INTERMEDIATE LTD
ANNUAL REPORT
&
FINANCIAL STATEMENTS

31 December 2014

Registered Number: 07285315

Page

DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

A Petersen
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INDEPENDENT AUDITOR

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REGISTERED OFFICE

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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 2014. 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 foundation courses for higher education degrees, career education courses and English language programmes in the United Kingdom and Europe, Australia and New Zealand (ANZ) and North America. We deliver our programmes to over 63,000 international students from 145 countries each year.

At the start of the year, the Group completed the process of absorbing its Career Education division, based in Australia, into the Higher Education (HE) ANZ division so that the ANZ business is now managed and reported as one segment. This is because, for some time, a number of campuses have been shared and many of our Career colleges are offering higher or tertiary degrees and diplomas.

We have also aligned our segment presentation to reflect the new central management of our functional cost base (largely IT, finance, HR and Head Office costs). These costs are now managed centrally and have therefore been taken out of divisional EBITDA and presented as unallocated functional costs. We have re-presented the December 2013 segment results for comparability.

The Group had a strong revenue performance, increasing by 5% to £268.2 million (2013: £254.3 million), primarily driven by our HE ANZ business where revenue grew by 23% during the year. In addition, we have had strong new student enrolment (NSE) growth of 30% across all of our international study centres (ISCs).

The Group has continued with its strategy of developing new and existing partnerships with our chosen university partners. We have commenced recruitment in source markets for the University of Sheffield, for which the first major intake will be autumn 2015. We also renewed our contract with Charles Sturt University (CSU) in Australia for eight years, extended our partnership with Long Island University in North America through the introduction of a Brooklyn campus and added four new partnerships within the Netherlands ISC. Embassy had a challenging year with declining volumes from a number of key source markets; however, we have successfully launched a new London Embassy campus. On 12 February 2015 we signed contracts with two new university partners, the University of Law and Coventry University London campus.

Operating and financial review

Key performance indicators

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

	Year ended 31 December		
	2014	**2013**	**% Variance**
Adjusted continuing revenue (£m)	266.8	251.5	6%
Adjusted continuing EBITDA (£m)	36.0	34.5	4%
Leverage ratio (i)	5.1	5.6	9%
Student weeks taught (ii)			
ISC and High School	366,486	332,410	10%
Embassy	178,067	192,498	(7%)
Total student weeks taught	**544,553**	**524,908**	**4%**
New student enrolments (NSE) (iii)	**20,265**	**15,608**	**30%**

(i) Leverage ratio is net debt divided by Adjusted EBITDA.
(ii) Student weeks taught represents the number of weeks in which a single student is taught in one of our courses or subjects.
(iii) An NSE represents one new student arriving and enrolling in a course.

EDU UK INTERMEDIATE LTD
STRATEGIC REVIEW (CONT'D)

Our results by division are summarised as follows:

£m	Revenue Year ended 31 December			Adjusted EBITDA[ii] Year ended 31 December		
	2014	**2013**	**% Variance**	**2014**	**2013**	**% Variance**
HE UK & Europe	108.2	109.5	(1%)	29.0	33.6	(14%)
HE ANZ	94.9	77.3	23%	22.7	10.8	110%
HE North America	7.9	5.3	49%	(1.4)	(1.3)	(8%)
Total HE	211.0	192.1	10%	50.3	43.1	17%
Embassy	57.2	62.2	(8%)	5.7	6.6	(14%)
Unallocated functional & corporate costs	-	-	-	(21.4)	(15.4)	(39%)
Total	**268.2**	**254.3**	**5%**	**34.6**	**34.3**	**1%**
Of which:						
Continuing Revenue / Adjusted EBITDA[i]	**266.8**	**251.5**	**6%**	**36.0**	**34.5**	**4%**

[i] Continuing revenue and continuing adjusted EBITDA are non GAAP measures and represent revenue and adjusted EBITDA as adjusted to reflect certain non-recurring items, including closure of the Taylors 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.

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 2014	31 December 2013
Australian Dollar - period average	**1.8268**	1.6135
Australian Dollar - period end	**1.9043**	1.8580
US Dollar - period average	**1.6479**	1.5627
US Dollar - period end	**1.5533**	1.6488

Our constant currency results are as follows:

£m	Revenue Year ended 31 December			Adjusted EBITDA Year ended 31 December		
	2014	**2013**	**% Variance**	**2014**	**2013**	**% Variance**
HE UK & Europe	108.2	109.5	(1%)	29.0	33.6	(14%)
HE ANZ	94.9	68.7	38%	22.7	9.4	141%
HE North America	7.9	4.9	61%	(1.4)	(1.2)	(17%)
Total HE	211.0	183.1	15%	50.3	41.8	20%
Embassy	57.2	59.8	(4%)	5.7	6.4	(11%)
Unallocated functional & corporate costs	-	-	-	(21.4)	(14.3)	50%
Total	**268.2**	**242.9**	**10%**	**34.6**	**33.9**	**2%**
Of which:						
Continuing Revenue / Adjusted EBITDA	**266.8**	**240.8**	**11%**	**36.0**	**34.0**	**6%**

Higher Education UK and Europe (HE UK & Europe)

Student volumes
Year on year NSE growth was 3%. This was driven by the ISC business, which saw increases of 11% across our portfolio of existing partner universities, largely attributable to improved sales and marketing performance. This was partially offset by an 11% decline in Bellerbys, our high school business.

Student weeks taught in 2014 decreased year on year by 3% due to lower taught weeks in Bellerbys.

Revenue
HE UK & Europe revenue was down £1.3 million or 1% to £108.2 million (2013: £109.5 million), following the lower intakes in both September last year and throughout 2014 in Bellerbys. This was partially offset by revenue growth in UK & Europe ISCs.

Adjusted EBITDA
HE UK & Europe adjusted EBITDA reduced by £4.6 million or 14% to £29.0 million (2013: £33.6 million) in line with Bellerbys revenue reductions. In addition, the EBITDA decrease reflects investments made in a number of centres across the region, which reduced EBITDA margins to 27% (2013: 31%).

Higher Education Australia & New Zealand (HE ANZ)

Student volumes
HE ANZ NSEs grew by 40%. This growth was split between ISCs and Career colleges. NSEs in HE ANZ ISCs grew by 30%, driven by CSU and Career colleges grew 44%, most notably within the Martin online business, driven by our use of domestic agents to drive volumes

Revenue
Revenue increased by £17.6 million or 23% to £94.9 million (2013: £77.3 million). The increase in revenue is driven by student volumes during the period across a range of programmes and campuses as well as licence revenue. Licence revenue is a new revenue stream, whereby Study Group licenses course materials to a licence partner who is responsible for recruiting and teaching the students. £4.0 million of the revenue growth came from ANU College, a partnership acquired in November 2013; underlying growth excluding the acquisition was 18%. On a constant currency basis the growth was 38%, reflecting the strong underlying business.

