EDU UK INTERMEDIATE LIMITED ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2017

Registered Number: 07285315

EDU UK INTERMEDIATE LIMITED

DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

E Lancaster
D Leigh
A Petersen
D Rammal
P Wilde

INDEPENDENT AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

REGISTERED OFFICE

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

COMPANY REGISTERED NUMBER

Registered in England No. 07285315

Overview of the year
The Directors present their report and the consolidated financial statements for EDU UK Intermediate Limited, 'the Company', and its subsidiaries, together 'the Group' or 'Study Group', for the year ended 31 December 2017. The company is domiciled in the United Kingdom with its registered office at 1 Billinton Way, Brighton, East Sussex, BN1 4LF, and the Group is headquartered in London.

Overview
Study Group is a leading international provider of higher education services. We deliver our programmes to international students from over 150 countries as well as domestic students in Australia.

We have four main student offerings or lines of business which we operate in three main geographic areas: University Pathways; High Schools and Embassy English ("Proprietary Branded Pathways"); and HE Proprietary Brands. The largest part of our business is our core University Pathways business which contributed 92% of 2017 continuing Group EBITDA before functional cost (2016: 87%). The University Pathways business entails providing foundation or International Year 1, and Pre-Masters programmes to international students on the campuses of our partner universities in the UK, Europe, North America and Australia and New Zealand. We operate the High School business in the UK and we have Embassy schools in the UK, North America and Australia and New Zealand. HE Proprietary Brands are only operated in Australia. During the year, the Vocational Education and Training business ("VET") was discontinued (refer to note 5 for further information with regards to the background and the financial impact of this discontinuation).

As a Group, there was strong overall revenue performance in 2017, increasing by 9% to £337.8 million (2016: £310.4 million), primarily driven by our University Pathways business where revenue grew by 19% (2016: 29%), and where there was new student enrolment (NSE) growth in 2017 of 17% (2016: 10%) - this being a key indicator of future growth.

The Group has continued with its strategy of developing new and existing partnerships with our chosen university partners. During 2017, we demonstrated our strong record in this regard by renewing nine university partnerships, across the UK, Europe, US, New Zealand and Canada. We also signed a further seven new partners during the year: Lynn University, Oglethorpe University, Lipscomb University, Baylor University, Western Washington University and West Virginia University, all in the United States, and Erasmus University Rotterdam in the Netherlands.

Our newest University Partner in the UK, Durham University, launched in Q4 2017. Durham is the highest ranked University (4th in the Times and Sunday Times Good University Guide 2017) to enter into a Pathway Programme in the United Kingdom. NSEs in the first intake exceeded expectations.

The UK High School business was impacted by weak enrolments in 2016 flowing through to 2017 revenue and EBITDA, however 2017 saw NSE growth of 5% which is encouraging after four consecutive years of decline.

Embassy, our English language brand, continued to suffer from the impact of macroeconomic pressures in key source markets.

HE Proprietary Brands grew revenue by 3%, albeit pricing pressures in the market subdued EBITDA.

The strong Group revenue performance, driven by growth in the higher margin University Pathways business, has converted to growth in continuing EBITDA of £9.7m or 32% (2016: £7.6m or 34%).

Operating and financial review

Key performance indicators

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

	Year ended 31 December		
	2017	**2016**	**% Variance**
Revenue (£m)	337.8	310.4	9%
Adjusted EBITDA(i) (£m)	39.9	30.2	32%
Student weeks taught (ii)			
University Pathways	462,354	420,983	10%
High School	45,700	49,010	(7%)
Embassy	148,722	171,815	(13%)
Total student weeks taught	**656,776**	**641,808**	**2%**
New student enrolments (NSE) (iii)			
University Pathways	12,781	10,949	17%
High School	1,021	972	5%
Total Pathways NSEs	**13,802**	**11,921**	**16%**

Our results by line of business are summarised as follows:

£m	**Revenue Year ended 31 December**			**Adjusted EBITDA(i) Year ended 31 December**		
	2017	**2016**	% Variance	**2017**	**2016**	% Variance
On a continuing operations basis:						
UK & Europe	79.8	81.6	(2%)	21.7 (iv)	23.0	(6%)
ANZ	124.5	87.7	42%	41.9	26.2	60%
North America	6.5	8.3	(22%)	(2.7)	(1.5)	80%
Total University Pathways	**210.8**	**177.6**	**19%**	**60.9**	**47.7**	**28%**
High Schools	41.8	44.8	(7%)	1.1	1.7	(35%)
HE Proprietary Brands	35.4	34.3	3%	3.7	4.8	(23%)
Embassy	49.8	53.7	(7%)	0.7	0.9	(22%)
Unallocated functional & corporate costs	-	-	-	(26.5)	(24.9)	6%
Total	**337.8**	**310.4**	**9%**	**39.9**	**30.2**	**32%**

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

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

(iii) An NSE represents one new student arriving and enrolling in a course.

(iv) Includes non-recurring Durham set-up costs of £0.9 million. Once these are excluded, EBITDA decline is 2%.

Reconciliation of reported EBITDA to adjusted EBITDA

£m	Year ended 31 December		
	2017	**2016**	% variance
On a continuing operations basis:			
Reported EBITDA	**34.2**	15.1	130%
Exceptional and other items	**5.7**	15.1	(66%)
Adjusted EBITDA[(i)]	**39.9**	30.2	32%

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

University Pathways
UK & Europe
Revenue in 2017 declined slightly to £79.8 million (2016: £81.6 million), mainly reflecting a decline in 2016 Q3 NSEs being offset by growth in 2017 NSEs. Adjusted EBITDA decreased by 6% for the year (2016: growth of 6%), due to the revenue decline flowing through, and the impact of Durham set-up costs of £0.9 million (being the one off costs incurred in the establishment of the centre before the first students arrived on campus). Excluding the impact of Durham set up costs, EBITDA reduces by £0.4m (2%).

ANZ
Increased student volumes across a range of programmes and campuses led to strong revenue growth of 42% to £124.5 million (2016: £87.7 million). This led to adjusted EBITDA growth of 60% to £41.9 million (2016: £26.2 million). The partnerships with Charles Sturt University ("CSU"), University of Sydney ("USFP"), and the Australian National University ("ANU") performed particularly strongly.

North America
Revenue was down £1.8 million or 22% to £6.5 million (2016: £8.3 million). We have addressed issues in our product offering and entry criteria right with existing and new partners and to that end have signed six new partnerships in 2017, for launch in 2018 and 2019.

High Schools
The decrease in revenue to £41.8m was due to the closing of the Bellerbys Oxford school (August 2017). Excluding Oxford, revenue was flat compared with 2016. Strong growth of 25% in NSEs (excluding Oxford) offset the impact of an increase in discounts due to a challenging market environment, with continued competition from boarding schools.

HE Proprietary Brands
Marginal revenue growth of 3%, however a decrease in margin due to continued pricing pressures in the market. The business has reacted to these results and costs have been taken out of the business.

Embassy
Revenue was down £3.9 million or 7% to £49.8 million (2016: £53.7 million), and student weeks were down by 13%, partly due to the impact of the closure of five schools. Volumes were also down 9% on a like for like basis, reflective of a generally tough market for English language schools in a number of key source markets. Cost saving measures were initiated during the year, which enabled the business to reduce overheads by 4%, and limit the impact on EBITDA to £0.2m.

Unallocated functional and corporate costs
Functional and corporate costs, being largely central IT, finance, HR and head office costs, increased £1.5 million or 6% to £26.5 million (2016: £24.9 million). The increase is primarily due to the impact of strengthening Australian dollar against Pound Sterling. These costs are managed and controlled centrally and as such are reported separately from the Group's other operating segments.

(i) Definition on page 3

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

Total exceptional costs in continuing operations reduced significantly in 2017, to £8.4 million, down from £17.8 million in 2016, which included some significant impairment charges.

The main exceptional costs in 2017 are restructuring costs of £2.8 million, relating to the Embassy and High Schools businesses, onerous contract provisions of £1.5 million, representing the costs of meeting or exiting lease obligations, and shareholder costs and share based payments charges (see note 7).

Depreciation and amortisation
Depreciation and amortisation for the year to 31 December 2017 increased £0.5 million to £20.7 million (2016: £20.2 million), due to strengthening of the Australian dollar against Pound Sterling average rate in 2017.

