4)
Total Higher Education	**253.0**	209.3	**63.5**	50.3
Embassy	**54.5**	57.2	**1.2**	5.7
Unallocated functional & corporate costs	**-**	-	**(24.7)**	(21.4)
Total	**307.5**	266.5	**40.0**	34.6

(i) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items.

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 19.

During the period there was no trading between segments and central and corporate costs have been allocated on a reasonable basis for statutory purposes.

Geographical Segments – external revenue

	2015	2014 restated*
	£'m	£'m
United Kingdom & Europe	**145.7**	137.1
Australia & New Zealand	**134.9**	104.8
North America	**26.9**	24.6
Total	**307.5**	266.5

During the year there was no trading between the segments.

* Presentational restatement – see note 24 for detail

3. **FINANCE (COSTS)/INCOME**

	2015 £'m	2014 £'m
Finance costs:		
Interest – external borrowings	(1.9)	(0.3)
Interest - 8.875% Senior Secured Loan Notes	(18.2)	(18.2)
Interest – Inter-company*	-	(0.2)
Amortisation of deferred finance setup costs	(1.0)	(1.0)
Other finance costs	(1.2)	(0.2)
Unrealised foreign exchange losses (note 6)	(3.5)	-
	(25.8)	(19.9)
Finance income:		
Bank interest	0.4	0.3
Unrealised foreign exchange gains (note 6)	-	0.4
	0.4	0.7
Net finance costs	(25.4)	(19.2)

* Intercompany Interest is payable to EDU UK Topco Ltd.

4. OPERATING PROFIT/(LOSS)

The following charges are included within cost of sales, administrative costs and depreciation and amortisation:

	2015	2014
	£'m	£'m
Depreciation of property, plant and equipment:	**6.3**	5.9
Operating lease rentals payable	**29.7**	24.2
Amortisation of intangible assets	**10.9**	9.4
Impairment of Goodwill	**26.0**	-
Impairment of trade receivables	**1.1**	4.2
Acquisition related costs	**1.0**	0.1

Services provided by the Group's auditor and network firms

	2015	2014
	£'m	£'m
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries	**0.4**	0.3
Total fees payable for audit services	**0.5**	0.4
Fees payable to the Company's auditors and its associates for other services:		
- Services relating to taxation compliance	**0.1**	0.1
- Services relating to taxation advisory services	**0.3**	0.4
	0.9	0.9

5. TAXATION

Analysis of tax credit/(charge) in the year

	2015 £'m	2014 £'m
Current tax		
- UK current tax on loss for the year	(1.2)	(3.0)
- Adjustments in respect of prior periods	0.2	(0.9)
- Overseas current tax on losses for the year	(1.7)	(0.1)
- Overseas adjustments in respect of prior periods	(0.2)	(6.5)
Total current tax charge to the Statement of comprehensive income	(2.9)	(10.5)
Deferred Tax (Note 15)		
- UK origination and reversal of temporary differences	1.1	0.6
- Overseas origination and reversal of temporary differences	11.4	(0.9)
Total deferred tax credit/(charge) to the Statement of comprehensive income	12.5	(0.3)
Total tax credit/(charge) to the Statement of comprehensive income	9.6	(10.8)

The tax for the year differs to the standard rate of corporation tax in the UK 20.25% (2014: 21.5%). 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:

	2015 £'m	2014 £'m
Loss before taxation	39.8	3.0
Loss on ordinary activities multiplied by rate of corporation tax in UK of 20.25% (2014: 21.5%)	8.1	0.6
Effects of:		
Expenses not deductible for tax purposes	(5.4)	(1.5)
Income not taxable	-	0.1
Unrecognised tax losses	-	(2.8)
Recognition of historic tax losses	11.4	-
Timing differences	(3.2)	-
Difference on overseas rates of tax	(0.8)	0.2
Withholding tax written off	(0.5)	-
Adjustments in respect of prior periods – corporation tax	-	(7.4)
Total taxation credit/(charge)	9.6	(10.8)

The main rate of corporation tax in the UK is 20% from 1st April 2015 and will remain at this level from 1st April 2016.