Adjusted EBITDA
HE ANZ adjusted EBITDA increased £11.9 million or 110% to £22.7 million (2013: £10.8 million), driven by the student volume growth. On a constant currency basis, HE ANZ EBITDA grew 141%.

EBITDA margins improved significantly from 14% to 24% due to the higher student volumes particularly from our licence partnerships.

Non-continuing operations
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. Continuing revenue therefore excludes revenue earned from this programme of £0.9 million (2013: £2.4 million). There was a related EBITDA loss in 2014 of £1.5 million (2013: £0.6 million loss).

Higher Education North America (HE North America)

Student volumes
NSE growth was 103%, reflecting the success of the launch of our partnerships with the University of Vermont and the University of Maine. Driven by the NSE growth, student weeks taught were up 54%.

Revenue
HE North America revenue was up £2.6 million or 49% to £7.9 million (2013: £5.3 million), driven by the launch of partnerships with the University of Vermont and the University of Maine as well as growth in the more mature ISCs. On a constant currency basis, revenue growth was 61%. Continuing revenue for the year was £2.5m or 51% higher than last year at £7.4 million (2013: £4.9 million).

Adjusted EBITDA
The HE North America adjusted EBITDA loss remained broadly flat at £1.4 million (2013: £1.3 million loss) despite the revenue growth of £2.6 million. This reflects the higher cost base in the division now that the ISCs at the University of Vermont and University of Maine have opened, but do not yet have the student numbers anticipated in a mature ISC. When the impact of ISCs less than two years old are stripped out, HE North America's adjusted EBITDA is a £0.2 million profit (2013: £0.9 million loss).

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 £0.5 million (2013: £0.4 million). Placement EBITDA for the year was £0.1 million (2013: £0.4 million).

Embassy

Student volumes
Embassy had a softening of volumes in 2014 in both Year Round Schools and Summer Schools, with student weeks down 7%. The decline has come from a number of key source markets and in some cases were due to specific market issues such as the Russia-Ukraine crisis, the World Cup in Brazil and the aftermath of the ferry crisis in South Korea. The performance of certain markets, however, reflected the gap in our sales teams during the year.

Revenue
Embassy revenue was down by £5.0 million or 8% to £57.2 million (2013: £62.2 million), reflecting a 7% decline in student weeks. The year on year reduction occurred within both the Year Round and the Summer School businesses. On a constant currency basis, Embassy revenue was down 4%.

Adjusted EBITDA
Adjusted EBITDA decreased in the Embassy division by £0.9 million or 14% to £5.7 million (2013: £6.6 million), due to reduced student volumes in both the Summer School business and Year Round Schools. EBITDA margin has slightly reduced by 1% to 10% (2013: 11%) due to the fixed cost base of the business. This was partially offset by continued cost control following the rationalisation of the property portfolio in 2013.

Unallocated functional and corporate costs

Adjusted EBITDA
Unallocated functional and corporate costs have increased by £6.0 million or 39% to £21.4 million (2013: £15.4 million), reflecting investments in projects across the Group to support and drive the growth of the business as well as finance, HR and leadership.

Operating expenses
In line with our management reporting, we have re-presented our Consolidated Statement of Comprehensive Income in order to simplify the allocation of costs and better reflect the way in which we manage the business.
There are now three cost categories, being:

- Sales and marketing costs which include all costs relating to our sales and marketing effort including third party agent commission, internal sales and marketing staff costs and any third party marketing spend

- Delivery costs which includes all costs of teaching and housing our students including teaching costs, student accommodation rental costs and campus property costs

- Administrative expenses includes the Group's IT, finance and HR functional costs as well as the cost of administrative and operational staff on campus and working in central or local operations centres, and property costs relating to administrative activities.

The 31 December 2013 Consolidated Statement of Comprehensive Income has been restated for comparability.

Exceptional and Other items
Exceptional items are items which are non-recurring in nature and material in size. Other items are those we believe are beneficial to strip out when analysing the underlying trading result. Full details of exceptional items are included in note 6.

Total exceptional and other items included within operating profit for the year were £3.1 million (2013: £31.1 million). Restructuring costs of £0.9 million were recorded in the year (2013: £5.8 million). £0.2 million of these expenses were incurred in the finalisation of the Group's restructuring program which commenced in 2013, with an additional £0.7 million recognised in respect of further transformation efforts in the Sales & Marketing function and UK business. The Group incurred £0.8 million of litigation costs (2013: £0.6 million) and £0.1 million of aborted transaction costs (2013: £0.1 million), both of which are considered as exceptional costs in the year.

A credit of £0.8 million was recorded in the year in respect of releases of property provisions for onerous leases which have not been realised (2013: £3.4 million charge). Included within exceptional charges in 'Other' are professional fees and advice relating to matters discussed above. Other items of £1.0 million are comprised of fees and expenses relating to management and shareholder services (2013: £1.9 million). Decrease was due to lower levels of management expense in the year.

There have been no impairments identified in 2014. In June 2013, an impairment of £18.0 million was booked against the Embassy segment.

Depreciation and amortisation
Depreciation and amortisation for the year decreased £3.7 million to £15.3 million (2013: £19.0 million). This reflects the fact that a number of intangibles arising on acquisition have now been fully amortised.

Finance expense
Net finance expense for the year before exceptional finance expenses increased £5.5 million to £19.4 million (2013: £13.9 million). The refinancing occurred in September 2013, so the higher costs in 2014 largely reflect a full year of bond interest payable on a higher debt base.

The Group had significant multi-currency intra-group loans arising from its finance structure. A number of these have been repaid or converted to equity instruments in 2014, reducing foreign exchange exposure and resulting in a profit for the year of £0.4 million (2013: £21.7 million unrealised loss). These are included within other items. Further exceptional finance costs of £10.3m were incurred during the refinancing in September 2013. These did not recur in 2014.

Taxation
The Group incurred a total tax charge for the year of £10.8 million (2013: £7.0 million) being a current tax charge of £10.5 million and a deferred tax charge of £0.3 million (2013: £4.9 million). The current tax charge, is comprised of £3.0 million of corporation tax due in the UK (2013: £1.0 million) and £7.5 million of overseas adjustments in respect of prior periods (2013: £1.0 million credit), In total, cash tax of £3.1 million (2013: £6.1 million) was paid, of which £1.9 million was Australian withholding tax due on intercompany loans between 2010 and 2013 which did not recur at the same level in 2014.

During the year, a review of remaining deferred tax assets was undertaken. Following this review, tax assets totalling £0.9 million outside the UK were deemed to be insufficiently certain of recovery and were written off, resulting in the deferred tax charge.

Balance sheet position

Net debt, being external borrowings less cash, was £175.1 million at 31 December 2014 (31 December 2013: £190.6 million). Within net debt, the revolving credit facility of £30.0 million was not drawn at 31 December 2014. This compares with £3.1 million drawn down at 31 December 2013.