Finance expense
Net finance expense for the period increased by £17.3 million to £23.2 million (2016: £5.9 million). 2016 net finance expenses included an unrealised foreign exchange gain of £22.5 million which arose as a result of the strengthening of the Australian dollar against the Pound Sterling spot rate, and £6.3 million of one-off costs relating to the refinancing. Net finance expenses in 2017 include exceptional finance costs of £1.1 million arising from unwinding the discount and a change to the discount rate on onerous property lease provisions. Excluding these items there is an underlying decrease in finance costs of £1.1 million, mainly due to reduction in interest expense on the term loan and RCF, driven by a full year of improved borrowing rates compared with the legacy bond finance.

Taxation
For the year to December, the Group received a total tax credit of £1.1 million (2016: £3.0 million credit) being a current tax charge of £0.2 million (2016: £7.7 million credit) and a deferred tax credit of £1.3 million (2016: £4.7 million charge). During the year, a net cash payment of £0.8 million was made (2016: £0.2 million refund collected), being withholding taxes in Australia, and corporation tax payments in Singapore.

Balance sheet position
Net debt, being external borrowings less cash, was £224.4 million at 31 December 2017 (2016: £223.1 million). Within net debt, the revolving credit facility of £49.0 million was drawn down by £20.8 million as at 31 December 2017. This compares with £17.3 million of the £49.0 million facility at 31 December 2016.

Cash flow
The Group generated free cash inflow (being cash available to service debt), including discontinued operations, of £12.0 million in the period to 31 December 2017 (2016: £13.3 million).

Free cash flow includes cash exceptional outflows of £8.8 million, primarily relating to restructuring in ANZ, Bellerbys and Embassy businesses (noted above), and £2.5 million related to the closure of the VET business, a net £0.8 million cash tax paid, combined with movements in working capital and capital expenditure. The working capital outflow of £1.2 million in 2017 includes £11.6 million outflow in relation to the discontinued VET business.

Capital expenditure is lower than the prior year, which included a high level of investments, including a new campus for the ACPE business in Sydney, expansion capital expenditure as a result of strong growth at ANU in Canberra, and the set-up of the new Sheffield centre in the UK. Capital expenditure in 2017 is in line with historic levels, and there continues to be a significant level of investment across the group, both in IT developments and tangible spend, including expansion of the Bourke Street campus in CSU.

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

Reconciliation of Adjusted EBITDA to Free Cash flow	**2017**	**2016**
	£m	**£m**
Adjusted EBITDA	35.3	37.2
Cash exceptional and other items	(8.8)	(4.6)
Movement in working capital	(0.2)	(3.8)
Cash tax refunded/(paid)	(0.8)	0.2
Capital expenditure and other investment activities	(13.5)	(15.7)
Free Cash flow	12.0	13.3
Free cash flow from continuing business	30.9	(12.4)

Discontinued operations
As result of regulatory reforms announced by the Australian government in October 2016, a decision was taken during the year to discontinue the VET business. It was announced in Q2 2017 that Study Group would no longer be accepting new student enrolments into the VET brands, and that only students already enrolled in eligible courses, who have paid course fees in full or opted in to continue to receive loan funding for census periods arising in 2017, will be taught to the completion of their courses.

Revenue and EBITDA from the discontinued VET segment was £8.6m and a loss of £4.0m respectively (2016: £29.9m and £7.0m respectively).

Going concern
The Group manages its day to day working capital requirements through an £49.0 million revolving credit facility. The Group's term loan includes a covenant requiring that the Group's leverage ratio remains within agreed limits. This is the only acting covenant and is forecast to be met for the foreseeable future.

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

At 31 December 2017, the Group had available £22.6 million (December 2016: £26.1 million) of undrawn committed borrowing facilities, with £20.8 million of the £49.0 million facility drawn as a loan and £5.6 million utilised for specific guarantees.

STRATEGY AND PRINCIPAL RISKS AND UNCERTAINTIES

Strategy

In our University Pathways business, 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, as evidenced by the renewals of nine of our existing University partnerships in 2017. We believe that this, coupled with a longer term goal to explore new University partnerships, as demonstrated by the signing of a further seven partnerships in 2017, sets us up to be a global leader in international higher education and deliver exceptional student outcomes. Study Group continues to improve the service we provide to our agents and develop direct channels, which we see as critical to generating future revenue growth in the University Pathways business. A key factor in the success of our partnerships is continuing to drive high progression rates to the partner institutions. During 2017 this increased from 82% to 87%.

Our focus in our Bellerbys High Schools is to continue the recent trend of growth in student volumes. In August 2017 we closed our Oxford college so we are now operating three colleges and seeing improved margins as a result. We are also continuing to focus on academic standards which is critical to driving volume growth: in 2017, 76% of Bellerbys A Level grades were A*- B, compared with 75% in 2016, and a national average of 53% in both years.

Within our Embassy division, we took the decision to close five loss making sites in the US and UK, where we did not see an opportunity for a return to profitability. All remaining sites generate a positive contribution. Operating a smaller footprint also enabled us to further rationalise the cost base.

Our HE Proprietary business in Australia continues to operate in a competitive market, and therefore we took significant steps in 2017 to right size the cost base.

During the year we made the decision to discontinue our Australian VET business and are teaching out existing student cohorts. Accordingly this is presented as a discontinued operation.

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

Outlook

Overall, we are pleased with the 2017 performance in our core University Pathways business and the NSE growth sets us up well for 2018. Strong 2017 NSEs provide a good foundation for 2018 and we expect to see overall revenue and EBITDA growth across the University Pathways and High Schools businesses.

The discontinuation of VET during 2017 allows the Group to focus on the core University Pathways business where recent high growth looks set to continue.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Economic, market and trading risks

Industry and political risks

If foreign direct investment in emerging markets were to slow down or there were to be political uncertainty in source markets, demand for a foreign-educated, English-speaking workforce may decline. Our students join us from over 150 countries to campuses in 7 countries worldwide, which provides a degree of mitigation against these risks.

Visa frameworks and immigration policy

Our ability to recruit international students to our programmes depends on the ability of those students to procure visas. We engage proactively with Government agencies in discussions on visa policy and frameworks and continually monitor our students' processes through training agents in market. With regards to the European Union (EU), it is unclear what the status will be of students from outside of the United Kingdom (UK), but within the EU, after the UK leaves the EU. However, the number of student weeks taught to EU students in our UK business represents less than 3% of student volumes across the Group.

Contract risks

University partners

We maintain relationships in the form of contractual agreements with numerous universities. We work closely with our university partners to ensure that we maintain a good relationship and are adhering to the terms of our contractual arrangements.

PRINCIPAL RISKS AND UNCERTAINTIES

Agent relationships
We rely on a global 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.

Regulatory oversight
The group is subject to regulatory oversight by different bodies in the jurisdictions in which we operate. There is a risk that a regulator may not be satisfied that we have adhered to all regulatory requirements, and may have the ability to compel us to refund fees, apply penalties to us, or both. In some cases, they may have the power to restrict our licence to operate in that jurisdiction. Should that happen, there would be a significant impact on the Group's operations. This is mitigated by employing internal and external experts to drive our compliance agenda and monitor adherence to policies and procedures.

Financial position
The Group has a leverage covenant attached to its term loans which must be met. The required leverage ratio reduces over time and therefore in order to meet the covenant, the Group must continue to deliver growth in 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.

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

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 and maintain cost-efficient operations. In common with all businesses, our information technology systems and online platform could be impacted by interruption from both internal and external threats. In order to mitigate these risks, Study Group's Production IT systems are housed and backed up appropriately to minimise the risk of catastrophic failure. All systems are monitored for environmental factors and system performance by a dedicated team of professionals.

Reputational risk
Our reputation could be adversely affected by our ability to adequately update and expand the content of our existing programmes and develop new programmes, as well as the quality and integrity of our curricula, teaching staff or programme facilities. 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 reputation and financial results in the event of an unfavourable outcome. We employ internal counsel and retain outside counsel to provide advice in the event of any litigation.