6. EXCEPTIONAL AND OTHER ITEMS

	Group Exceptional Items 2015 £ 'm	Group Other items 2015 £ 'm	Group Total 2015 £ 'm	Group Exceptional Items 2014 £ 'm	Group Other items 2014 £ 'm	Group Total 2014 £ 'm
Exceptional and other items included with operating profit / (loss):						
Impairment of Goodwill	26.0	-	**26.0**	-	-	-
Restructuring costs	3.1	-	**3.1**	0.9	-	0.9
North America balance sheet review	2.4	-	**2.4**	-	-	-
Property Provision	0.5	-	**0.5**	(0.8)	-	(0.8)
Transaction costs	1.0	-	**1.0**	0.1	-	0.1
Litigation	-	-	-	0.8	-	0.8
Shareholder & Management fees	-	1.0	**1.0**	-	1.0	1.0
Irrecoverable partner costs	1.8	-	**1.8**	-	-	-
Other	1.3	-	**1.3**	1.1	-	1.1
	36.1	**1.0**	**37.1**	2.1	1.0	3.1
Exceptional and other items included within finance costs:						
Foreign exchange losses/(gains)	-	3.5	**3.5**	-	(0.4)	(0.4)
Write-off of loan arrangement costs following re-finance	-	-	-	0.2	-	0.2
	-	**3.5**	**3.5**	0.2	(0.4)	(0.2)
Total exceptional and other costs	**36.1**	**4.5**	**40.6**	2.3	0.6	2.9

Exceptional items are those which are material in size or are non-recurring in nature. Other items include adjustments which we believe are beneficial to strip out when analysing the underlying trading result. Exceptional and other items included within operating profit amounted to £37.1 million (2014: £3.1 million).

- As a result of a poor trading performance in our Embassy business during 2015:
    - An impairment charge of £26.0 million was recognised against the Embassy cash generating unit (2014: £nil). See note 7 for details.
    - Restructuring costs of £1.2 million were recorded (2014: £nil) as we took the decision to restructure the North America finance team.

6. EXCEPTIONAL AND OTHER ITEMS (CONT'D)

- o We conducted a detailed review of the North American businesses' balance sheets, resulting in exceptional, legacy balances of £2.4 million being written off in the year (2014: £nil).
- o Property provisions relating to onerous leases were recognised of £0.5 million (2014: £0.8 million release of provision).

- Further restructuring costs of £1.9 million were recorded in the year (2014: £0.9 million) relating to the set-up of our admissions hub in Singapore.
- Transaction costs incurred of £1.0 million (2014: £0.1 million) related to the acquisition of ELG. See note 17 for full detail of the acquisition.
- Management fees and expenses charged by Providence Equity, Petersen Investments, and non-executive directors were incurred. These are included within other expenses and for the year totalled £1.0 million (2014: £1.0 million).
- The Group incurred £1.8 million (2014: £nil) in irrecoverable costs related to a contract with a licence partner in ANZ that has since entered administration. Please see note 23 for further detail.
- Included within exceptional charges in 'Other' are share based payments of £0.8 million (2014: £0.3 million).
- Unrealised foreign exchange losses for the year were £3.5 million (2014: £0.4 million gain) and are included within 'Other' items.

7. INTANGIBLE ASSETS

2015

	Goodwill	Software	Course Development	Agent Network and Customer Lists	Brands	Centre Contract	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
COST							
At 1 January 2015	374.9	16.9	1.2	55.2	19.3	1.5	469.0
Additions	-	8.0	0.8	-	-	-	8.8
Acquisitions	27.2	0.9	0.6	-	4.6	-	33.3
Exchange difference	(5.9)	(1.0)	(0.1)	(0.7)	(0.1)	(0.1)	(7.9)
At 31 December 2015	396.2	24.8	2.5	54.5	23.8	1.4	503.2
ACCUMULATED AMORTISATION & IMPAIRMENT							
At 1 January 2015	18.0	9.5	0.3	27.3	16.1	0.1	71.3
Charge for the year	-	3.4	0.4	5.3	1.6	0.2	10.9
Acquisitions	-	0.6	0.6	-	-	-	1.2
Impairment charge	26.0	-	-	-	-	-	26.0
Exchange difference	0.8	(0.5)	-	(0.3)	(0.1)	-	(0.1)
At 31 December 2015	44.8	13.0	1.3	32.3	17.6	0.3	109.3
Net book value at 31 December 2015	351.4	11.8	1.2	22.2	6.2	1.1	393.9