The Group generated operating cash flow during the year of £48.2 million (December 2013: £17.9 million), and an increase in cash of £12.4 million from £17.5 million at 1 January 2014 to £29.9 million at 31 December 2014. This represents free cash flow (being cash available to service debt) in the year of £33.9 million (2013: £3.7 million). A reconciliation of adjusted EBITDA to free cash flow is set out below. Our free cash flow for the year to 31 December 2014 was driven by improved working capital movements compared to last year due to improved collections and additional VET fee receipts in ANZ. In addition, payment terms with key suppliers were extended, further benefiting working capital.

Reconciliation of Adjusted EBITDA to Free Cash flow £'m	**2014**	**2013**
Adjusted EBITDA	34.6	34.3
Cash exceptional and other items	(3.2)	(13.1)
Movement in working capital	16.7	(3.2)
Cash tax paid	(3.1)	(6.1)
Capital expenditure and other investment activities	(11.2)	(8.3)
Other movements	0.1	0.1
Free Cash flow	33.9	3.7
Free cash flow excluding exceptional items	37.1	16.8

Going concern

The Group is able to manage 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 show that the Group will be able to continue 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 2014, the Group had £30.0 million (December 2013: £26.9 million) of undrawn committed borrowing facilities.

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. Within the Career colleges 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.

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.

Outlook
Overall, we are pleased with our 2014 performance and the H2 NSE growth in particular, sets us up well for 2015. We are seeing continued NSE growth in the first quarter of 2015 and we are expecting further growth from our new partnership with Sheffield in H2 2015. We are therefore expecting both revenue and EBITDA growth in 2015.

Economic, market and trading risks
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;
- together with 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.

In addition, 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 145 countries and have campuses in 7 countries worldwide, which provide 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 Education 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 66% and 76% of our Career college's revenue for the years ended 31 December 2014 and 31 December 2013 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 help which mitigates the risk.

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 145 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.

Agent relationships
For our Higher Education and Embassy divisions, our key student recruitment platform is our global network of more than 4,000 independent education agents, who recruit our students from 145 countries. In our Higher Education and Embassy divisions, we currently recruit approximately 80% and 90%, respectively, of our students through this network of education agents, with the remaining 20% and 10%, respectively, coming from alternative channels, including direct recruitment and feeder schools. As a result, 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 is highly geared and has a leverage covenant attached to its RCF which must be met. The required leverage ratio gets stricter 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: 65% in Pounds Sterling; 48% in Australian Dollars and (9%) in US Dollars and (4%) other. Our external debt is denominated in Pounds Sterling and therefore we are 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. 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 11-13) 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.

PRINCIPAL RISKS AND UNCERTAINTIES

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 capabilities, 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.

D Leigh
Director
16 March 2015

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 2014.

PRINCIPAL ACTIVITIES

Study Group is a leading international provider of preparatory programmes for higher education courses, career education and English language programmes in the United Kingdom and Europe, Australia and New Zealand and North America. We deliver our programmes to over 63,000 international students from 145 countries each year.

The subsidiaries and associated undertakings principally affecting the profits or net assets 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 £13.8 million (2013: £68.8 million). Of this, no loss is attributable to non-controlling interests. The directors do not recommend payment of a dividend (2013: £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 14:

A Petersen
D Leigh
E Lancaster
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 source of financing.

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.

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 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.

D Leigh
Director
16 March 2015

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

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 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, David 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.

David'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).

David 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 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.

Emma was CFO of SHL Group Ltd for 11 years, during which time it was both a public company and private equity backed. Prior to SHL, she was Director of Finance and Business Development at The Rank Group plc. Emma's early career was at Arthur Andersen in a variety of both client-facing and internal roles in the Global Corporate Finance group.
Emma has a BA (Hons) in Zoology from Oxford University (Keble College), UK.

Dany Rammal
Managing Director
Providence Equity Partners

Dany Rammal is a managing director based in the London office of Providence Equity Partners. Mr Rammal is currently a director of Digital Platform İletişim Hizmetleri (Digiturk), 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

Peter Wilde is a Managing Director based in our Providence office. Mr Wilde is the Global Head of Education, Data and Information sectors at providence. Mr Wilde is currently a director of Archipelago Learning, Ascend Learning, Decision Resources, Edline, Education Management Corp., NEW Asurion 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 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 Officer
David Reeve, Group Chief Information Technology Officer
James Pitman, Managing Director, Higher Education UK and Europe
Jeanette Gooding, Chief Human Resources Officer
Larry Green, Managing Director, North American Higher Education
Manoj Shetty, Executive Director, Sales
Paul Levett, Group Chief Commercial Officer
Robert Morgan, Managing Director, Embassy
Warren Jacobson, Managing Director, ANZ
Yuri Narciss, Executive Director, Marketing

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).

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

D Leigh
Director
16 March 2015

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 2014 set out on pages 18 to 55. 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.

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 16, 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 2014 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
16 March 2015

EDU UK INTERMEDIATE LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the Year ended 31 December 2014

	Note	2014 Before Exceptional and Other Items £'m	2014 Note 6 Exceptional and Other Items £'m	2014 Total £'m	2013 Before Exceptional and Other Items £'m	2013 Note 6 Exceptional and Other Items £'m	2013 Total £'m
Revenue	2	**268.2**	-	**268.2**	254.3	-	254.3
Sales and marketing costs (i)		**(55.1)**	-	**(55.1)**	(48.0)	-	(48.0)
Delivery costs (i)		**(130.3)**	**0.8**	**(129.5)**	(129.2)	(3.2)	(132.4)
Administrative expenses (i)		**(48.2)**	**(3.9)**	**(52.1)**	(42.8)	(9.9)	(52.7)
EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, NET FINANCING COSTS AND TAXATION:	2	**34.6**	**(3.1)**	**31.5**	34.3	(13.1)	21.2
Goodwill impairment		-	-	-	-	(18.0)	(18.0)
Depreciation and amortisation		**(15.3)**	-	**(15.3)**	(19.0)	-	(19.0)
OPERATING PROFIT/(LOSS)		**19.3**	**(3.1)**	**16.2**	15.3	(31.1)	(15.8)
Finance income	3	**0.3**	**0.4**	**0.7**	1.0	-	1.0
Finance costs	3	**(19.7)**	**(0.2)**	**(19.9)**	(14.9)	(32.1)	(47.0)
(LOSS)/PROFIT BEFORE TAXATION		**(0.1)**	**(2.9)**	**(3.0)**	1.4	(63.2)	(61.8)
Taxation (charge) / benefit	5	**(10.2)**	**(0.6)**	**(10.8)**	(10.9)	3.9	(7.0)
LOSS FOR THE PERIOD AFTER TAXATION		**(10.3)**	**(3.5)**	**(13.8)**	(9.5)	(59.3)	(68.8)
OTHER COMPREHENSIVE LOSS							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		**(0.3)**	-	**(0.3)**	(9.3)	-	(9.3)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(0.3)**	-	**(0.3)**	(9.3)	-	(9.3)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(10.6)**	**(3.5)**	**(14.1)**	(18.8)	(59.3)	(78.1)

All of the activities of the Group are continuing.