E Lancaster
Director
14 March 2018

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 Limited 'the Company' and its subsidiaries, together 'the Group' or 'Study Group', for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

Study Group is a leading international provider of higher educational services. We deliver our programmes to international students from over 150 countries as well as domestic students in Australia.

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

ULTIMATE PARENT COMPANY

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

RESULT AND DIVIDENDS

The Group loss for the year after taxation amounted to £22.3 million (2016: £46.9 million loss). Of this, no loss is attributable to non-controlling interests. The directors do not recommend payment of a dividend (2016: £nil).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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

DIRECTORS

The persons who were directors at any time during or since the end of the financial year are listed below; details of the directors and their background are set out on pages 12 and 13:

E Lancaster
D Leigh
A Petersen
D Rammal
P Wilde

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

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

DIRECTORS' INDEMNITIES

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The group actively monitors compliance with its covenant relating to the term loans. Note 14 includes detail of additional undrawn facilities that are available to the Company and the Group.

Foreign currency risk
The Group undertakes transactions denominated in foreign currencies, hence experiences translational and transactional exchange rate exposures. The Group is mainly exposed to movements between sterling and Australian Dollars/US Dollars. EBITDA for the year was generated as follows: 29% in Pound Sterling; 111% in Australian Dollars, (17%) in US Dollars and (23%) other. The transaction risk is mitigated by revenues being billed in the currency where the services/operating costs are delivered/incurred.

The largest elements of our external debt, being our term loans, are denominated 51% in Pound Sterling and 49% in Australian Dollars. We hedge the foreign exchange exposure on the Australian Dollar term loan using a net investment hedge (see Note 14). Part of the RCF drawdown is also in Australian Dollars so serves to provide a natural hedge towards Pound Sterling and Australian Dollar exchange rate movements. In addition, our leverage ratio (upon which our bank loan covenant compliance is calculated) is impacted by movements in foreign exchange rates; however this is something we regularly monitor and sensitise. We continue to review whether it would be beneficial to take out a foreign currency hedge to mitigate this risk.

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

POLITICAL CONTRIBUTIONS

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made donations of £56,000 (2016: £76,000) to its charitable partner, Plan International, which strives to advance children's rights and equality for girls all over the world.

The Group's partnership with Plan International, known as 'Building Futures' invests in educational infrastructure projects in developing countries, and aligns with its mission to educate students from every corner of thc globc.

Continuing the partnership's history, the donation made in the year was utilised to fund a project in the Sindhupalchowk district of Nepal. In April 2015, two earthquakes caused widespread damage across several districts of Nepal with Sindhupalchowk being the worst hit, where 95% of schools were damaged or destroyed. Children have been learning in temporary shelters and long-term rebuilding was much needed to ensure their education and wellbeing was not disrupted any longer. Starting in September 2016, the 18-month project aimed to raise a total of £220,000 to rebuild a safer, more resilient school for Sindhupalchowk. From donations from staff and students, and match funding from Study Group, this target has now been achieved.

GOING CONCERN

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

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

EVENTS AFTER THE BALANCE SHEET DATE

Events between the balance sheet date and the date the financial statements were issued are disclosed in Note 24.

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

E Lancaster
Director
14 March 2018

EDU UK INTERMEDIATE LIMITED
DIRECTORS AND KEY MANAGEMENT

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

Arvid Petersen
Chairman
Petersen Group

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

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

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

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

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

David Leigh
Chief Executive Officer,
Study Group

David Leigh joined Study Group as CEO in March 2013. Prior to joining Study Group, Mr Leigh was CEO of SHL, the global leader in talent assessment with a presence in more than 50 countries. Prior to SHL, he was on the Executive Committee of Groupe Steria, with responsibility for Business Process Outsourcing.

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

Mr Leigh has an MA in Social and Political Sciences from Cambridge University and a post-graduate legal qualification from the College of Law, London.

Emma Lancaster
Chief Financial Officer,
Study Group

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

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

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

Dany Rammal
Managing Director,
Providence Equity Partners VI International LP

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

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

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

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

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

Peter Wilde is a Managing Director based in the Providence office of Providence Equity Partners. Mr Wilde is the Global Head of Education, Data and Information sectors at Providence. Mr. Wilde is currently a director of Blackboard, Galileo Global Education, NACE Schools, NEW Asurion, VectorLearning, Vistage and Study Group.

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

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

The Global Executive Team

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

David Leigh, Chief Executive Officer
Emma Lancaster, Chief Financial Officer
James Pitman, Managing Director, Development UK & Europe
Warren Jacobson, Managing Director, Development Australasia
Robert Morgan, Global Chief Operating Officer
Emily Williams Knight, Managing Director, North America
Jeanette Rooms, Chief Human Resources Officer
Manoj Shetty, Chief Sales Officer
Paul Levett, Chief Marketing & Strategy Officer
Mike Everett, Chief Operating Officer, UK & Europe
Alex Chevrolle, Chief Operating Officer ANZ (appointed on 1 February 2018)

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

On behalf of the Board

E Lancaster
Director
14 March 2018

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

We have audited the financial statements of EDU UK Intermediate Limited for the year ended 31 December 2017 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Cash Flow Statement and related notes, including the accounting policies in note 1.

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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework* and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

Based solely on that work:

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 14, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Jonathan Downer

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
14 March 2018

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

		Before Exceptional and Other Items	Exceptional and Other Items (Note 7)	Total	Before Exceptional and Other Items	Exceptional and Other Items (Note 7)	Total
			2017			2016	
On a continuing operations basis:	Note	£m	£m	£m	£m	£m	£m
Revenue	2	**337.8**	-	**337.8**	**310.4**		**310.4**
Sales and marketing costs		**(75.7)**	-	**(75.7)**	**(67.0)**	-	**(67.0)**
Delivery costs		**(163.1)**	-	**(163.1)**	**(155.7)**	**(1.9)**	**(157.6)**
Administrative expenses		**(59.1)**	**(5.7)**	**(64.8)**	**(57.5)**	**(13.2)**	**(70.7)**
EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, NET FINANCING COSTS AND TAXATION:	2	**39.9**	**(5.7)**	**34.2**	**30.2**	**(15.1)**	**15.1**
Impairment	7	-	**(0.4)**	**(0.4)**	-	**(18.9)**	**(18.9)**
Depreciation and amortisation	8, 9	**(20.7)**	-	**(20.7)**	**(20.2)**	-	**(20.2)**
OPERATING PROFIT/(LOSS)		**19.2**	**(6.1)**	**13.1**	**10.0**	**(34.0)**	**(24.0)**
Finance income	3	**0.6**	-	**0.6**	**0.6**	**22.5**	**23.1**
Finance costs	3	**(21.5)**	**(2.3)**	**(23.8)**	**(22.7)**	**(6.3)**	**(29.0)**
Share of profit of associate	10	-	-	-	**0.1**	-	**0.1**
LOSS BEFORE TAXATION		**(1.7)**	**(8.4)**	**(10.1)**	**(12.0)**	**(17.8)**	**(29.8)**
Taxation (charge)/credit	6	**(2.9)**	-	**(2.9)**	**3.7**	-	**3.7**
LOSS FOR THE PERIOD AFTER TAXATION FROM CONTINUING OPERATIONS		**(4.6)**	**(8.4)**	**(13.0)**	**(8.3)**	**(17.8)**	**(26.1)**
Discontinued operations:							
Profit/(loss) after tax for the year from discontinued operations, net of tax	5	**(0.2)**	**(9.1)**	**(9.3)**	**5.9**	**(26.7)**	**(20.8)**
LOSS FOR THE PERIOD AFTER TAXATION		**(4.8)**	**(17.5)**	**(22.3)**	**(2.4)**	**(44.5)**	**(46.9)**
OTHER COMPREHENSIVE INCOME/(LOSS)							
Items that may be subsequently reclassified to profit or loss:							
Net fair value (loss)/gain on cash flow hedges		**(0.2)**	-	**(0.2)**	-	-	-
Exchange differences on translation of foreign operations		**1.6**	-	**1.6**	**5.0**	-	**5.0**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**1.4**	-	**1.4**	**5.0**	-	**5.0**
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		**(3.4)**	**(17.5)**	**(20.9)**	**2.6**	**(44.5)**	**(41.9)**