7. INTANGIBLE ASSETS (CONT'D)

2014	Goodwill	Software	Course Development	Agent Network and Customer Lists	Brands	Centre Contract	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
COST							
At 1 January 2014	374.6	14.0	0.4	68.1	5.6	1.5	464.2
Additions	-	3.7	0.6	-	-	-	4.3
Disposals	-	(0.1)	-	-	-	-	(0.1)
Transfers	-	(0.2)	0.2	(12.9)	13.7	-	0.8
Exchange difference	0.3	(0.5)	-	-	-	-	(0.2)
At 31 December 2014	374.9	16.9	1.2	55.2	19.3	1.5	469.0
ACCUMULATED AMORTISATION & IMPAIRMENT							
At 1 January 2014	18.0	7.9	-	33.5	2.1	-	61.5
Charge for the year	-	2.6	0.3	5.5	0.8	0.2	9.4
Transfers	-	(0.7)	-	(11.7)	13.2	-	0.8
Disposals	-	(0.1)	-	-	-	-	(0.1)
Exchange difference	-	(0.2)	-	-	-	(0.1)	(0.3)
At 31 December 2014	18.0	9.5	0.3	27.3	16.1	0.1	71.3
Net book value at 31 December 2014	356.9	7.4	0.9	27.9	3.2	1.4	397.7

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

Impairment review

An annual impairment review is performed each year in December, and any impairment triggers are reviewed throughout the year. As a result of the softening in Embassy enrolments and the resulting decrease in EBITDA, the directors have concluded that the carrying value of goodwill in the Embassy CGU is impaired and as such an impairment charge of £26.0m was recorded against that CGU.

Key assumptions used in the value in use calculation

	2015 All CGUs	2014 All CGUs
Pre-tax discount rate	12.0%	12.3%
Long term growth rate	3.0%	3.0%

The EBITDA projections considered as at 31 December 2015 were based on the latest Board approved forecast for 2016, with the following years being based on the Board approved 'three year plan' growth rates by CGU.

7. INTANGIBLE ASSETS (CONT'D)

Sensitivity to changes in assumptions

The calculation of value in use for each CGU is most sensitive to the principal assumptions of forecast EBITDA and long term growth rate. The following table shows the required key assumption variables for each CGU that holds goodwill that would result in headroom for NPV over carrying value of nil;

CGU	EBITDA	Long term growth	Discount rate
HE UK & Europe	(10%)	0%	13.9%
HE ANZ	(43%)	(54%)	29.7%

It is not considered reasonably probable that any of the above scenarios will occur. As such, no impairment is required.

8. TANGIBLE FIXED ASSETS

2015	Freehold land and buildings	Leasehold improvements	Equipment	Asset retirement obligation	Total
	£'m	£'m	£'m	£'m	£'m
COST					
At 1 January 2015	5.2	17.8	37.6	2.0	62.6
Additions	-	8.4	4.8	0.5	13.7
Acquisitions	-	4.1	3.2	-	7.3
Disposals	-	(0.6)	(10.3)	-	(10.9)
Exchange difference	-	(1.0)	(2.0)	-	(3.0)
At 31 December 2015	5.2	28.7	33.3	2.5	69.7
ACCUMULATED DEPRECIATION					
At 1 January 2015	0.4	11.0	27.8	0.4	39.6
Acquisitions	-	1.6	1.9	-	3.5
Charge for the year	0.2	2.0	4.2	-	6.4
Disposals	-	(0.6)	(10.2)	-	(10.8)
Exchange difference	-	(0.3)	(0.9)	-	(1.2)
At 31 December 2015	0.6	13.7	22.8	0.4	37.5
Net book value at 31 December 2015	4.6	15.0	10.5	2.1	32.2

8. TANGIBLE FIXED ASSETS (CONT'D)

2014	Freehold land and buildings	Leasehold improvements	Equipment	Asset retirement obligation	Total
	£'m	£'m	£'m	£'m	£'m
COST					
At 1 January 2014	5.2	17.3	32.6	1.8	56.9
Additions	-	0.6	6.1	0.4	7.1
Disposals	-	(0.1)	(0.8)	(0.2)	(1.1)
Exchange difference	-	-	(0.3)	-	(0.3)
At 31 December 2014	5.2	17.8	37.6	2.0	62.6
ACCUMULATED DEPRECIATION					
At 1 January 2014	0.3	9.6	25.3	-	35.2
Charge for the year	0.1	1.6	3.6	0.6	5.9
Disposals	-	(0.1)	(0.8)	(0.2)	(1.1)
Exchange difference	-	(0.1)	(0.3)	-	(0.4)
At 31 December 2014	0.4	11.0	27.8	0.4	39.6
Net book value at 31 December 2014	**4.8**	**6.8**	**9.8**	**1.6**	**23.0**

Freehold land is not depreciated.