(i)The statement of comprehensive income cost lines have been re-presented to follow the nature of costs incurred in the business (see page 2 for further detail)

EDU UK INTERMEDIATE LTD

GROUP STATEMENT OF FINANCIAL POSITION
at 31 December

	Note	**31 December 2014 £'m**	31 December 2013 £'m
ASSETS			
NON-CURRENT ASSETS			
Goodwill	7	**356.9**	356.6
Intangible assets	7	**40.8**	46.1
Property, plant and equipment	8	**23.0**	21.7
Investments	9	**0.1**	0.1
Deferred tax assets	15	**0.1**	1.0
Trade and other receivables	10	**5.1**	4.7
		425.9	430.2
CURRENT ASSETS			
Inventories		**0.1**	0.1
Trade and other receivables	10	**97.0**	88.9
Current tax assets		**1.0**	1.8
Cash and cash equivalents		**29.9**	17.5
		128.0	108.3
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	13	**-**	3.1
Current tax payable		**6.7**	0.2
Unearned revenues		**128.4**	116.2
Trade and other payables	11	**67.5**	55.6
Provisions	12	**6.5**	6.8
		209.1	181.9
NET CURRENT LIABILITIES		**(81.1)**	(73.6)
NON-CURRENT LIABILITIES			
Borrowings	13	**201.2**	200.1
Unearned revenues		**13.2**	10.5
Trade and other payables	11	**6.8**	6.7
Provisions	12	**3.8**	4.8
Deferred tax liabilities	15	**2.9**	3.5
		227.9	225.6
NET ASSETS		**116.9**	131.0
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	167	**-**	-
Preference Share Capital		**222.3**	222.3
Translation reserve		**8.5**	8.8
Accumulated losses		**(113.9)**	(100.1)
TOTAL SHAREHOLDERS' FUNDS		**116.9**	131.0

The financial statements and notes on pages 18 to 55 were approved by the Board of directors on 16 March 2015 and were signed on its behalf by David Leigh.

D. Leigh
Director EDU UK Intermediate Ltd Registered no. 07285315

EDU UK INTERMEDIATE LTD

GROUP STATEMENT OF CHANGES IN EQUITY
Year ended 31 December

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**

2013	Ordinary Share Capital £'m	Preference Share Capital £'m	Translation Reserve £'m	Accumulated Losses £'m	Total Equity £'m
Balance at 1 January 2013		273.8	18.1	(8.4)	283.5
Loss for the period	-	-	-	(68.8)	(68.8)
Exchange losses on translation of foreign operations	-	-	(9.3)	-	(9.3)
Total comprehensive loss for the year	-	-	(9.3)	(68.8)	(78.1)
Repayment of subordinated preference certificates	-	(51.5)	-	(23.0)	(74.5)
Employee share option charge	-	-	-	0.1	0.1
Balance at 31 December 2013	-	222.3	8.8	(100.1)	131.0

EDU UK INTERMEDIATE LTD

GROUP CASH FLOW STATEMENT

for the year ended 31 December

	2014 £'m	2013 £'m
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations (note 17)	**48.2**	17.9
Interest paid and financing costs	**(19.7)**	(13.3)
Tax paid	**(3.1)**	(6.1)
Net cash generated from/(used in) operating activities	**25.4**	(1.5)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**0.3**	0.2
Purchase of businesses	**-**	(0.4)
Purchase of fixed assets	**(6.9)**	(4.4)
Purchase of intangibles	**(4.3)**	(3.6)
Net cash used in investing activities	**(10.9)**	(8.2)
CASH FLOWS FROM FINANCING ACTIVITES		
(Repayment) of revolver facility	**(3.1)**	(8.1)
Proceeds from draw down of revolver facility	**-**	3.1
Proceeds from issue of senior secured loan notes net of issue costs	**-**	199.8
Foreign exchange gains on loan restructure	**1.0**	-
Repayment of bank borrowings	**-**	(107.3)
Repayments of Eurobond	**-**	(74.5)
Net cash generated from/(used in) financing activities	**(2.1)**	13.0
Net increase in cash and cash equivalents	**12.4**	3.3
Cash and cash equivalents at the beginning of the financial year	**17.5**	15.6
Effect of exchange rate movements	**-**	(1.4)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**29.9**	17.5

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 16 March 2015.

Accounting policies for the year ended 31 December 2014
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.2 BASIS OF PREPARATION

These financial statements are based on the consolidated results of the EDU UK Intermediate Ltd Group for the year to 31 December 2014.

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 1.27.

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.

As further described in notes 3 and 6 the classification of certain foreign exchange gains and losses and of certain exceptional items within the Group Statement of Comprehensive Income for the comparative period has been changed. These reclassifications are to achieve a clearer presentation of the Group's results and have no impact on the gross loss before tax or total comprehensive loss for the year.

1.4 ADOPTION OF NEW AND REVISED STANDARDS

No new standards have a material impact on Study Group.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.5 REVENUE RECOGNITION

Revenue is recognised as follows:

(a) Tuition revenue

Course fees are brought to account when service is provided and is spread evenly over the duration of the course. Discounts and bursaries given to students are netted against tuition revenue.

(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 our Careers partnerships.

(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.

1.6 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.

1.7 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.

1.8 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.9 GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. 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 cash-generating units ('CGU's') for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units 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.

1.10 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
Software and course development costs

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
- 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. Software development is amortised straight-line over 3 years and course 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, 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.10 INTANGIBLES (CONT'D)

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

* Centre contract purchased as part of the ANU acquisition

1.11 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 policy	-	Term of lease

Freehold land is not depreciated.

1.12 IMPAIRMENT OF NON-CURRENT ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, which is considered to be the higher of 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.

1.13 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.

1.14 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.15 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.

1.16 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.

1.17 TRADE PAYABLES

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

1.18 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.

1.19 TAXATION INCLUDING DEFERRED TAX

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

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

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

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

1.20 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.21 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 with a corresponding increase in equity. 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.

1.23 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.

1.24 BORROWING COSTS

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.

1.25 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.25 FOREIGN CURRENCY (CONT'D)

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

1.26 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 Group has in the past entered into interest rate swaps to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised immediately in the Statement of Comprehensive Income.

The fair value of derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the derivatives is more than 12 months and as a current asset or a current liability if the remaining maturity of the derivatives is less than 12 months. 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.

1.27 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 1.9 and 1.10.

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 and note 8.

b. Income taxes

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.27 KEY AREAS OF JUDGEMENT (CONT'D)

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 under "Provisions" 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 19.

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.