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

GROUP STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	31 December 2017 £m	31 December 2016 £m
ASSETS			
NON-CURRENT ASSETS			
Goodwill	8	335.1	336.1
Intangible assets	8	29.2	38.6
Property, plant and equipment	9	33.3	33.9
Investments	10	0.2	0.2
Deferred tax assets	16	7.9	7.3
Trade and other receivables	11	6.1	4.8
		411.8	420.9
CURRENT ASSETS			
Inventories		0.3	0.5
Trade and other receivables	11	124.8	146.2
Current tax assets		0.4	0.5
Cash and cash equivalents		22.5	21.2
		148.0	168.4
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	14	18.5	14.2
Current tax payable		0.2	1.0
Unearned revenues		147.5	147.4
Trade and other payables	12	87.3	97.8
Provisions	13	13.1	10.7
		266.6	271.1
NET CURRENT LIABILITIES		(118.6)	(102.7)
NON-CURRENT LIABILITIES			
Borrowings	14	218.2	217.7
Unearned revenues		15.6	17.8
Trade and other payables	12	11.5	12.0
Provisions	13	12.8	14.2
Deferred tax liabilities	16	-	0.8
Derivative financial liabilities		0.3	-
		258.4	262.5
NET ASSETS		34.8	55.7
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	17	-	-
Share premium reserve		234.8	234.8
Translation reserve		13.5	11.9
Hedging reserve		(0.2)	-
Accumulated losses		(213.3)	(191.0)
TOTAL SHAREHOLDERS' FUNDS		34.8	55.7

The financial statements and notes on pages 17 to 53 were approved by the Board of directors on 14 March 2018 and were signed on its behalf by Emma Lancaster.

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

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

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

2017	Ordinary Share Capital £m	Share Premium £m	Preference Share Capital £m	Cash flow hedge reserve	Translation Reserve £m	Accumulated Losses £m	Total Equity £m
Balance at 1 January 2017	**-**	**234.8**	**-**	**-**	**11.9**	**(191.0)**	**55.7**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(22.3)**	**(22.3)**
Net (loss)/gain on cash flow hedges	**-**	**-**	**-**	**(0.2)**	**-**	**-**	**(0.2)**
Exchange gains on translation of foreign operations	**-**	**-**	**-**	**-**	**1.6**	**-**	**1.6**
Total comprehensive gain/(loss) for the year	**-**	**-**	**-**	**(0.2)**	**1.6**	**(22.3)**	**(20.9)**
Redemption of preference shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share capital issued at a premium	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2017	**-**	**234.8**	**-**	**(0.2)**	**13.5**	**(213.3)**	**34.8**

2016	Ordinary Share Capital £m	Share Premium £m	Preference Share Capital £m	Cash flow hedge reserve	Translation Reserve £m	Accumulated Losses £m	Total Equity £m
Balance at 1 January 2016	-	-	222.3	-	6.9	(144.1)	85.1
Loss for the period	-	-	-	-	-	(46.9)	(46.9)
Exchange gains on translation of foreign operations	-	-	-	-	5.0	-	5.0
Total comprehensive gain/(loss) for the year	-	-	-	-	5.0	(46.9)	(41.9)
Redemption of preference shares	-	-	(222.3)	-	-	-	(222.3)
Share capital issued at a premium	-	234.8	-	-	-	-	234.8
Balance at 31 December 2016	-	234.8	-	-	11.9	(191.0)	55.7

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2017

	2017 £m	2016 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(23.4)**	(49.9)
Adjustments for:		
Amortisation and depreciation	**20.9**	20.6
Impairment of Goodwill	**-**	37.2
Impairment of tangible fixed assets	**0.6**	1.3
Impairment of intangible assets	**1.5**	4.2
Interest expense	**21.7**	29.0
Interest income	**(0.6)**	(0.6)
Equity settled share based payments	**0.8**	0.8
Unrealised foreign exchange (gain)/loss	**1.0**	(22.5)
	22.5	20.1
Decrease in inventories	**0.2**	-
Decrease in trade and other receivables	**19.5**	5.6
(Decrease) in unearned revenues	**(1.1)**	(11.6)
(Decrease)/Increase in provisions	**1.1**	11.2
(Decrease)/Increase in trade and other payables	**(15.9)**	4.4
	26.3	29.7
Interest paid and financing costs	**(13.8)**	(25.7)
Tax refunded/(paid)	**(0.8)**	0.2
Net cash generated from operating activities	**11.7**	4.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**0.6**	0.6
Purchase of fixed assets	**(7.9)**	(8.7)
Purchase of intangible assets	**(5.5)**	(8.1)
Net cash used in investing activities	**(12.8)**	(16.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from draw down/(repayment) of revolving credit facility	**4.0**	(4.6)
Net proceeds from refinancing	**-**	218.2
Repayment of bond and associated costs	**-**	(209.5)
Proceeds from subordinated shareholder debt	**-**	(0.6)
	4.0	3.5
Net (decrease)/increase in cash and cash equivalents	**2.9**	(8.5)
Cash and cash equivalents at the beginning of the financial year	**21.2**	21.3
Effect of exchange rate movements	**(1.6)**	8.4
	22.5	21.2

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Date of incorporation

EDU UK Intermediate Limited was incorporated on 15 June 2010 and is a company incorporated, domiciled and registered in the United Kingdom. The Group consolidated financial statements were authorised for issue by the Board of Directors on 14 March 2018.

Accounting policies for the year ended 31 December 2017

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 Limited Group for the year to 31 December 2017.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006 applicable to companies reporting under IFRS and IFRIC interpretations. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 54 to 58.

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 1.23.

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

1.3 BASIS OF CONSOLIDATION

Subsidiaries

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

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

Joint Arrangements

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Application of the equity method to joint ventures

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

1.4 REVENUE RECOGNITION

Revenue is recognised as follows:

(a) Tuition revenue

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

(b) Online distance learning revenue

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

(c) Accommodation revenue

Accommodation revenue is recognised as the accommodation service is provided.

(d) Placement revenue

Placement revenue is recognised when the following conditions are met:
- the student commences the academic term at their enrolled institution; and
- initial payment is received.

(e) Licence revenue

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

(f) Other revenue

Other revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity.

1.5 STUDENT ACQUISITION COSTS

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

1.6 LEASES

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.7 EXCEPTIONAL AND OTHER ITEMS

Due to their material nature, certain exceptional and non-trading items have been classified separately in order to 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 contracts. Other non-trading items include shareholder fees and unrealised gains and losses on structural intragroup foreign exchange balances and derivative instruments.

1.8 GOODWILL

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

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

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

1.9 INTANGIBLES

Intangible assets acquired separately

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

Internally-generated intangible assets

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Course Development	3 years
Software Development	3-5 years

Intangible assets acquired in a business combination

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

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

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

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

1.10 TANGIBLE FIXED ASSETS

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

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

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

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

Freehold land is not depreciated.

1.11 IMPAIRMENT OF NON-CURRENT ASSETS

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.12 INVENTORIES

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

1.13 FINANCIAL INSTRUMENTS

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

a) Trade receivables

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

b) Trade payables

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

c) Borrowings

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

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

d) Financial liabilities and equity

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

1.14 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

a) Derivative financial instruments

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

b) Fair value hedges

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Cash flow hedges

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

d) Hedge of a net investment

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

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

1.15 PROVISIONS

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

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

1.16 TAXATION INCLUDING DEFERRED TAX

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

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

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

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

1.17 DISCONTINUED OPERATIONS

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

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

Or

- is a subsidiary acquired exclusively with a view to resale

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.18 CASH AND CASH EQUIVALENTS

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

1.19 EMPLOYEE BENEFITS

Defined contribution plans

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

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

Employee leave entitlements

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

Share based payments

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.20 SHARE CAPITAL AND SHARE PREMIUM

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

1.21 FOREIGN CURRENCY

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

1.22 FINANCIAL RISK MANAGEMENT

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

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to be approximate to their book values. The fair values of the derivative financial instruments are disclosed in Note 14.

1.23 KEY AREAS OF JUDGEMENT

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

a) Goodwill and Intangibles

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) Income taxes

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

c) Deferred tax assets

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

d) Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by Study Group. Provisions are shown in Note 13. Contingent liabilities related to pending litigation or outstanding claims subject to negotiation as well as other contingent liabilities require the Group to exercise judgement when recognising in the financial statements. Contingent liabilities are set out in Note 20.

