EDU UK MANAGEMENT SERVICES LIMITED ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2018

Registered Number: 07285370

EDU UK MANAGEMENT SERVICES LIMITED

EDU UK MANAGEMENT SERVICES LIMITED
DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

E Lancaster
D Leigh
A Petersen
D Rammal
P Wilde

REGISTERED OFFICE

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

COMPANY REGISTERED NUMBER

Registered in England No. 07285370

EDU UK MANAGEMENT SERVICES LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for EDU UK Management Services Limited (the Company) for the year ended 31 December 2018. The Company is domiciled in the United Kingdom with its registered office at Brighton Study Centre, 1 Billinton Way, Brighton, East Sussex, BN1 4LF. The Company is a part of a group (the Group) which is consolidated within the parent company EDU UK Topco Limited. The Group is headquartered in London.

During the year, the Company continued to provide management services and hold financing for the Group in which it is an indirect subsidiary of the parent company, EDU UK Topco Limited.

BUSINESS REVIEW

The loss for the financial year was £19,558,000 (2017: profit of £67,105,000). The directors do not recommend payment of a final dividend (2017: £nil). No interim dividend was paid during the year (2017: £200,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company provides management services to the Group in which it is consolidated. It does not generate revenue from parties outside of the consolidated Group and therefore the principal risk to the Company is the ability of the trading subsidiaries of the Group to continue to generate sufficient cash to meet its financing and operating requirements.

The risks to the subsidiaries are primarily global, economic and political risks; in particular those that impact on the willingness and ability of international students to travel to their centres to study, together with regulatory changes that may impede the ability of international students to study abroad. This is discussed further in EDU UK Topco Limited statutory accounts which are held at 1 Billinton Way, Brighton, BN1 4LF.

FUTURE DEVELOPMENTS

The Company will continue to operate as a management services company.

E Lancaster
Director
23 May 2019

EDU UK MANAGEMENT SERVICES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

GENERAL INFORMATION

EDU UK Management Services Limited is a management services company registered in England and Wales with the company number 07285370.

PRINCIPAL ACTIVITIES

The Company is an indirect subsidiary of EDU UK Topco Limited, which is the parent company of the Group. The principal activity of the Company is that of a management services company. The Group's principal activity is that of a private international education provider.

DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

E Lancaster
D Leigh
A Petersen
D Rammal
P Wilde

DIRECTORS' INDEMNITY PROVISION

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

FINANCIAL INSTRUMENTS

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

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

The main risks arising from the Company'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 Company's primary exposure to market interest rates relates to the Company's long-term borrowing obligations. The risk of the Company 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 575-625 basis points. For the rolling credit facility the margin is set at 475 basis points. The Group also may at times hold cash and cash equivalents which earn interest at a variable rate. The Company utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates.

In February 2017, the Company entered into interest swap agreements to fix the interest cost on part of the total value of the Company's term loans until 9 February 2019. The Company 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.

Liquidity risk

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

Foreign currency risk
The largest elements of the Company's external debt, being the term loans, are denominated part in Pound Sterling and part in Australian Dollars. The Company hedges the foreign exchange exposure on the Australian Dollar term loan using a fair value hedge (see Note 13). In addition, its leverage ratio (upon which its bank loan covenant compliance is calculated) is impacted by movements in foreign exchange rates; however this is something the Company regularly monitors and sensitises. The Company continues to review whether it would be beneficial to take out a foreign currency hedge to mitigate this risk.

POLITICAL CONTRIBUTIONS

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

CHARITABLE CONTRIBUTIONS

The Company made no charitable contributions during the year (2017: £nil).

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

EVENTS AFTER THE BALANCE SHEET DATE

Events between the balance sheet date and the date the financial statements were issued are disclosed in Note 19.