At the start of the year, the Group completed the process of absorbing our Career Education division, based in Australia, into the HE ANZ division so that the ANZ business is now managed and reported as one segment. As with our H1 results we have changed our segment presentation accordingly so as to include the Career Education segment result within HE ANZ.

During the year we aligned our segment presentation to reflect the new central management of our functional cost base (largely IT, finance, HR and Head Office costs). These costs are now managed centrally and have therefore been taken out of divisional segment EBITDA and presented as unallocated functional costs. The 2013 segment results have been re-presented for comparability.

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

	Revenue		**Adjusted EBITDA***	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
HE UK & Europe	**108.2**	109.5	**29.0**	33.6
HE ANZ	**94.9**	77.3	**22.7**	10.8
HE NA	**7.9**	5.3	**(1.4)**	(1.3)
Total Higher Education	**211.0**	192.1	**50.3**	43.1
Embassy	**57.2**	62.2	**5.7**	6.6
Unallocated functional & corporate costs	**-**	-	**(21.4)**	(15.4)
Total	**268.2**	254.3	**34.6**	34.3

* 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 18.

During the period there was no trading between segments.

2. SEGMENTAL ANALYSES (CONT'D)

Geographical Segments – external revenue

	2014	2013
	£'m	£'m
United Kingdom & Europe	**137.1**	139.9
Australia & New Zealand	**104.8**	87.6
North America	**26.3**	26.8
Total	**268.2**	254.3

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

3. FINANCE (COSTS)/INCOME

	2014	2013
	£'m	£'m
Finance costs:		
Interest - bank borrowings	**(0.3)**	(6.2)
Interest - 8.875% Senior Secured Loan Notes	**(18.2)**	(5.2)
Interest – Inter-company*	**(0.2)**	(0.2)
Amortisation of debt issue costs	**(1.0)**	(1.7)
Write off of previous debt issue costs (note 6)	-	(4.4)
Re-finance fees (note 6)	-	(5.9)
Other finance costs	**(0.2)**	(1.7)
Foreign exchange losses (note 6)	-	(21.7)
	(19.9)	(47.0)
Finance income:		
Bank interest	**0.3**	0.2
Foreign exchange gains (note 6)	**0.4**	-
Gain on fair value of interest rate swaps	-	0.8
	0.7	1.0
Net finance costs	**(19.2)**	(46.0)

* Intercompany Interest is payable to EDU UK Topco Ltd

4. OPERATING (PROFIT)/LOSS

	2014	2013
	£'m	£'m
The following are included within cost of sales, administrative costs and depreciation and amortisation:		
Depreciation of property, plant and equipment:	**5.9**	5.5
Operating lease rentals payable	**24.2**	27.0
Amortisation of intangible assets	**9.4**	13.5
Impairment of Goodwill	**-**	18.0
Impairment of trade receivables	**4.2**	0.7
Acquisition related costs	**0.1**	0.1

Services provided by the Group's auditor and network firms

The Group (including its overseas subsidiaries) changed it auditors during the year and obtained the following services as detailed below. 2013 other assurance services includes £0.8 million in connection with the issuance of 8.875% Senior Secured Loan Notes.

	2014	2013
	£'m	£'m
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	**0.4**	0.4
Fees payable to the Company's auditors and its associates for other services:		
- Services relating to taxation compliance	**0.1**	0.2
- Services relating to taxation advisory services	**0.4**	0.2
- Other assurance services	**-**	1.1
	0.9	1.9

5. TAXATION

Analysis of tax benefit in the year

	2014 **£'m**	2013 £'m
Current tax		
- UK current tax on loss for the year	**(3.0)**	(1.0)
- Adjustments in respect of prior periods	**(0.9)**	(0.8)
- Overseas current tax on losses for the year	**(0.1)**	(1.3)
- Overseas adjustments in respect of prior periods	**(6.5)**	1.0
	(10.5)	(2.1)
Deferred Tax (Note 15)		
- UK origination and reversal of temporary differences	**0.6**	1.0
- Changes in tax rate	**-**	2.1
- Overseas origination and reversal of temporary differences	**(0.9)**	(4.2)
- Adjustments in respect of prior periods	**-**	(3.8)
	(0.3)	(4.9)
Total tax charge to the Statement of comprehensive income	**(10.8)**	(7.0)

The tax for the year differs to the standard rate of corporation tax in the UK 21.5% (2013: 23.25%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2014 **£'m**	2013 £'m
Loss before taxation	**3.0**	61.8
Loss on ordinary activities multiplied by rate of corporation tax in UK of 21.5% (2013: 23.25%)	**0.6**	14.3
Effects of:		
Expenses not deductible for tax purposes	**(1.5)**	(5.6)
Income not taxable	**0.1**	0.1
Unrecognised tax losses	**(2.8)**	(15.3)
Difference on overseas rates of tax	**0.2**	3.1
Adjustments in respect of prior periods – corporation tax	**(7.4)**	0.2
Adjustments in respect of prior periods – deferred tax	**-**	(3.8)
Total taxation charge	**(10.8)**	(7.0)

The main rate of corporation tax in the UK is 21% from 1st April 2014 and will reduce to 20% from 1st April 2015.

6. EXCEPTIONAL AND OTHER ITEMS

	Group	Group	Group	Group	Group	Group
	Exceptional Items	**Other items**	**Total**	Exceptional Items	Other items	Total
	2014	**2014**	**2014**	2013	2013	2013
	£ 'm	**£ 'm**	**£ 'm**	£ 'm	£ 'm	£ 'm
Exceptional and other items included with operating profit / (loss):						
Impairment of Goodwill	-	-	-	18.0	-	18.0
Restructuring costs	0.9	-	**0.9**	5.8	-	5.8
Transaction costs	0.1	-	**0.1**	0.1	-	0.1
Litigation	0.8	-	**0.8**	0.6	-	0.6
Write-off of centre set-up costs following change in accounting policy	-	-	-	-	1.0	1.0
Property Provision	(0.8)	-	**(0.8)**	3.4	-	3.4
Shareholder & Management fees	-	1.0	**1.0**	-	1.9	1.9
Other	1.1	-	**1.1**	-	0.3	0.3
	2.1	**1.0**	**3.1**	27.9	3.2	31.1
Exceptional and other items included within finance costs:						
Foreign exchange (gains) / losses	-	(0.4)	**(0.4)**	-	21.7	21.7
Write-off of loan arrangement costs following re-finance	0.2	-	**0.2**	4.5	-	4.5
Fees associated with the re-finance	-	-	-	5.9	-	5.9
	0.2	**(0.4)**	**(0.2)**	10.4	21.7	32.1
Total exceptional and other costs	**2.3**	**0.6**	**2.9**	38.3	24.9	63.2

Exceptional items are those which are material in size or are non-recurring in nature. Other items include adjustments where we believe it is beneficial to strip out when analysing the underlying trading result. Exceptional items included within operating profit amounted to £3.1 million.