9. INVESTMENTS

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

	Investments in joint venture 2015 £'m	Investments in joint venture 2014 £'m
Balance at the beginning of the year	**0.1**	0.1
At 31 December	**0.1**	0.1

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.

9. 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	Australia	100	Trading
Australian College of Natural Medicine Pty Ltd	Australia	100	Trading
Australian Institute of Applied Sciences Pty Ltd	Australia	100	Trading
Endeavour Learning Group Pty Ltd	Australia	100	Trading
Fitness Institute Australia Pty Ltd	Australia	100	Trading
Study Group Australia Pty Ltd	Australia	100	Trading
Taylors Institute of Advanced Studies Ltd (i)	Australia	-	Trading
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
Study Group Canada Ltd	Canada	100	Trading
Beijing Study Group Information Consulting Co Ltd	China	100	Trading
Study Group (Guangzhou) Pty Ltd	China	100	Trading
Study Group (Beijing) Ltd	China	100	Dormant
Bellerbys College Ireland Ltd.	Ireland	100	Trading
Study Group (Netherlands) B.V.	Netherlands	100	Trading
Bay of Plenty College of Homeopathy Ltd	New Zealand	100	Trading
Fitnation Ltd	New Zealand	100	Trading
Study Group NZ Ltd	New Zealand	100	Trading
College of Natural Health and Homeopathy Ltd	New Zealand	100	Dormant
Endeavour College of Natural Health Ltd	New Zealand	100	Dormant
Endeavour College of Natural Medicine Ltd	New Zealand	100	Dormant
Wellnation Ltd	New Zealand	100	Dormant
SGI Consultancy Services Nigeria	Nigeria	100	Trading
Study Group Global Pte Ltd	Singapore	100	Dormant
EDU UK Bondco Plc	United Kingdom	100	Holding
EDU UK Management Services Ltd	United Kingdom	100	Holding
Study Group Holdings UK Ltd(ii)	United Kingdom	100	Holding
Study Group UK Ltd	United Kingdom	100	Holding
Bellerbys Educational Services Ltd	United Kingdom	100	Trading
Embassy Educational Services (UK) Ltd	United Kingdom	100	Trading
Study Group Distance Learning Ltd (ii)	United Kingdom	100	Trading
Study Group Ltd(ii)	United Kingdom	100	Trading
EDU US Holdco Inc.	USA	100	Holding
Center for English Studies LLC	USA	100	Trading
FSL Scholarships Foundation (i)	USA	-	Trading
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) 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.
(ii) Study Group Holdings UK Ltd (registered number: 05888001); Study Group Properties Ltd (registered number: 03124784); Study Group Ltd (registered number: 04275123) 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 2015 of Study Group Holdings UK Ltd, Study Group Properties 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.

10. TRADE AND OTHER RECEIVABLES

	2015 £'m	2014 £'m
CURRENT:		
Trade receivables (i)	**126.8**	80.0
Less: provision for impairment of receivables	**(10.0)**	(4.2)
Trade receivables – net	**116.8**	75.8
Other receivables	**2.1**	3.5
Prepayments	**18.7**	17.7
	137.6	97.0
NON CURRENT:		
Trade receivables (i)	**4.6**	5.1

(i) 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	2015 £'m	2014 £'m
Not past due	**111.2**	71.5
30 - 60 days	**2.4**	2.9
60 - 90 days	**2.6**	2.4
90 - 120 days	**1.8**	2.0
> 120 days	**3.4**	2.1
	121.4	80.9

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	2015 £'m	2014 £'m
1 - 120 days	-	-
> 120 days	**(10.0)**	(4.2)
	(10.0)	(4.2)

The charge relating to the increase 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.

11. TRADE AND OTHER PAYABLES

	2015 £'m	2014 £'m
CURRENT:		
Trade payables	**35.5**	25.2
Other payables and accruals	**46.0**	37.0
Interest accrued – senior secured loan notes	**5.3**	5.3
	86.8	67.5

	2015 £'m	2014 £'m
NON CURRENT:		
Other payables and accruals	**15.2**	6.8
	15.2	6.8

12. PROVISIONS

	2015 £'m	2014 £'m
CURRENT:		
Employee benefits	**4.4**	3.8
Property provisions	**3.2**	1.8
Litigation provisions	**0.5**	0.8
Restructuring	**0.1**	0.1
Other	**1.8**	-
	10.0	6.5

	2015 £'m	2014 £'m
NON CURRENT:		
Employee benefits	**1.0**	0.8
Property provisions	**3.0**	3.0
	4.0	3.8