AUDIT EXEMPTION

For the year ending 31 December 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

E Lancaster
Director
23 May 2019

EDU UK MANAGEMENT SERVICES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board of Directors
and signed on behalf of the Board

E Lancaster
Director
23 May 2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover		**2,111**	1,747
Administrative expenses		**(5,747)**	(3,761)
Operating loss		**(3,636)**	(2,014)
Impairment of investment		-	(15,891)
Loss on disposal of investment	5	**(2,661)**	-
Investment income		-	100,000
Finance income	2	**131**	-
Finance costs	3	**(14,806)**	(14,990)
(Loss) / Profit on ordinary activities before taxation		**(20,972)**	67,105
Tax credit	4	**1,414**	-
(Loss) / Profit for the financial year		**(19,558)**	67,105
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that may be subsequently reclassified to profit or loss			
Net fair value gain / (loss) on cash flow hedges		**140**	(90)
OTHER COMPREHENSIVE GAIN / (LOSS) FOR THE FINANCIAL YEAR, NET OF TAX		**140**	(90)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE FINANCIAL YEAR		**(19,418)**	67,015

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	2018 £'000	2017 £'000
FIXED ASSETS			
Investments	5	**354,135**	329,384
Intangible assets	6	**164**	-
Tangible assets		**5**	-
CURRENT ASSETS			
Debtors	7	**101,921**	106,021
Deferred tax assets	11	**1,402**	21
Cash at bank and in hand		**43**	-
Derivative financial assets		**63**	-
Creditors: amounts falling due within one year	8	**(132,122)**	(87,153)
NET CURRENT (LIABILITIES) / ASSETS		**(28,693)**	18,889
TOTAL ASSETS LESS CURRENT LIABILITIES		**325,611**	348,273
Creditors: amounts falling due after more than one year	9	**(169,681)**	(172,925)
NET ASSETS		**155,930**	175,348
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Share premium		**234,841**	234,841
Hedging Reserve	14	**50**	(90)
Profit and loss account		**(78,961)**	(59,403)
TOTAL SHAREHOLDERS' FUNDS		**155,930**	175,348

For the year ending 31 December 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

These financial statements of EDU UK Management Services Limited, Company Registration Number 07285370, on pages 6 to 17 were approved by the Board of Directors and signed on its behalf by:

E Lancaster
Director
23 May 2019

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

2018	**Share capital** £'000	**Share Premium** £'000	**Cash Flow Hedge Reserve** £'000	**Profit and loss account** £'000	**Total Equity** £'000
Balance at 1 January 2018	-	234,841	(90)	(59,403)	175,348
Net gain on cash flow hedge	-	-	140	-	140
Loss for the year	-	-	-	(19,558)	(19,558)
Balance at 31 December 2018	**-**	**234,841**	**50**	**(78,961)**	**155,930**

2017	**Share capital** £'000	**Share Premium** £'000	**Cash Flow Hedge Reserve** £'000	**Profit and loss account** £'000	**Total Equity** £'000
Balance at 1 January 2017	-	234,841	-	(126,308)	108,533
Net loss on cash flow hedge	-	-	(90)	-	(90)
Dividends paid	-	-	-	(200)	(200)
Profit for the year	-	-	-	67,105	67,105
Balance at 31 December 2017	**-**	**234,841**	**(90)**	**(59,403)**	**175,348**

1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

EDU UK Management Services Limited is a company incorporated and domiciled in the UK. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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.

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;
- the requirements of IAS 38 Intangible Assets and has, therefore, not disclosed comparative period reconciliations for intangible assets;
- the requirements of IAS 24 Related Party Transactions and has, therefore, not disclosed transactions between the Company and its wholly owned subsidiaries;
- the effect of new but not yet effective IFRSs; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

1.3 GROUP FINANCIAL STATEMENTS

The financial statements contain information about EDU UK Management Services Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, EDU UK Topco Limited. The consolidated financial statements of EDU UK Topco Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Brighton Study Centre, 1 Billinton Way, Brighton, East Sussex, BN1 4LF.

1.4 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.

1.5 TURNOVER

Turnover represents the value of management services invoiced to subsidiaries and fellow group companies, net of Value Added Tax. The Company's activities consist of that of a management company.

1. ACCOUNTING POLICIES (CONT'D)

1.6 INVESTMENTS

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any impairment. Assets that have an indefinite useful life are tested for impairment where there is a trigger event. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, which is considered to be the higher of its value in use and fair value less costs to sell. In order to assess impairment, assets are grouped into the lowest levels for which there are separately identifiable cash flows.