Restructuring costs of £0.9 million were recorded in the year (2013: £5.8 million). £0.2 million of these expenses were incurred in the finalisation of the Group's restructuring program which commenced in 2013, with an additional £0.7 million recognised in respect of further transformation efforts in the Sales & Marketing function and UK business.

There was a part reversal of the onerous lease provision made in 2013 in the USA totalling £0.8 million.

6. EXCEPTIONAL AND OTHER ITEMS (CONT'D)

Included within exceptional charges in 'Other' are professional fees and advice relating to matters discussed above.

The group also incurred management fees and expenses charged by Providence Equity, Petersen Investments, and non-executive directors. These are included within other expenses and for the year totalled £1.0 million (2013: £1.9 million).

Unrealised foreign exchange gains or losses for year were £0.4 million gain (2013: £21.7 million loss) and are included within 'Other' items.

There have been no impairments in 2014. In June 2013 an impairment of £18.0 million was booked against the Embassy segment.

7. INTANGIBLE ASSETS

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

7. **INTANGIBLE ASSETS (CONT'D)**

2013	Goodwill	Software	Course Development	Agent Network and Customer Lists	Brands	Centre Contract	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
COST							
At 1 January 2013	409.6	13.0	-	72.3	5.8	-	500.7
Additions	-	3.3	0.4	-	-	-	3.7
Acquisition	0.5	-	-	-	-	1.5	2.0
Transfers	-	(0.2)	-	-	-	-	(0.2)
Exchange difference	(35.5)	(2.1)	-	(4.2)	(0.2)	-	(42.0)
At 31 December 2013	374.6	14.0	0.4	68.1	5.6	1.5	464.2
ACCUMULATED AMORTISATION							
At 1 January 2013	-	6.3	-	25.5	1.5	-	33.3
Charge for the year	-	2.8	-	10.1	0.6	-	13.5
Impairment	18.0	-	-	-	-	-	18.0
Exchange difference	-	(1.2)	-	(2.1)	-	-	(3.3)
At 31 December 2013	18.0	7.9	-	33.5	2.1	-	61.5
Net book value at 31 December 2013	356.6	6.1	0.4	34.6	3.5	1.5	402.7

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

An annual impairment review is performed each year in September, and any impairment triggers are reviewed throughout the year. As a result of the softening in Embassy enrolments in 2013 and an impairment of £18m was booked for that cash generating unit (CGU) in the 2013 financial year. Embassy is the CGU which offers English language courses to students from overseas and operates in the US, Canada, UK, Australia and New Zealand and is complimentary to the other CGUs within the business.

The calculation of value in use for each CGU is in base case, each CGU is most sensitive to the principal assumptions of EBITDA and growth rate. Sensitivity analysis has been performed on the calculations and confirms that no reasonably possible changes in the assumptions would result in the value in use exceeding the recoverable amount for any of the CGUs.

Key assumptions used in the value in use calculation

	2014 All CGUs	2013 All CGUs
Pre-tax discount rate	12.3%	12.0%
Long term growth rate	3.0%	3.0%

8. TANGIBLE FIXED ASSETS

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

8. TANGIBLE FIXED ASSETS (CONT'D)

2013	Freehold land and buildings	Leasehold improvements	Equipment	Asset retirement Obligation	Total
	£'m	£'m	£'m	£'m	£'m
COST					
At 1 January 2013	5.2	18.0	33.8	-	57.0
Additions at cost	-	0.4	4.0	1.8	6.2
Acquisition	-	0.6	0.1	-	0.7
Transfers	-	(0.1)	0.5	-	0.4
Disposals	-	(0.3)	(3.1)	-	(3.4)
Exchange difference	-	(1.3)	(2.7)	-	(4.0)
At 31 December 2013	5.2	17.3	32.6	1.8	56.9
ACCUMULATED DEPRECIATION					
At 1 January 2013	0.2	9.1	26.8	-	36.1
Charge for the year	0.1	1.8	3.6	-	5.5
Transfers	-	-	0.2	-	0.2
Disposals	-	(0.2)	(3.1)	-	(3.3)
Exchange difference	-	(1.1)	(2.2)	-	(3.3)
At 31 December 2013	0.3	9.6	25.3	-	35.2
Net book value at 31 December 2013	4.9	7.7	7.3	1.8	21.7

Freehold land is not depreciated

9. INVESTMENTS

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

	Investments in associates 2014	Investments in associates 2013
	£'m	£'m
Balance at the beginning of the year	**0.1**	0.1
At 31 December	**0.1**	0.1

PRINCIPAL GROUP SUBSIDIARY UNDERTAKINGS

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

9. INVESTMENTS (CONT'D)

Name of Entity	Country of Incorporation	Ownership Interest %	Nature
Controlled Entities:			
EDU UK Bondco Plc	United Kingdom	100	Holding
EDU UK Management Services Ltd	United Kingdom	100	Holding
Study Group Holdings UK Ltd(iii)	United Kingdom	100	Holding
Study Group International (2) Ltd(iii)	United Kingdom	100	Dormant
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 Properties Ltd(iii)	United Kingdom	100	Trading
Study Group Ltd(iii)	United Kingdom	100	Trading
Study Group Distance Learning Ltd (ii) (iii)	United Kingdom	100	Trading
Bellerbys College Ireland Ltd.	Ireland	100	Trading
Study Group (Netherlands) B.V.	Netherlands	100	Trading
EDU Holdings SPV Pty Ltd	Australia	100	Holding
EDU Investments SPV Pty Ltd	Australia	100	Holding
Study Group Pty Ltd	Australia	100	Holding
Study Group (Finance) Pty Ltd	Australia	100	Holding
Study Group Australia Pty Ltd	Australia	100	Trading
Taylors Institute of Advanced Studies Ltd (i)	Australia	-	Trading
ACPE Ltd	Australia	100	Trading
Australian Institute of Applied Sciences Pty Ltd	Australia	100	Trading
Study Group NZ Ltd	New Zealand	100	Trading
EDU US Holdco Inc.	USA	100	Holding
Study Group USA Inc.	USA	100	Trading
FSL Scholarships Foundation (i)	USA	-	Trading
Study Group USA Higher Education LLC	USA	100	Trading
Center for English Studies LLC	USA	100	Trading
Embassy Centre for English Studies Inc.	Canada	100	Trading
Study Group Canada Ltd	Canada	100	Trading
Study Group Canada Higher Education Inc.	Canada	100	Trading
Beijing Study Group Information Consulting Co Ltd	China	100	Trading
Study Group (Beijing) Ltd	China	100	Dormant
Study Group (Guangzhou) Pty Ltd	China	100	Trading
Study Group Global Pte Ltd	Singapore	100	Trading
Associate Entities:			Trading
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) Formerly MBA Authors Ltd

(iii) 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 2014 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