12. PROVISIONS (CONT'D)

Movement on Provisions:	Employee Benefit	Property	Restructuring	Litigation	Other	Total
	2015	2015	2015	2015	2015	2015
	£ m	£ m	£ m	£ m	£ m	£ m
Balance at the start of the year	4.6	4.8	0.1	0.8	-	10.3
Liabilities acquired as part of a business combination	0.6	1.1	-	-	-	1.7
Additional provision recognised	1.6	2.4	-	-	1.8	5.8
Provisions utilised	(1.2)	(1.8)	-	(0.3)	-	(3.3)
Unwinding of discount	-	(0.2)	-	-	-	(0.2)
Exchange movements	(0.2)	(0.1)	-	-	-	(0.3)
	5.4	6.2	0.1	0.5	1.8	14.0

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 leases on vacant properties around the group and dilapidation provisions on leased properties. Property provisions will unwind over the length of the respective leases, which for the largest amounts expire within the next three years.

Other provisions recognised in the year relate to the write off of costs paid in advance to a licence partner that went into administration subsequent to year end. See note 23 for detail.

13. BORROWINGS

	2015 £'m	2014 £'m
CURRENT BORROWINGS		
Secured borrowings at amortised cost		
Subordinated shareholder debt	9.8	-
Bank loan	21.9	-
	31.7	-
NON CURRENT BORROWINGS		
Secured borrowings at amortised cost		
8.875% Senior Secured Loan Notes	205.0	205.0
Deferred borrowing costs loan note borrowings	(2.0)	(2.6)
Deferred borrowing costs bank borrowings	(0.8)	(1.2)
	202.2	201.2
Total borrowings		
Amount due for settlement within 12 months	31.7	-
Amount due for settlement after 12 months	202.2	201.2
	233.9	201.2

13. BORROWINGS (CONT'D)

MOVEMENT IN BORROWINGS	Bank Loans £m	Subordinated shareholder debt £m	8.875% Senior Secured Loan Notes £m	Total £m
At 1 January 2015	(1.2)	-	202.4	201.2
Net movement in revolving credit facility	22.6	-	-	22.6
Deferred borrowing costs	0.4	-	0.6	1.0
Subordinated shareholder debt	-	10.0	-	10.0
Foreign currency translation	(0.7)	(0.2)	-	(0.9)
At 31 December 2015	21.1	9.8	203.0	233.9

	Australian Dollar £'m	Sterling £'m	US Dollar £'m
Group			
Bank Loan	8.9	13.0	-
8.875% Senior Secured Loan	-	205.0	-
Subordinated shareholder debt	0.5	-	9.3
At 31 December 2015	**9.4**	**218.0**	9.3

	Australian Dollar £'m	Sterling £'m	US Dollar £'m
Group			
Bank loan	-	-	-
8.875% Senior Secured Loan	-	205.0	-
Subordinated shareholder debt	-	-	-
At 31 December 2014	-	**205.0**	-

Undrawn borrowing facilities

At 31 December 2015, the Group had available £3.0 million (December 2014: £29.4 million) of undrawn committed borrowing facilities, with £21.9 million (2014: £nil) of the £30.0 million facility drawn as a loan and £5.1 million (2014: £0.6 million) utilised for lease guarantees. Debt issue costs are amortised straight-line over the life of the loan facility, being 5 years.

14. 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.

At 31 December 2015, the Group had no derivative financial instruments.

In accordance with IAS 39, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No embedded derivatives have been identified.

Fair values of non-derivative financial assets and liabilities

At 31 December 2015 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.

Maturity of non-current financial liabilities

2015

	8.875 % Senior secured Loan Notes	**2015 Total**
	£'m	**£'m**
Between two and five years (note 13)	205.0	205.0
	205.0	**205.0**

2014

	8.875 % Senior secured Loan Notes	2014 Total
	£'m	£'m
Between two and five years (note 13)	205.0	205.0
	205.0	205.0

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 impairment basis, given a 10% decrease in the respective year-end currencies against GBP and in accordance with IFRS 7 all other variables remaining constant. A 10% decrease in the value of GBP against the respective year-end currencies would have the opposite effect.

14. FINANCIAL INSTRUMENTS (CONT'D)

The 10% change represents a possible change in the specified foreign exchange rates in relation to GBP.