1.24 REVISIONS TO IFRS NOT APPLICABLE IN 2017

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

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables on a lifetime basis. The Group expects that the increase in the loss allowance, and corresponding related decrease in the deferred tax liability, will not be material.
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2017 the Group performed a detailed review and impact assessment of IFRS 15.

We have concluded that all revenue will be recognised as under current revenue standards, with one exception, being HE multi-year matriculation revenue and placement fees in North America. These are currently recognised at the beginning of each year or semester that the matriculation or placement relates to; however under IFRS15, given that the performance obligation is met in full at the point when matriculation, or the placement, is confirmed, revenue should be recognised at the point when matriculation or placement is confirmed for all semesters and years, with an estimate of subsequent year amounts being made by taking into account average progression rates.

Additionally, there are some costs incurred solely in relation to the winning and delivering of new contracts in recent years which meet the criteria to be capitalised under IFRS 15, and the cost amortised over the life of the contract.

The necessary changes as outlined above will be implemented in the 2018 financial statements, using the full retrospective method. The combined changes in revenue and costs are expected to result in an increase of between £2.2 million and £2.5 million to opening P&L reserves at the start of the 2017 comparative year, and an increase of between £2.4 million and £3.0 million in reserves at the end of the comparative year, and therefore an increase of between £0.2 million and £0.5 million in net profit in 2017.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For all other leases, at the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

IFRS 16 also requires lessees to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

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

2. SEGMENTAL ANALYSES

The primary reportable segments of the Group have been identified as UK & Europe Pathways, ANZ Pathways, North America Pathways, High School, HE Proprietary Brands and Embassy. These are in line with the internal reporting of the Group's performance to the Chief Operating Decision Maker, identified as the CEO, David Leigh. Goodwill has been allocated to each segment, where the segment is also a CGU (see Note 8).

£m	Revenue Year ended 31 December		Adjusted EBITDA[(i)] Year ended 31 December	
	2017	**2016**	**2017**	**2016**
On a continuing operations basis:				
University Pathways business				
UK & Europe	79.8	81.6	21.7	23.0
ANZ	124.5	87.7	41.9	26.2
North America	6.5	8.3	(2.7)	(1.5)
Total University Pathways	**210.8**	**177.6**	**60.9**	**47.7**
High Schools	41.8	44.8	1.1	1.7
HE Proprietary Brands	35.4	34.3	3.7	4.8
Embassy	49.8	53.7	0.7	0.9
Unallocated functional & corporate costs	-	-	(26.5)	(24.9)
Total revenue and adjusted EBITDA	**337.8**	**310.4**	**39.9**	**30.2**
Exceptional and other items	-	-	(5.7)	(15.1)
Total revenue and reported EBITDA	337.8	310.4	34.2	15.1

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

The above adjusted EBITDA has been reconciled to the loss before tax on the face of the consolidated statement of Group comprehensive income on page 17.

Geographical Segments – external revenue

	2017	**2016**
	£m	**£m**
United Kingdom & Europe	**144.5**	149.5
Australia & New Zealand	**175.5**	136.9
North America	**17.8**	24.0
Total	**337.8**	310.4

During the period there was no trading between segments and central and shared costs have been allocated on a reasonable and consistent basis.

3. FINANCE COSTS

	2017 £m	2016 £m
Finance costs:		
Interest – revolving credit facility	**(1.5)**	(2.6)
Interest - 8.875% Senior Secured Loan Notes	**-**	(15.4)
Interest – term loan	**(16.2)**	(2.2)
Amortisation of deferred finance setup costs	**(2.3)**	(1.3)
Other finance costs	**(1.5)**	(1.2)
Unwinding of discount and effect of changes in discount rate on provisions (Note 7)	**(1.1)**	-
Unrealised foreign exchange losses (Note 7)	**(1.0)**	-
Costs relating to refinancing (Note 7)	**(0.2)**	(6.3)
	(23.8)	(29.0)
Finance income:		
Bank interest	**0.6**	0.6
Unrealised foreign exchange gains (Note 7)	**-**	22.5
	0.6	23.1
Net finance costs	**(23.2)**	(5.9)

4. OPERATING PROFIT/(LOSS)

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

	2017 £m	2016 £m
Depreciation of property, plant and equipment:	**7.8**	8.7
Amortisation of intangible assets	**12.9**	11.5
Operating lease rentals payable	**36.1**	30.8
Impairment of Goodwill	**-**	14.5
Impairment of intangible assets	**-**	3.1
Impairment of tangible fixed assets	**0.4**	1.3
Allowance for bad debt	**0.7**	0.9

Services provided by the Group's auditor and network firms

	2017 £m	2016 £m
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**0.4**	0.4
Total fees payable for audit services	**0.5**	0.5
Fees payable to the Company's auditor and its associates for other services:		
- Services relating to taxation compliance	**-**	0.1
- Services relating to taxation advisory services	**-**	-
	0.5	0.6

5. DISCONTINUED OPERATIONS

As result of regulatory reforms announced by the Australian government in October 2016, a decision was taken during the year to discontinue the VET business. It was announced in Q2 2017 that Study Group would no longer be accepting new student enrolments into the VET brands, and that only students already enrolled in eligible courses, who have paid course fees in full or opted in to continue to receive loan funding for census periods arising in 2017, will be taught to the completion of their courses.

Accordingly, VET was classified as a discontinued operation and is no longer presented in the segmental note. The results of the VET business for the year are presented below:

	2017	2016
	£m	£m
Revenue	**8.6**	29.9
Operating expenses	**(12.6)**	(22.9)
(LOSS)/EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, NET FINANCING COSTS AND TAXATION:	**(4.0)**	7.0
Depreciation and amortisation	**(0.2)**	(0.4)
Impairment	**(1.7)**	(23.8)
Other exceptional costs	**(7.4)**	(2.9)
Loss before tax from discontinued operations	**(13.3)**	(20.1)
Tax credit/(charge):	**4.0**	(0.7)
Loss for the year from discontinued operations	**(9.3)**	(20.8)

The impairment recognised in 2017 relates to the full write down of intangible and tangible fixed assets in the VET business at the time of discontinuation, and includes £0.9 million of course development, £0.4 million of brands, £0.2 million of agent network and £0.2 million of leasehold improvements. Impairment in 2016 included £22.7 million of goodwill and £1.1 million of course development.

For details of other exceptional costs, see note 7.

The net cash flows incurred by the VET business are as follows:

	2017	2016
	£m	£m
Net cash from operating activities	**(24.2)**	27.1
Net cash from investing activities	**(0.3)**	(1.3)
Net cash (outflow)/inflow	**(24.5)**	25.8

6. TAXATION

Analysis of tax (charge)/credit in the year

	2017	2016
	£m	£m
Current tax		
- UK current tax on loss for the year	-	(0.7)
- Adjustments in respect of prior periods	-	7.2
- Overseas current tax on losses for the year	**(0.3)**	(0.4)
- Overseas adjustments in respect of prior periods	**0.1**	1.6
Total current tax (charge)/credit to the Statement of comprehensive income	**(0.2)**	7.7
Analysed by:		
Total current tax charge attributable to a discontinued operation	-	(0.7)
Total current tax (charge)/credit on continuing operations	**(0.2)**	8.4
Total current tax (charge)/credit	**(0.2)**	7.7
Deferred Tax (Note 16)		
- UK origination and reversal of temporary differences	**1.4**	0.9
- Adjustments in respect of prior periods	-	0.1
- Overseas origination and reversal of temporary differences	**(0.1)**	(5.7)
Total deferred tax credit/(charge) to the Statement of comprehensive income	**1.3**	(4.7)
Analysed by:		
Total deferred tax credit attributable to a discontinued operation	**4.0**	-
Total deferred tax charge on continuing operations	**(2.7)**	(4.7)
Total current tax credit/(charge)	**1.3**	(4.7)
Total tax credit to the Statement of comprehensive income	**1.1**	3.0
Analysed by:		
Total tax credit/(charge) attributable to a discontinued operation	**4.0**	(0.7)
Total tax (charge)/credit on continuing operations	**(2.9)**	3.7
Total tax credit to the Statement of comprehensive income	**1.1**	3.0