	2014 £'m	2013 £'m
CURRENT:		
Trade receivables (i)	**80.0**	77.5
Less: provision for impairment of receivables	**(4.2)**	(3.2)
Trade receivables – net	**75.8**	74.3
Other receivables	**3.5**	1.5
Prepayments	**17.7**	13.1
	97.0	88.9
NON CURRENT:		
Trade receivables (i)	**5.1**	4.7

(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

	2014 £'m	2013 £'m
Not past due	**71.5**	71.3
30 - 60 days	**2.9**	1.5
60 - 90 days	**2.4**	2.5
90 - 120 days	**2.0**	0.7
> 120 days	**2.1**	3.0
	80.9	79.0

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	2014 £'m	2013 £'m
1 - 120 days	**-**	(0.1)
> 120 days	**(4.2)**	(3.1)
	(4.2)	(3.2)

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

	2014 £'m	2013 £'m
CURRENT:		
Trade payables	**25.2**	19.3
Other payables and accruals	**37.0**	31.1
Interest accrued – senior secured loan notes	**5.3**	5.2
	67.5	55.6

	2014 £'m	2013 £'m
NON CURRENT:		
Other payables and accruals	**6.8**	6.7
	6.8	6.7

12. PROVISIONS

	2014 £'m	2013 £'m
CURRENT:		
Employee benefits	**3.8**	3.8
Property provisions	**1.8**	2.6
Litigation provisions	**0.8**	-
Restructuring	**0.1**	0.4
	6.5	6.8

	2014 £'m	2013 £'m
NON CURRENT:		
Employee benefits	**0.8**	0.8
Property provisions	**3.0**	4.0
	3.8	4.8

12. PROVISIONS (CONT'D)

Movement on Provisions:	Employee Benefit		Property		Restructuring		Litigation		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	£ m	£ m	**£ m**	£ m	**£ m**	£ m	**£ m**	£ m	**£ m**	£ m
Balance at the start of the year	**4.6**	5.5	**6.6**	2.8	**0.4**	-	**-**	-	**11.6**	8.3
Additional provision recognised	**0.2**	0.3	**0.7**	5.4	**-**	5.8	**0.7**	-	**1.6**	11.5
Provisions utilised	**(0.1)**	(0.3)	**(1.6)**	(1.0)	**(0.3)**	(5.4)	**-**	-	**(2.0)**	(6.7)
Unwinding of discount	**-**	-	**(0.9)**	-	**-**	-	**-**	-	**(0.9)**	-
Exchange movements	**(0.1)**	(0.9)	**-**	(0.6)	**-**	-	**0.1**	-	**-**	(1.5)
	4.6	4.6	**4.8**	6.6	**0.1**	0.4	**0.8**	-	**10.3**	11.6

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.

13. BORROWINGS

	2014	2013
	£'m	£'m
CURRENT BORROWINGS		
Secured borrowings at amortised cost		
Bank loan	**-**	3.1
NON CURRENT BORROWINGS		
Secured borrowings at amortised cost		
8.875% Senior Secured Loan Notes	**205.0**	205.0
Deferred borrowing costs bond borrowings	**(2.6)**	(3.4)
Deferred borrowing costs bank borrowings	**(1.2)**	(1.5)
	201.2	200.1
Total borrowings		
Amount due for settlement within 12 months	**-**	3.1
Amount due for settlement after 12 months	**201.2**	200.1
	201.2	203.2

13. BORROWINGS (CONT'D)

MOVEMENT IN BORROWINGS	Bank Loans	8.875% Senior Secured Loan Notes	Total
	£m	£m	£m
At 1 January 2014	1.6	201.6	203.2
Net movement in revolving credit facility	(3.1)	-	(3.1)
Deferred borrowing costs	0.3	0.8	1.1
At 31 December 2014	(1.2)	202.4	201.2

	Australian £'m	Sterling £'m
Group		
8.875% Senior Secured Loan	-	205.0
At 31 December 2014	**-**	**205.0**

	Australian £'m	Sterling £'m
Group		
Bank Loan	3.1	-
8.875% Senior Secured Loan	-	205.0
At 31 December 2013	**3.1**	**205.0**

Undrawn borrowing facilities

At 31 December 2014, the Group had available £30.0 million (2013: £26.9 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. 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 2014, 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 2014 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

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**

2013

	8.875 % Senior secured Loan Notes	2013 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 Australian dollars and US dollars. The following table details how the Group's income and equity would increase on a before tax basis, given a 10% revaluation in the respective year-end currencies against GBP and in accordance with IFRS 7 all other variables remaining constant. A 10% devaluation in the value of GBP 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 2014 £'m	**Equity Sensitivity 2014 £'m**	Income Sensitivity 2013 £'m	Equity Sensitivity 2013 £'m
Australian Dollars	**(1.1)**	**(3.5)**	(4.2)	(7.8)
US Dollars	**(0.8)**	**(0.3)**	(1.2)	1.7
Other	**(0.3)**	**0.2**	(0.1)	0.1
Equity decrease	**(2.2)**	**(3.6)**	(5.5)	(6.0)

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.

	2014 £'m	2013 £'m
Total borrowings (note 13)	**201.2**	203.2
Less: Total cash and cash equivalents	**(29.9)**	(17.5)
Net Debt	**171.3**	185.7
Total Equity	**116.9**	131.0
Total Capital	**288.2**	316.7
Gearing	**59%**	**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:

	2014 **£'m**	2013 £'m
Balance at the beginning of the year	**(2.5)**	4.2
Arising on acquisition	**-**	(0.5)
Reclassification	**-**	(0.8)
Credit to statement of comprehensive income (note 5)	**(0.3)**	(4.9)
Exchange adjustments	**-**	(0.5)
Change in tax rates	**-**	-
Net deferred tax liability at end of the year	**(2.8)**	(2.5)

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.

	2014 **£'m**	2013 £'m
Deferred tax assets and liabilities relates to the following:		
Deferred tax assets		
Tax losses carried forward	**0.8**	1.7
Property, plant and equipment	**0.6**	0.7
Accruals and provisions	**7.0**	6.4
Unrealised foreign exchange losses	**1.0**	2.1
	9.4	10.9
Deferred tax liabilities		
Property, plant and equipment	**(0.3)**	-
Intangible assets	**(11.3)**	(13.0)
Prepayments	**(0.6)**	(0.4)
	(12.2)	(13.4)
Net deferred tax liability	**(2.8)**	(2.5)
Presented in the statement of financial position as follows:		
Deferred tax assets	**0.1**	1.0
Deferred tax liabilities	**(2.9)**	(3.5)
Net deferred tax liabilities	**(2.8)**	(2.5)

16. SHARE CAPITAL

	2014 Number of shares	2014 £	2013 Number of shares	2013 £
Ordinary shares authorised, allotted and issued of £1 each	**1**	**1**	1	1