	Income Sensitivity 2015 £'m	**Equity Sensitivity 2015 £'m**	Income Sensitivity 2014 £'m	Equity Sensitivity 2014 £'m
Australian Dollar	**1.0**	**(4.6)**	(1.1)	(3.9)
US Dollar	**(1.1)**	**0.1**	(0.8)	(0.3)
Other	**-**	**0.1**	(0.3)	0.2
Equity decrease	**(0.1)**	**(4.4)**	(2.2)	(4.0)

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. 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.

	2015 £'m	2014 £'m
Total borrowings (note 13)	**233.9**	201.2
Less: Total cash and cash equivalents	**(21.3)**	(29.9)
Net Debt	**212.6**	171.3
Total Equity	**85.1**	116.9
Total Capital	**297.7**	288.2
Gearing	**71%**	**59%**

15. 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:

	2015 £'m	2014 £'m
Balance at the beginning of the year	**(2.8)**	(2.5)
Arising on acquisition	**(0.2)**	-
Credit to statement of comprehensive income (note 5)	**12.5**	(0.3)
Net deferred tax liability at end of the year	**9.5**	(2.8)

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.

No deferred tax is provided for tax liabilities which would arise on the distribution of profits retained by overseas subsidiaries because there is currently no intention that such profits will be remitted.

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

	2015 £'m	2014 £'m
Deferred tax assets and liabilities relates to the following:		
Deferred tax assets		
Tax losses carried forward	**8.6**	0.8
Property, plant and equipment	**1.1**	0.6
Accruals and provisions	**11.6**	7.0
Unrealised foreign exchange losses	**-**	1.0
	21.3	9.4
Deferred tax liabilities		
Property, plant and equipment	**(0.2)**	(0.3)
Intangible assets	**(10.8)**	(11.3)
Prepayments	**(0.8)**	(0.6)
	(11.8)	(12.2)
Net deferred tax liability	**9.5**	(2.8)
Presented in the statement of financial position as follows:		
Deferred tax assets	**11.3**	0.1
Deferred tax liabilities	**(1.8)**	(2.9)
Net deferred tax liabilities	**9.5**	(2.8)

16. SHARE CAPITAL

	2015 Number of shares	2015 £	2014 Number of shares	2014 £
Ordinary shares authorised, allotted and issued of £1 each	1	1	1	1

17. ACQUISITION AND DISPOSAL OF BUSINESSES

On 29 April 2015, the Group acquired 100% of the voting equity interests of Endeavour Learning Group Pty Ltd (ELG), being Endeavour College of Natural Health, for a total consideration of £31.4 million.

The primary reason for the acquisition of ELG is that it consolidates Study Group as the market leader in Natural Health, Fitness and Beauty (in scale, brand recognition, breadth and depth of courses) in the ANZ territory.

Net assets acquired	**Total fair value on acquisition**
	£m
Cash and cash equivalents	1.8
Trade and other receivables	7.9
Inventory	0.2
Other	0.3
Deferred tax assets	1.2
Plant and equipment	3.8
Intangibles	0.3
Trade and other payables	(1.7)
Unearned income	(10.1)
Provisions	(2.6)
Deferred tax liabilities	(0.1)
Net assets acquired	**1.0**
Goodwill on acquisition	27.2
Intangible on acquisition	4.6
Deferred tax liability on acquisition	(1.4)
Total consideration	**31.4**
Net cash outflow arising on acquisition;	
Total purchase consideration	31.4
Cash and cash equivalents acquired	(1.8)
Cash outflow	**29.6**

Deferred consideration has been estimated at £nil due to conditions attached to additional consideration becoming payable being considered highly unlikely to occur at the balance sheet date.

Acquisition related costs included in exceptional and other items amount to £1.0 million.

The goodwill arising on acquisition is attributable to the anticipated profitability arising from the Higher Education business. None of the goodwill is deductible for tax purposes. Intangible assets recognised on acquisition relate to the future benefits of operating the contract to run Endeavour College of Natural Health and associated activities acquired.

In the period since acquisition and to the balance sheet date, the operation acquired has contributed £16.4 million net revenue and £3.0 million EBITDA. Had we acquired the operation on 1 January 2015, it would have generated £24.7 million net revenue and £5.0 million EBITDA.

There have been no disposals during the year.

18. EMPLOYEES

	2015 **£'m**	2014 £'m
Staff costs for the Group during the year:		
Wages and salaries	**104.9**	91.2
Social security costs	**8.9**	7.7
Superannuation and other pension costs	**5.5**	4.6
	119.3	103.5

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

	2015	2014
Teaching (Direct and Indirect)	**2,044**	1,652
Sales, marketing and distribution	**373**	308
Administration	**737**	761
	3,154	2,721

Key management compensation:

Key management are defined as the 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.