6. TAXATION (CONT'D)

The tax for the year differs to the standard rate of corporation tax in the UK 19.25% (2016: 20.00%). 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:

	2017	2016
	£m	£m
Loss before taxation from continuing operations	**10.1**	29.8
Loss before tax from a discontinued operation	**13.3**	20.1
Loss before taxation	**23.4**	49.9
Loss on ordinary activities multiplied by rate of corporation tax in UK of 19.25% (2016: 20.00%)	**4.5**	10.0
Effects of:		
Items not taxable or deductible	**(6.2)**	(5.8)
Group relief not paid	**-**	0.8
Tax losses not recognised/paid	**(2.0)**	(5.5)
Timing differences	**(0.1)**	(4.0)
Difference on overseas rates of tax	**4.8**	(0.6)
Withholding tax written off	**-**	(0.6)
Adjustments in respect of prior periods – corporation tax	**0.1**	8.6
Adjustments in respect of prior periods – deferred tax	**-**	0.1
Total taxation credit	**1.1**	3.0

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

7. EXCEPTIONAL AND OTHER ITEMS

	Group Exceptional Items 2017 £m	Group Other items 2017 £m	Group Total 2017 £m	Group Exceptional Items 2016 £m	Group Other items 2016 £m	Group Total 2016 £m
Exceptional and other items included within operating profit/(loss):						
Restructuring costs	2.8	-	**2.8**	2.7	-	2.7
Property provision	1.5	-	**1.5**	10.4	-	10.4
Shareholder & management fees	-	0.8	**0.8**	-	0.9	0.9
Other	(0.2)	0.8	**0.6**	0.3	0.8	1.1
	4.1	**1.6**	**5.7**	13.4	1.7	15.1
Impairment	**0.4**	-	**0.4**	18.9	-	18.9
Exceptional and other items included within finance costs:						
Foreign exchange losses/(gains)	-	1.0	**1.0**	-	(22.5)	(22.5)
Unwinding of discount and effect of changes in discount rate on provisions	1.1	-	**1.1**	-	-	-
Costs relating to refinancing	0.2	-	**0.2**	6.3	-	6.3
	1.3	**1.0**	**2.3**	6.3	(22.5)	(16.2)
Exceptional and other items included within discontinued operations:						
Costs relating to discontinued operations	9.1	-	**9.1**	26.7	-	26.7
	9.1	**-**	**9.1**	26.7	-	26.7
Total exceptional and other costs	**14.9**	**2.6**	**17.5**	65.3	(20.8)	44.5

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

Exceptional items included within operating loss:

- Impairment was recognised on tangible assets held by Embassy and High Schools, on sites closed this year, totalling £0.4 million.
- Restructuring projects in the year included: £0.8 million in High Schools as steps were taken to reduce the cost base in response to lower student numbers, £0.7 million in Embassy as a number of loss making sites were closed in response to challenging trading conditions, £0.8 million in respect of a finance transformation project in the ANZ division, and £0.5 million relating to other restructuring projects.
- Adjustments to previously recognised provisions for onerous property contracts were booked, totalling £1.5 million.

7. EXCEPTIONAL AND OTHER ITEMS (CONT'D)

Exceptional items included within finance costs:

- Exceptional finance costs in the year consist of unavoidable fees arising from the 2016 refinancing project totalling £0.2m (2016: £6.3m), and the unwinding of the discount and changes to the discount rate on onerous property contract provisions totalling £1.1m (2016: £nil).

Exceptional items included within discontinued operations

- Exceptional items within discontinued operations include: the write off of prepaid commission of £2.7 million (2016: £nil), £1.5m impairment of course development, agent network and brand assets (2016: £22.7m goodwill and £1.1m intangible assets), a provision for refunds of £1.6 million (2016: £0.9 million), onerous property contract provisions of £1.0 million (2016: £1.5 million), and other discontinuation costs, including redundancy costs and legal fees, of £2.3 million (2016: £0.5 million).

Other items:

- Other items within operating loss consist of management fees and expenses charged by Providence Equity, Petersen Investments, and non-executive directors totalling £0.8 million (2016: £0.9 million) and share based payment charges of £0.8 million (2016: £0.8 million).
- Unrealised foreign exchange losses for the year were £1.0 million (2016: £22.5 million gain) and are also included within 'Other' items.

8. INTANGIBLE ASSETS

2017	Goodwill	Software	Course Development	Agent Network and Customer Lists	Brands	Centre Contract	Total
	£m	£m	£m	£m	£m	£m	£m
COST							
At 1 January 2017	426.2	35.4	4.4	59.1	26.0	1.7	552.8
Additions	-	4.8	0.6	-	0.1	-	5.5
Disposals	-	-	(0.1)	-	(1.0)	-	(1.1)
Exchange difference	(5.0)	(0.4)	-	(1.0)	(0.4)	-	(6.8)
At 31 December 2017	**421.2**	**39.8**	**4.9**	**58.1**	**24.7**	**1.7**	**550.4**
ACCUMULATED AMORTISATION & IMPAIRMENT							
At 1 January 2017	90.1	19.8	2.9	43.8	20.9	0.6	178.1
Charge for the year	-	6.2	0.4	4.9	1.4	0.2	13.1
Disposals	-	-	(0.1)	-	(1.0)	-	(1.1)
Impairment charge	-	-	0.9	0.2	0.4	-	1.5
Exchange difference	(4.0)	(0.3)	-	(0.8)	(0.4)	-	(5.5)
At 31 December 2017	**86.1**	**25.7**	**4.1**	**48.1**	**21.3**	**0.8**	**186.1**
Net book value at 31 December 2017	**335.1**	**14.1**	**0.8**	**10.0**	**3.4**	**0.9**	**364.3**

8. INTANGIBLE ASSETS (CONT'D)

2016	**Goodwill**	**Software**	**Course Development**	**Agent Network and Customer Lists**	**Brands**	**Centre Contract**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
COST							
At 1 January 2016	396.2	24.8	2.5	54.5	23.8	1.4	503.2
Additions	-	6.6	1.5	-	-	-	8.1
Exchange difference	30.0	4.0	0.4	4.6	2.2	0.3	41.5
At 31 December 2016	426.2	35.4	4.4	59.1	26.0	1.7	552.8
ACCUMULATED AMORTISATION & IMPAIRMENT							
At 1 January 2016	44.8	13.0	1.3	32.3	17.6	0.3	109.3
Charge for the year	-	4.2	0.3	5.5	1.6	0.2	11.8
Impairment charge	37.2	-	1.1	2.8	0.3	-	41.4
Exchange difference	8.1	2.6	0.2	3.2	1.4	0.1	15.6
At 31 December 2016	90.1	19.8	2.9	43.8	20.9	0.6	178.1
Net book value at 31 December 2016	336.1	15.6	1.5	15.3	5.1	1.1	374.7

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

Impairment review

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

Based on the tests performed, no impairment has been recorded in 2017.

In 2016, as a result of reduced student numbers in each of the Embassy, VET and High School businesses and the resulting decrease in EBITDA, the directors concluded that the carrying values of goodwill in those CGUs were impaired and as such impairment charges of £13.0 million, £22.7 million and £4.6 million respectively were recognised against those CGUs. Of this total £40.3 million impairment charge, £37.2 million was recognised against goodwill, £2.8 million against agent network and customer lists and £0.3 million against brands. There was £nil goodwill remaining in those CGUs following the impairment.
Following the decision to discontinue the VET business, an impairment of £1.5 million has been recognised against course development, brands and agent network and customer lists assets in that business (2016: £1.1 million against course development assets).

Key assumptions used in the value in use calculation

	2017 All CGUs	**2016 All CGUs**
Pre-tax discount rate	11%	11.3%
Long term growth rate	2%	2.5%

The EBITDA projections considered as at 31 December 2017 were based on the latest Board approved forecast for 2018, with the following years being based on the 'five year plan' growth rates by CGU.