17. CASH FLOW FROM OPERATING ACTIVITIES

	2014 £'m	2013 £'m
Loss before taxation	**(3.0)**	(61.8)
Interest expense	**19.9**	18.8
Amortisation and depreciation	**15.3**	19.0
Impairment of Goodwill	-	18.0
Acquisition costs	-	0.1
Deferred finance costs expensed	-	6.2
Unrealised Foreign exchange (gain)/loss	**(0.4)**	21.7
Share scheme expenses	-	0.1
(Gain)/loss on interest rate swap	-	(0.8)
Interest income	**(0.3)**	(0.2)
(Increase)/Decrease in trade and other receivables	**(8.5)**	3.3
Increase/(Decrease) in unearned revenues	**15.9**	(2.9)
Increase/(Decrease) in provisions	**(1.4)**	1.5
Increase/(Decrease) in trade and other payables	**10.7**	(5.1)
CASH GENERATED FROM OPERATIONS	**48.2**	17.9

18. EMPLOYEES

	2014 **£'m**	2013 £'m
Staff costs for the Group during the year:		
Wages and salaries	**91.2**	83.8
Social security costs	**7.7**	6.9
Superannuation and other pension costs	**4.6**	4.0
	103.5	94.7

Average monthly number of people (including executive directors) employed by the Group:

	2014	2013
Teaching (Direct and Indirect)	**1,652**	1,624
Sales, marketing and distribution	**308**	274
Administration	**761**	517
	2,721	2,415

Key management compensation:

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

	2014 **£'m**	2013 £'m
Salaries and short-term benefits	**4.1**	3.3
Termination Payments	**-**	0.5
Post-employment benefits	**0.1**	0.1
	4.2	3.9

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 £7.9 million (2013: £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

	2014 £'m	2013 £'m
Lease payments under operating leases recognised as an expense in the year	24.2	27.0

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

	Plant and Machinery		Land and Buildings		Total	
	2014	2013	**2014**	2013	**2014**	2013
	£'m	£'m	**£'m**	£'m	**£'m**	£'m
Not later than one year	-	-	**26.6**	22.5	**26.6**	22.5
Later than one year but not more than five years	-	0.1	**70.5**	58.8	**70.5**	58.9
More than five years	-	-	**115.2**	100.9	**115.2**	100.9
	-	0.1	**212.3**	182.2	**212.3**	182.3

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 (2013: £0.7 million) to Providence Equity during the year with £0.1 million outstanding at year end (2013: £0.3 million). During the year, the Group also paid consulting fees of £nil million (2013: £0.2 million) on behalf of Providence with £nil outstanding at year end (2013: £nil). The Group paid Peterson investments £0.2 million with £nil outstanding at year end (2013: £0.2 million) and there were other management fees paid to John Hood of £0.1m and Patrick Corso of £0.1m as well as management expenses of £0.1 million (2013: £0.4 million).

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

The Group had £0.7 million (2013: £0.7 million) intercompany transactions with EDU UK Topco Ltd, its immediate parent entity and has balances due to EDU UK Topco Ltd of £4.7 million at the year-end (2013: £4.0 million).

The Group redeemed £nil million of preference shares due to EDU UK Topco Ltd in the year including interest (2013: £74.5 million).

Trading transactions

During the year the Group entered into transactions with related parties who were not members of the Group:

21. RELATED PARTY DISCLOSURES (CONT'D)

Trading transactions

	Sale of goods		Purchase of goods		Amounts owed by related parties	
	2014	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m
Company under common control	**0.4**	0.2	**0.2**	0.1	**0.1**	0.1

Director's interests in shares

No director has shares directly in the Company. However, refer to accounting policy 1.22 Employee benefits for details of employee share schemes.

Aggregate Directors' remuneration

The total amount for directors' remuneration was as follows:

	2014	2013
	£'m	£'m
Salaries and short-term benefits	**1.5**	0.8
	1.5	0.8

Highest paid director

	2014	2013
	£'m	£'m
Salaries and short-term benefits	**0.9**	0.4
	0.9	0.4

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

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

EDU UK INTERMEDIATE LTD

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2014

The financial statements and notes on pages 51 to 55 were approved by the Board of directors on 16 March 2015 and were signed on its behalf.

	Note	**31 December 2014**	31 December 2013
	Note	**£'m**	**£'m**
ASSETS			
NON-CURRENT ASSETS			
Investments	3	222.3	222.3
		222.3	222.3
CURRENT ASSETS			
Current tax assets		-	0.5
		-	0.5
LIABILITIES			
NET CURRENT ASSETS		-	0.5
NON-CURRENT LIABILITIES			
Trade and other payables	4	0.1	2.1
		0.1	2.1
NET ASSETS		**222.2**	220.7
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	5	-	-
Preference Share Capital		222.3	222.3
Accumulated losses		(0.1)	(1.7)
TOTAL EQUITY		**222.2**	220.6

The financial statements and notes on pages 51 to 55 were approved by the Board of directors on 16 March 2015 and were signed on its behalf by David Leigh.

D Leigh

Director EDU UK Intermediate Ltd Registered no. 07285315

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Accounting policies for the year ended 31 December 2014

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 16 March 2015.

1.2 BASIS OF PREPARATION

The separate financial statements of the Company are presented as required by the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements have been prepared on a going concern basis under the historical cost convention in accordance of the rationale set out in the directors' statement of going concern of the Directors' Report. The principal accounting policies are set out below they have all been applied consistently throughout the period.

The principal accounting policies are set out below and have been applied consistently throughout the year.

Profit and loss account

Under section 408 (3) of the Companies Act 2006, the Company is exempt from the requirements to present its own profit and loss.

Cash flow statement

The Company is a wholly owned subsidiary company of a group headed by EDU UK Topco Ltd, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS1 (revised 1996) 'Cash flow statements' from a cash flow statement.

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 2014	**222.3**
COST	
Subordinated preference certificates issued	273.7
Investment in EDU UK Bondco Ltd	0.1
Repayment of subordinated preference certificates	(51.5)
At 31 December 2013	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.

A repayment of subordinated preference certificates was made in 2013 using some of the bond proceeds.

3. INVESTMENTS

PRINCIPAL COMPANY SUBSIDIARY UNDERTAKINGS

Details of the principal 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

	2014 £'m	2013 £'m
NON CURRENT:		
Other payables	**0.1**	2.1

5. SHARE CAPITAL

	2014 Number of shares	**2014 £**	2013 Number of shares	2013 £
Ordinary shares authorised, allotted and issued of £1 each	**1**	**1**	1	1

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2014 £'m	2013 £'m
Results for the financial year	**1.6**	(1.6)
Opening shareholders' funds	**220.6**	273.7
Repayment of subordinated preference certificates	**-**	(51.5)
Closing shareholders' funds	**222.2**	220.6

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There were no employees in the current year other than the directors who did not receive any emoluments in respect of their services to the Company (2013: £nil).

8. 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.

9. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS8 from the requirement to disclose transactions with group companies on the grounds that this is disclosed in the consolidated financial statements.

10. 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.

11. CONTINGENT LIABILITIES

The Company has no contingent liabilities.