	2015 **£'m**	2014 £'m
Salaries and short-term benefits	**3.6**	4.1
Termination payments	**0.2**	-
Post-employment benefits	**0.2**	0.1
	4.0	4.2

19. FINANCIAL COMMITMENTS

CAPITAL COMMITMENTS

There are no capital commitments.

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 had £11.7 million (2014: £7.9 million) in outstanding bank guarantees at the end of the year against facility B and A2. The majority of these are guarantees against future rental commitments.

20. OPERATING LEASE COMMITMENTS

	2015	2014
	£'m	£'m
Lease payments under operating leases recognised as an expense in the year	**29.7**	24.2

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

	Land and Buildings	
	2015	2014
	£'m	£'m
Not later than one year	**33.9**	26.6
Later than one year but not more than five years	**92.9**	70.5
More than five years	**141.1**	115.2
	267.9	212.3

21. RELATED PARTY DISCLOSURES

There were no contracts with the EDU UK Intermediate Ltd (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 of £0.5 million (2014: £0.5 million) to Providence Equity Partners VI International LP during the year with £0.2 million outstanding at year end (2014: £0.1 million). The Group paid Petersen Investments Company Pty Limited £0.2 million (2014: £0.2 million) with £nil outstanding at year end (2014: £nil) and there were other management fees paid on behalf of its parent, EDU Topco Ltd, with fees payable to John Hood of £0.1 million (2014: £0.1 million), Dennis Dracup of £0.1 million (2014: £0.1 million) and Patrick Corso of £0.0 million (2014: £0.1 million) as well as management expenses of £0.1 million (2014: £0.1 million).

The Group has subordinated preference certificates (SPC's) in issue to its immediate parent entity, EDU UK Topco Ltd.

21. RELATED PARTY DISCLOSURES (CONT'D)

The Group had £3.2 million (2014: £0.7 million) intercompany transactions with EDU UK Topco Ltd, its immediate parent entity and has balances due to EDU UK Topco Ltd of £7.9 million at the reporting date (2014: £4.7 million).

On 31 March 2015, EDU Lux Co SARL and Petersen Investments Company Pty Limited provided unsecured loans of USD $7.1 million and AUD $0.5 million to Bellerbys Educational Services Limited and Study Group Australia Pty Limited (indirect subsidiaries of the Company) respectively, for a period of twelve months at an interest rate of 12%.

On 10 April 2015, EDU Lux Co SARL and Petersen Investments Company Pty Limited provided further unsecured loans of USD $7.0 million and AUD $0.5 million to Bellerbys Educational Services Limited and Study Group Australia Pty Limited (indirect subsidiaries of the Company) respectively, for a period of twelve months at an interest rate of 12%.

The purpose of the loans is to provide additional funding for the acquisition of ELG by Study Group Australia Pty Limited. See note 17 for further information.

EDU Lux Co SARL is a shareholder of the Company's parent, EDU UK Topco Ltd. Petersen Investments Company Pty Limited is an entity related to a shareholder of the Company's parent, EDU UK Topco Ltd.

Trading transactions

	Sale of goods		Purchase of goods		Amounts owed by related parties	
	2015	2014	**2015**	2014	**2015**	2014
	£m	£m	**£m**	£m	**£m**	£m
Company under common control	**0.5**	0.4	**0.2**	0.2	-	0.1

Director's interests in shares

No director has shares directly in the Company. However, refer to accounting policy 1.20 Employee benefits for details of employee share schemes.

Aggregate Directors' remuneration

The total amount for directors' remuneration was as follows:

	2015	2014
	£'m	£'m
Salaries and short-term benefits	**1.2**	1.5
	1.2	1.5

Highest paid director

	2015	2014
	£'m	£'m
Salaries and short-term benefits	**0.6**	0.9
	0.6	0.9

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is EDU UK Topco Ltd.

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

The parent company of the largest consolidated group is EDU UK Topco Ltd and the parent company of the smallest consolidated group is EDU UK Intermediate Ltd.

23. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, it was announced that one of the Group's licence partners had entered administration. The Group had been made aware of the partner's trading difficulties prior to the balance sheet date.

The amount of £1.8 million paid in advance to the licence partner relating to courses not yet delivered has therefore been recorded as a provision at the reporting date, as the Group is obligated to teach out those courses. A related deferred tax asset of £0.5m has been recognised arising due to timing differences.