8. INTANGIBLE ASSETS (CONT'D)

Sensitivity to changes in assumptions

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

9. TANGIBLE FIXED ASSETS

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

9. TANGIBLE FIXED ASSETS (CONT'D)

2016	Freehold land and buildings	Leasehold improvements	Equipment	Asset retirement obligation	Total
	£m	£m	£m	£m	£m
COST					
At 1 January 2016	5.2	28.7	33.3	2.5	69.7
Additions	-	5.2	3.3	0.2	8.7
Disposals	-	(1.6)	(1.0)	-	(2.6)
Exchange difference	-	4.5	3.7	(0.1)	8.1
At 31 December 2016	5.2	36.8	39.3	2.6	83.9
ACCUMULATED DEPRECIATION					
At 1 January 2016	0.6	13.7	22.8	0.4	37.5
Charge for the year	0.1	3.5	5.0	0.2	8.8
Disposals	-	(1.6)	(1.0)	-	(2.6)
Impairment	-	0.9	0.4	-	1.3
Exchange difference	-	2.1	2.9	-	5.0
At 31 December 2016	0.7	18.6	30.1	0.6	50.0
Net book value at 31 December 2016	4.5	18.2	9.2	2.0	33.9

Freehold land is not depreciated.

Impairment review

Tangible fixed assets are reviewed for impairment once indicators of impairment are identified. Impairment of £0.6 million (2016: £1.3 million) was recorded, being £0.3 million against VET leasehold improvements, due to the discontinuation of that business, and £0.3 million against Bellerbys' and Embassy leasehold improvements on sites closed during the year.

10. INVESTMENTS

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

	Investments in joint venture 2017	Investments in joint venture 2016
	£m	£m
Balance at the beginning of the year	**0.1**	0.1
Share of associate's profit	**0.1**	0.1
At 31 December	**0.2**	0.2

Subsidiary Undertakings

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

10. INVESTMENTS (CONT'D)

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

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

(ii) EDU UK Management Services Ltd (registered number: 07285370), Study Group Holdings UK Ltd (registered number: 05888001), and Study Group Distance Learning Ltd (registered number: 07145464), wholly owned subsidiaries of the company, are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A for non-dormant subsidiaries. All outstanding liabilities as at 31 December 2017 of EDU UK Management Services Ltd, Study Group Holdings UK Ltd, Study Group Ltd and Study Group Distance Learning Ltd have been guaranteed by the company and no liability is expected to arise under the guarantee.

11. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
CURRENT:		
Trade receivables[(i)]	**86.2**	120.8
Less: provision for impairment of receivables	**(8.6)**	(10.4)
Trade receivables – net	**77.6**	110.4
Other receivables	**20.1**	3.8
Prepayments	**27.1**	32.0
	124.8	146.2
NON CURRENT:		
Trade receivables[(i)]	**6.1**	4.8

(i) Tuition fees in some jurisdictions are invoiced in full prior to course commencement; however they are not payable until commencement of each semester resulting in non-current receivables. No interest is charged on trade receivables.

Trade receivables can be analysed as follows:

Ageing of trade receivables net of provision

Ageing of trade receivables net of provision	2017 £m	2016 £m
Not past due	**72.7**	107.9
30 - 60 days	**2.6**	3.0
60 - 90 days	**2.1**	1.1
90 - 120 days	**2.1**	0.4
> 120 days	**4.2**	2.8
	83.7	115.2

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	2017 £m	2016 £m
1 - 120 days	**-**	-
> 120 days	**(8.6)**	(10.4)
	(8.6)	(10.4)

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

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

12. TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
CURRENT:		
Trade payables	**28.1**	50.9
Other payables and accruals	**52.7**	46.0
Interest accrued – term loans	**6.5**	0.9
	87.3	97.8

	2017 £m	2016 £m
NON CURRENT:		
Other payables and accruals	**11.5**	12.0
	11.5	12.0

13. PROVISIONS

	2017 £m	2016 £m
CURRENT:		
Employee benefits	**5.4**	5.1
Property provisions	**6.0**	4.1
Restructuring and other	**1.7**	1.5
	13.1	10.7

	2017 £m	2016 £m
NON CURRENT:		
Employee benefits	**1.0**	1.2
Property provisions	**11.8**	13.0
	12.8	14.2

13. PROVISONS (CONT'D)

Movement on Provisions:	Employee Benefit	Property	Restructuring	Other	Total
	2017	2017	2017	2017	2017
	£m	£m	£m	£m	£m
Balance at the start of the year	6.3	17.1	-	1.5	24.9
Additional provision recognised	3.0	3.5	0.4	1.8	8.7
Unwinding of discount and changes in the discount rate	-	1.1	-	-	1.1
Provisions utilised	(2.6)	(3.5)	(0.2)	(1.8)	(8.1)
Reversal of provisions	(0.2)	(0.3)	-	-	(0.5)
Exchange movements	(0.1)	(0.1)	-	-	(0.2)
	6.4	17.8	0.2	1.5	25.9

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

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

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

14. BORROWINGS

	Interest rate	Maturity	2017 £m Principal	2017 £m Value	2016 £m Value
CURRENT BORROWINGS					
£49.0m Revolving credit facility	4.75% + Libor/BBSY	2021	20.8	18.5	14.2
			20.8	18.5	14.2
NON CURRENT BORROWINGS					
Secured borrowings at amortised cost					
£115.0m Term loan	5.75% Libor	2022	115.0	111.2	110.5
$110.2m Term loan	5.75% BBSY	2022	63.8	61.6	61.8
$81.8m Term loan	5.75% BBSY	2022	47.3	45.4	45.4
			226.1	218.2	217.7

14. BORROWINGS (CONT'D)

Undrawn borrowing facilities

At 31 December 2017, the Group had available £22.6 million (December 2016: £26.1 million) of undrawn committed borrowing facilities, with £20.8 million (2016: £17.3 million) of the £49.0 million facility drawn as a loan and £5.6 million (2016: £5.6 million) utilised for lease guarantees. Debt issue costs are amortised to the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

15. FINANCIAL INSTRUMENTS

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

Net investment hedge

At 31 December 2017, the Group had entered into a net investment hedge using the AUD $110.2 million drawn in the UK to hedge the Group's foreign operations. The hedge is deemed 100% effective up to the value of the loan.

Hedging activities and derivatives

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

Fair values of non-derivative financial assets and liabilities

At 31 December 2017 there is no difference between the carrying amount and fair value of each of the following classes of financial assets and liabilities, principally due to their short maturity: trade and other receivables, cash at bank and in hand, trade and other payables and current borrowings. There is no significant difference between the fair value and carrying amount of non-current borrowings as the impact of discounting is not significant.

Foreign currency sensitivity

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

	Income Sensitivity 2017 £m	**Equity Sensitivity 2017 £m**	Income Sensitivity 2016 £m	Equity Sensitivity 2016 £m
Australian Dollar	**(2.7)**	**(2.7)**	(3.2)	0.3
US Dollar	**0.8**	**(1.0)**	0.8	(1.7)
Other	**0.8**	**(0.1)**	0.7	(0.2)
Equity decrease	**(1.1)**	**(3.8)**	(1.7)	(1.6)

15. FINANCIAL INSTRUMENTS (CONT'D)

Foreign exchange rates

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

	31 December 2017	31 December 2016
Australian Dollar - period average	**1.6811**	1.8252
Australian Dollar - period end	**1.7285**	1.7136
US Dollar - period average	**1.2887**	1.3554
US Dollar - period end	**1.3493**	1.2341

Capital risk management

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

	2017 £m	2016 £m
Total borrowings (Note 14)	**246.9**	244.3
Less: Total cash and cash equivalents	**(22.5)**	(21.2)
Net Debt	**224.4**	223.1
Total Equity	**34.8**	55.7
Total Capital	**259.2**	278.8
Gearing	**87%**	80%

16. DEFERRED TAX

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

	2017 £m	2016 £m
Balance at the beginning of the year	**6.5**	9.5
Credit/(charge) to statement of comprehensive income (Note 6)	**1.3**	(4.7)
Cash flow hedge reserve losses (Note 18)	**0.1**	-
Exchange differences	**-**	1.7
Net deferred tax liability at end of the year	**7.9**	6.5

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.