1.7 INTANGIBLES

Intangible assets acquired separately

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

Internally-generated intangible assets

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

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

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

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

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

Software Development	3-5 years

1.8 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:

Leasehold improvements	- Term of lease
Asset Retirement obligations	- Term of lease

1. ACCOUNTING POLICIES (CONT'D)

1.9 PROVISIONS

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

1.10 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.

1.11 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) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

c) 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 re-measurement are recognised immediately in the income statement (even if those gains would normally be recognised in reserves).

d) Hedge of a net investment

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as Other Comprehensive Income 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 Company uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 13 for more details.

1.12 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. ACCOUNTING POLICIES (CONT'D)

1.13 GOING CONCERN

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Principal Risks and Uncertainties section of the Strategic Report on page 2.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.14 FOREIGN CURRENCY TRANSACTIONS

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.

2. FINANCE INCOME

	2018	2017
	£'000	£'000
Foreign exchange gains	**131**	-
	131	-

3. FINANCE COSTS

	2018	2017
	£'000	£'000
Foreign exchange losses	-	85
Interest – revolving credit facility	**557**	814
Interest – term loan	**12,565**	12,383
Other finance costs	**1**	125
Amortisation of finance costs	**1,683**	1,583
	14,806	14,990

4. TAXATION

Analysis of tax credit in the year

Current tax	**2018 £'000**	2017 £'000
UK corporation tax on losses for the year	-	-
Total current tax charge	-	-

Deferred tax (Note 11)	**2018 £'000**	2017 £'000
Prior year tax losses recognised in the year	**1,414**	-
Total deferred tax credit	**1,414**	-
Total tax credit to the Statement of comprehensive income	**1,414**	-

Reconciliation of effective tax rates

	2018 £'000	2017 £'000
(Loss) / Profit on ordinary activities before tax	**(20,972)**	67,105
(Loss) / Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**(3,985)**	12,918
Effects of:		
Items not taxable or deductible	**602**	(16,119)
Effect of group relief	**2,535**	-
Tax losses not recognised	-	3,201
Prior year tax losses recognised	**(566)**	-
Total current tax credit	**(1,414)**	-

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

5. INVESTMENTS

	Investments in subsidiaries £'000
Cost	
At 1 January 2018	**385,020**
Additions	30,130
Disposals	(4,708)
Revaluation	(2,719)
At 31 December 2018	**407,723**
Provisions	
At 1 January 2018	**(55,636)**
Disposals	2,048
At 31 December 2018	**(53,588)**
Net book value at 31 December 2018	**354,135**
Net book value at 31 December 2017	329,384

5. INVESTMENTS (CONT'D)

During the year the Company acquired Study Group Canada Higher Education Limited from its subsidiary Study Group Canada Limited for £nil consideration. The Company disposed of its investment in Study Group Canada Limited with a carrying value of £2,660,000.

The directors believe that the carrying value of the investments at year end is supported by their underlying assets.

A summary of the Company's direct investments at the balance sheet date is as follows:

Name of Entity	Country of Incorporation	Nature of Business	Ownership 2018 %	Ownership 2017 %
Study Group Holdings UK Limited	United Kingdom	Holding company	100	100
EDU Holdings SPV Pty Limited	Australia	Holding company	100	100
EDU US Holdco Inc.	USA	Holding company	100	100
Study Group Canada Limited	Canada	Trading	0	100
Study Group Canada Higher Education Limited	Canada	Trading	100	0

6. INTANGIBLE ASSETS

2018	Software 2018 £'000
COST	
At 1 January 2018	-
Additions	164
At 31 December 2018	**164**
ACCUMULATED AMORTISATION	
At 1 January 2018	-
Additions	-
At 31 December 2018	**-**
Net book value at 31 December 2018	**164**

Software additions in the year relate to capitalised development costs. Such costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

Amortisation is included within 'Administrative expenses' in the statement of comprehensive income.

7. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**99,293**	101,611
Corporation tax receivable	**-**	368
Other taxation	**114**	15
Prepayments and accrued income	**2,514**	2,614
Revolving credit facility net of borrowing costs (Note 10)	**-**	1,413
Total debtors	**101,921**	106,021

The carrying value of the revolving credit facility net of borrowing costs is disclosed as an asset in 2017 as the capitalised borrowing costs exceed the amount drawn on the facility at the end of the financial year.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Accruals	**2,679**	3,043
Accrued finance costs	**5,077**	4,823
Revolving credit facility net of borrowing costs (Note 10)	**7,227**	-
Derivative financial liabilities	**1**	-
Amounts owed to group undertakings	**117,138**	79,287
	132,122	87,153

The carrying value of the revolving credit facility net of borrowing costs is disclosed as an asset in 2017 as the capitalised borrowing costs exceed the amount drawn on the facility at the end of the financial year.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £'000	2017 £'000
Term loan net of borrowing costs (Note 10)	**169,636**	172,814
Provisions	**45**	-
Derivative financial liabilities	**-**	111
	169,681	172,925

10. INTEREST BEARING LOANS AND BORROWINGS

Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face Value 2018 £'000	Carrying value 2018 £'000	Face value 2017 £'000	Carrying value 2017 £'000
Creditors falling due within one year							
£49.0m Revolving credit facility	£ GBP	4.75% + Libor	2021	**8,500**	**7,227**	-	-
				8,500	**7,227**	-	-
Creditors falling due after more than one year							
£115.0m Term loan	£ GBP	6.25% + Libor	2022	**115,000**	**110,820**	115,000	111,179
$110.2m Term loan	$ AUD	6.25% + BBSY	2022	**61,034**	**58,816**	63,753	61,635
				176,034	**169,636**	178,753	172,814

11. DEFERRED TAX ASSET

	2018 £'000	2017 £'000
Balance at the beginning of the year	21	-
Unused tax losses	1,414	-
Cash flow hedge reserve losses	(33)	21
Balance at the end of the year	1,402	21

	2018 £'000	2017 £'000
Deferred tax assets relate to the following:		
Tax losses carried forward	1,414	-
Cash flow hedge reserve losses (Note 14)	(12)	21
	1,402	21

12. SHARE CAPITAL

	2018 Number of shares	2018 £	2017 Number of shares	2017 £
Ordinary shares authorised, allotted and issued of £1 each	3	3	3	3

13. FINANCIAL INSTRUMENTS

The Company'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.

Fair value hedge

At 31 December 2018, the Company had entered into a fair value hedge using the AUD $110.2 million term loan to hedge the Company's investments in foreign operations. The hedge is deemed 100% effective up to the value of the loan.

Hedging activities and derivatives

On 3 February 2017 the Company entered into two interest swap agreements to fix the floating interest rates on a 6-monthly basis until 9 February 2019, covering £65.7 million of the Company'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.

14. CASH FLOW HEDGE RESERVE

	2018 £'000	2017 £'000
Gains / (Losses) arising during the year on interest rate swaps:		
Gain / (Loss) during the year of not-yet matured contracts	62	(111)
Deferred tax (liability) / asset on cash flow hedge reserve gain / loss	(12)	21
Balance at 31 December	50	(90)

15. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2018 £'000	2017 £'000
Staff costs during the year:		
Wages and salaries	2,681	1,751
Social security costs	296	232
Superannuation and other pension costs	24	23
	3,001	2,006

The average monthly number of employees during the year was as follows	Number	Number
Management	6	3

Aggregate directors' remuneration	2018 £'000	2017 £'000
Salaries and short term benefits	1,647	1,732
Post-employment benefits	53	67
	1,700	1,799

Highest paid director	2018 £'000	2017 £'000
Salaries and short term benefits	953	1,008
Post-employment benefits	38	37
	991	1,045

Some of the directors of EDU UK Management Services Limited were not employees of the Company during 2018.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking of the company is EDU UK Intermediate 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. The consolidated accounts are available from 1 Billinton Way, Brighton, BN1 4LF.

As disclosed in Note 19, a change in ownership is expected in 2019.

17. 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.

18. 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.

19. EVENTS AFTER THE BALANCE SHEET DATE

Ardian, a private investment house, announced on 21 February 2019 that they had reached an agreement with Providence Equity Partners to acquire a majority stake in Study Group. The expected completion date is 31 May 2019.