24. PRIOR YEAR PRESENTATIONAL RESTATEMENT

During 2015, the Group conducted a detailed review of its revenue recognition policy and determined that it would be more appropriate to recognise revenue on one contract with a university partner on a net basis rather than a gross basis. As a result, we have restated 2014 revenue by £1.7 million.

There is no net impact on operating profit as seen in the table below.

GROUP STATEMENT OF COMPREHENSIVE INCOME	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
	£'m	£'m	£'m
For the year ended 31 December 2014			
Revenue	268.2	(1.7)	266.5
Delivery costs	(129.5)	1.7	(127.8)
Others	(152.5)	-	(152.5)
Loss for the period after taxation	**(13.8)**	-	**(13.8)**
Total comprehensive loss for the period	**(14.1)**	-	**(14.1)**

EDU UK INTERMEDIATE LTD

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	**31 December 2015**	31 December 2014
		£'m	£'m
ASSETS			
NON-CURRENT ASSETS			
Investments	3	222.3	222.3
		222.3	222.3
CURRENT ASSETS			
Current tax assets		-	-
		-	-
LIABILITIES			
NET CURRENT ASSETS		-	-
NON-CURRENT LIABILITIES			
Trade and other payables	4	0.1	0.1
		0.1	0.1
NET ASSETS		**222.2**	222.2
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	5	-	-
Preference Share Capital		222.3	222.3
Accumulated losses		(0.1)	(0.1)
TOTAL EQUITY		**222.2**	222.2

The financial statements and notes on pages 53 to 57 were approved by the Board of directors on 22 March 2016 and were signed on its behalf by Emma Lancaster.

E Lancaster
Director EDU UK Intermediate Ltd Registered no. 07285315

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year ended 31 December 2015

2015	**Ordinary Share Capital £'m**	**Preference Share Capital £'m**	**Translation Reserve £'m**	**Accumulated Losses £'m**	**Total Equity £'m**
Balance at 1 January 2015	-	222.3	-	(0.1)	222.2
Result for the period	-	-	-	-	-
Balance at 31 December 2015	**-**	**222.3**	**-**	**(0.1)**	**222.2**

2014	Ordinary Share Capital £'m	Preference Share Capital £'m	Translation Reserve £'m	Accumulated Losses £'m	Total Equity £'m
Balance at 1 January 2014	-	222.3	-	(1.7)	220.6
Profit for the period	-	-	-	1.6	1.6
Balance at 31 December 2014	-	222.3	-	(0.1)	222.2

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Accounting policies for the year ended 31 December 2015

As used in the financial statements and related notes, the term 'Company' refers to EDU UK Intermediate Ltd 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 22 March 2016.

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.

These are the Company's first financial statements prepared in accordance with FRS 101.

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

In the transition to FRS 101, the Company has applied IFRS 1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

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*

FRS 101 has had no impact on the figures presented in these financial statements.

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 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)

1.5 TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered). Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

1.6 OTHER PAYABLES

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

2. OPERATING RESULT

Auditors' 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:

	Total £'m
COST	
Subordinated preference certificates issued	222.3
At 31 December 2015 and 31 December 2014	**222.3**

Subordinated preference certificates (SPCs) have been issued by subsidiary undertakings. The SPCs are redeemable at the option of the issuer by applying the predetermined redemption price, which is £1 for each SPC. The SPCs are unsecured and rank behind all other obligations of the Company except that they rank ahead of the shares on issue. These instruments are carried at cost and have a redemption date of 1 July 2040; however the company can defer the redemption date indefinitely.

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 Management Services Ltd	United Kingdom	**100**	Holding
EDU UK Bondco Plc	United Kingdom	**100**	Holding

4. OTHER PAYABLES

	2015 £'m	2014 £'m
NON CURRENT:		
Other payables	**0.1**	0.1

5. SHARE CAPITAL

	2015 Number of shares	2015 £	2014 Number of shares	2014 £
Ordinary shares authorised, allotted and issued of £1 each	1	1	1	1

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

7. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is EDU UK Topco Ltd.

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

The parent company of the largest consolidated group is EDU UK Topco Ltd and the parent company of the smallest consolidated group is EDU UK Intermediate Ltd.

8. 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.

9. EVENTS AFTER THE BALANCE SHEET DATE

There were no events between the reporting date and the date the financial statements were authorised for issue that require disclosure.

10. 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. The Company has no other contingent liabilities.