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

	2017 £m	2016 £m
Deferred tax assets and liabilities relates to the following:		
Deferred tax assets		
Tax losses carried forward	**1.4**	8.6
Property, plant and equipment	**1.9**	1.2
Accruals and provisions	**8.7**	7.8
Cash flow hedge reserve (Note 18)	**0.1**	-
	12.1	17.6
Deferred tax liabilities		
Property, plant and equipment	**(0.1)**	(0.1)
Unrealised forex gains	**-**	(4.3)
Intangible assets	**(4.1)**	(5.4)
Prepayments	**-**	(1.3)
	(4.2)	(11.1)
Net deferred tax asset	**7.9**	6.5
Presented in the statement of financial position as follows:		
Deferred tax assets	**7.9**	7.3
Deferred tax liabilities	**-**	(0.8)
Net deferred tax liabilities	**7.9**	6.5

17. SHARE CAPITAL

	2017 Number of shares	2017 £	2016 Number of shares	2016 £
Ordinary shares authorised, allotted and issued of £1 each				
Balance at the beginning of the year	**3**	**3**	1	1
New issues of shares	**-**	**-**	2	2
Balance at 31 December	**3**	**3**	3	3

18. CASH FLOW HEDGE RESERVE

	2017 £m	2016 £m
Losses arising during the year on interest rate swaps:		
Loss during the year of not-yet matured contracts	**(0.3)**	-
Deferred tax asset on cash flow hedge reserve losses (note 16)	**0.1**	-
	(0.2)	-

19. EMPLOYEES

	2017 £m	2016 £m
Staff costs for the Group during the year:		
Wages and salaries	**124.2**	120.2
Social security costs	**10.6**	10.0
Superannuation and other pension costs	**7.1**	6.8
	141.9	137.0

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

	2017 £m	2016
Teaching (Direct and Indirect)	**2,142**	2,142
Sales, marketing and distribution	**398**	362
Administration	**705**	821
	3,245	3,325

Key management compensation:

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

19. EMPLOYEES (CONT'D)

	2017 £m	2016 £m
Salaries and short-term benefits	**4.7**	3.3
Termination payments	**-**	0.2
Post-employment benefits	**0.2**	0.2
	4.9	3.7

Aggregate Directors' remuneration:

The total amount for directors' remuneration was as follows:

	2017 £m	2016 £m
Salaries and short-term benefits	**1.6**	1.1
	1.6	1.1

Highest paid director	**2017 £m**	2016 £m
Salaries and short-term benefits	**1.0**	0.6
	1.0	0.6

20. FINANCIAL COMMITMENTS

CAPITAL COMMITMENTS

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

	2017 £m	2016 £m
Less than one year	**3.9**	1.8
Between one and five years	**4.4**	0.8
More than five years	**1.6**	-
	9.9	2.6

CONTINGENT LIABILITIES

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

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

The Group had £25.5 million (2016: £25.5 million) in outstanding bank guarantees at the end of the year against a AUD34.2 million lease line facility opened as part of the refinance and £5.5 million against the revolving credit facility. The majority of these are guarantees against future rental commitments.

21. OPERATING LEASE COMMITMENTS

	2017 £m	2016 £m
Lease payments under operating leases recognised as an expense in the year	**36.1**	30.8

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

	Land and Buildings	
	2017 £m	2016 £m
Not later than one year	**31.3**	30.9
Later than one year but not more than five years	**106.7**	106.1
More than five years	**107.0**	124.9
	245.0	261.9

22. 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 (2016: £0.5 million) to Providence Equity Partners VI International LP during the year with £0.3 million outstanding at year end (2016: £0.3 million). The Group paid Petersen Investments Company Pty Limited £0.2 million (2016: £0.2 million) with £nil outstanding at year end (2016: £nil) and there were other management fees paid on behalf of its parent, EDU Topco Ltd, with fees payable to John Hood of £0.1 million (2016: £0.1 million), Will Ethridge of £0.1 million (2016: £0.0 million) and Dennis Dracup of £0.1 million (2016: £0.1 million) as well as management expenses of £0.0 million (2016: £0.0 million).

The Group had £0.7 million (2016: £5.6 million) intercompany transactions with EDU UK Topco Ltd, its immediate parent entity and has balances due to EDU UK Topco Ltd of £3.0 million at the reporting date (2016: £2.3 million).

Trading transactions

	Sale of goods		Purchase of goods		Amounts owed to related parties	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Company under common control	**0.1**	0.6	-	0.4	-	0.1

Director's interests in shares

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

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is EDU UK Topco Limited.

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 Limited and the parent company of the smallest consolidated group is EDU UK Intermediate Limited.

24. EVENTS AFTER THE BALANCE SHEET DATE

On the 15 January 2018 a decision was made by the Australian Skills Quality Authority (ASQA) to cancel, Study Group Australia Pty's (SGA) registration as a provider of vocational education courses. The provision of these courses form the VET business, which was discontinued during the first half of 2017. SGA disputes the ASQA decision and has submitted an appeal to the Administrative Appeals Tribunal ('AAT'). In the interim, ASQA has consented to a stay of the licence cancellation pending the outcome of the appeal.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	**31 December 2017**	31 December 2016
		£m	£m
ASSETS			
NON-CURRENT ASSETS			
Investments	3	**234.9**	234.9
Trade and other receivables		**0.1**	-
		235.0	234.9
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	4	-	0.3
		-	0.3
NET ASSETS		**235.0**	234.6
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	5	-	-
Preference Share Capital		-	-
Share premium		**234.8**	234.8
Accumulated losses		**0.2**	(0.2)
TOTAL EOUITY		**235.0**	234.6

The financial statements and notes on pages 54 to 58 were approved by the Board of directors on 14 March 2018 and were signed on its behalf by Emma Lancaster.

E Lancaster
Director EDU UK Intermediate Limited Registered no. 07285315

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

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year ended 31 December 2017

2017	**Ordinary Share Capital £m**	**Preference Share Capital £m**	**Share Premium £m**	**Accumulated Losses £m**	**Total Equity £m**
Balance at 1 January 2017	**-**	**-**	**234.8**	**(0.2)**	**234.6**
Result for the period	**-**	**-**	**-**	**0.4**	**0.4**
Balance at 31 December 2017	**-**	**-**	**234.8**	**0.2**	**235.0**

2016	Ordinary Share Capital £m	Preference Share Capital £m	Share Premium £m	Accumulated Losses £m	Total Equity £m
Balance at 1 January 2016	-	222.3	-	(0.1)	222.2
Result for the period	-	-	-	(0.1)	(0.1)
Redemption of preference shares	-	(222.3)	-	-	(222.3)
Issue of share capital at a premium	-	-	234.8	-	234.8
Balance at 31 December 2016	-	-	234.8	(0.2)	234.6

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Accounting policies for the year ended 31 December 2017

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

The Company financial statements were approved by the Board of Directors on 14 March 2018.

1.2 BASIS OF PREPARATION

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

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

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

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

1.3 INVESTMENTS

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

1.4 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.

1.5 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.6 FINANCIAL INSTRUMENTS

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

a) Trade and other receivables

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

b) Trade and other payables

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

2. OPERATING RESULT

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

3. INVESTMENTS

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

	Ordinary Share Capital £'000	Preference Share Capital £'000	Share Premium £'000	Total Equity £'000
Cost at 1 January 2017	50	-	234,840	234,890
Redemption of preference shares	-	-	-	-
Issue of share capital at a premium	-	-	-	-
Cost at 31 December 2017	50	-	234,840	234,890

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.

The Company received dividend income of £200,000 (2016: £46,083) from its investment in subsidiaries in the year, settled at the year end.

COMPANY SUBSIDIARY UNDERTAKINGS

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

Name of Entity	Country of Incorporation	Ownership Interest %	Nature
Controlled Entities:			
EDU UK Management Services Ltd	United Kingdom	100	Holding
EDU UK Bondco Plc	United Kingdom	100	Holding

4. OTHER PAYABLES

	2017	2016
	£m	£m
NON CURRENT:		
Other payables	**-**	0.3

5. SHARE CAPITAL

	2017		2016	
	Number of shares	**£**	Number of shares	£
Ordinary shares authorised, allotted and issued of £1 each	**3**	**3**	3	3

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

7. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is EDU UK Topco Limited.

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 Limited and the parent company of the smallest consolidated group is EDU UK Intermediate Limited.

8. RELATED PARTY TRANSACTIONS

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

9. EVENTS AFTER THE BALANCE SHEET DATE

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

10. CONTINGENT LIABILITIES

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.