EDU UK TOPCO LTD
ANNUAL REPORT
&
FINANCIAL STATEMENTS

31 December 2016

Registered Number:
07285288

DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

D Dracup
W Ethridge
J Hood
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,
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COMPANY REGISTERED NUMBER

Registered in England No. 07285288

Overview of the year

The Directors present their report and the consolidated financial statements for EDU UK TopCo Limited, 'the Company', and its subsidiaries, together 'the Group' or 'Study Group', for the year ended 31 December 2016. 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 five main student offerings or lines of business which we operate in three main geographic areas: Higher Education ("HE") consisting of University Pathways, High Schools and HE Proprietary Brands; Vocational Education and Training ("VET") and Embassy English (being English Language teaching). The largest part of our HE business is our core University Pathways business which contributed 77% of 2016 Group EBITDA before functional cost (2015: 57%). The Pathways business entails providing foundation or International Year 1 programmes to international students on the campuses of our partner universities in the UK, North America and Australia and New Zealand. We operate the High School business in the UK whilst HE Proprietary Brands and VET are only operated in Australia. We have Embassy schools in the UK, North America and Australia and New Zealand.

As a Group, there was strong overall revenue performance in 2016, increasing by 11% to £340.3 million (2015: £307.5 million), primarily driven by our University Pathways business where revenue grew by 29%.

Our Pathways offering as a whole continues to perform well; with strong year on year performance, there was new student enrolment (NSE) growth in 2016 of 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 2016, we demonstrated our strong record in this regard by renewing five university partnerships: University College Dublin, University of Leeds, University of Lincoln, University of Vermont and University of Sydney. We also signed a further three new partners during the year: Durham University in the UK as well as City College of New York (CCNY) and Texas A&M University Corpus Christi in the United States as well as signing Ogelthorpe University in the United States post year end.

Our newest University Partner in the UK, Durham University, 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. Durham is a world top 100 collegiate university with long traditions, forward-thinking values and a global reputation for the quality of its teaching and research.

The UK High School market continued to be challenging due to a combination of increased competition from boarding schools in local markets, as well as on-campus Pathway offerings in the UK. As a result we have seen declining revenue and profitability.

HE Proprietary Brands grew revenue by 50%, partly reflecting a full year of trading for Endeavour, acquired in 2015 as well as organic growth.

The VET market in Australia has been the subject of extensive further regulatory reforms announced in October 2016 which apply loan capping and reduce the government's exposure substantially. This has impacted revenue and EBITDA in this business. This is in addition to the reforms announced in December 2015.

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

The strong Group revenue performance is not reflected in EBITDA, which declined by £2.8m or 7%. This was primarily driven by a decline in profitability in our High School and VET offerings which was only partially offset by growth in the core Pathways business.

The Group successfully completed a refinance on 7 November 2016, whereby the senior secured loan notes with a carrying value of £205.0 million were redeemed and replaced with term loan financing totalling £231.0 million. At the same time, the revolving credit and lease guarantee facilities were increased from £30.0 million to £49.0 million with the addition of an AUD $34.2 million lease guarantee line.

Operating and financial review

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

	Year ended 31 December		
	2016	**2015**	**% Variance**
Revenue (£m)	340.3	307.5	11%
Adjusted EBITDA(i) (£m)	37.2	40.0	(7%)
Student weeks taught (ii)			
Pathways	420,983	367,542	15%
High School	49,010	60,995	(20%)
Embassy	171,815	179,817	(4%)
Total student weeks taught	**641,808**	**608,354**	**5%**
New student enrolments (NSE) (iii)			
Pathways	10,949	9,946	10%
High School	972	1,223	(21%)
HE Proprietary Brands	1,973	1,414	40%
VET	6,298	10,082	(38%)
Total NSEs	**20,192**	**22,665**	**(11%)**

Our results by line of business(iv) are summarised as follows:

£m	**Revenue Year ended 31 December**			**Adjusted EBITDA(i) Year ended 31 December**		
	2016	**2015**	**% Variance**	**2016**	**2015**	**% Variance**
UK & Europe	81.6	66.0	24%	23.0	21.7	6%
ANZ	87.6	62.6	40%	26.2	15.6	68%
North America	8.3	8.8	(6%)	(1.5)	(0.4)	(275%)
Total Pathways	**177.5**	**137.4**	**29%**	**47.7**	**36.9**	**29%**
High Schools	44.8	54.0	(17%)	1.7	5.4	(69%)
HE Proprietary Brands	32.4	21.6	50%	4.7	3.7	27%
Total HE	**254.7**	**213.0**	**20%**	**54.1**	**46.0**	**18%**
VET	31.9	40.0	(20%)	7.1	17.5	(59%)
Embassy	53.7	54.5	(1%)	0.9	1.2	(25%)
Unallocated functional & corporate costs	-	-	-	(24.9)	(24.7)	(1%)
Total	**340.3**	**307.5**	**11%**	**37.2**	**40.0**	**(7%)**

(i) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items (see note 6 for detail 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. The 2015 comparative has been restated to reflect direct admission students in HE NA to ensure enrolments are on a consistent basis with 2016. This has increased the 2015 NSE figure by 79 compared to the figure reported in the year ended 31 December 2015 financial statements.
(iv) Our reportable segments have changed from prior year when we had four segments (HE UK & Europe; HE ANZ; HE NA and Embassy). This change reflects a change in which the business is managed and business decisions are made (refer to note 2 for further details).

Reconciliation of reported EBITDA to continuing adjusted EBITDA

£m	Year ended 31 December		
	2016	2015	% variance
Reported EBITDA	**19.2**	28.9	(34%)
Exceptional and other items	**18.0**	11.1	62%
Reported adjusted EBITDA(i)	**37.2**	40.0	(7%)

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

Pathways

UK & Europe

Revenue was up £15.6 million or 24% to £81.6 million (2015: £66 million), reflecting year-on-year price increase, a full year of Sheffield teaching and an increase in accommodation revenue due to an expansion in the accommodation commitments the business took on. There was adjusted EBITDA growth of 6% for the year.

ANZ

Increased student volumes across a range of programmes and campuses led to strong revenue growth of 40% to £87.6 million (2015: £62.6 million). This fuelled adjusted EBITDA growth of 68% to £26.2 million (2015: £15.6 million). The partnerships with Charles Sturt University ("CSU"), University of Sydney ("USFP"), and the Australian National University ("ANU") performed particularly strongly.

North America

NSEs declined 27% for the year to December 2016 following some issues with the student enrolment process which have since been rectified. We remain focused on opportunities for signing new partners, signing two during the year as well as a further signing since year end.

High Schools

There were reduced intakes at Bellerbys (our High School brand), which saw an NSE decrease of 21% on 2015 as it continued to operate in a challenging market due to increased competition from boarding schools as well as on-campus Pathway offerings in the UK. The NSE decline led to a 17% decline in revenue on 2015.

HE Proprietary Brands

Revenue and adjusted EBITDA growth of 50% and 27% respectively was driven by a 40% increase in student intakes, including a full year impact of Endeavour Learning Group ("ELG"), acquired in April 2015.

VET

Following reforms in December 2015, the Australian Government announced further VET regulation changes in October and this prompted market volatility. As a result of these changes, there was a 20% decline in revenue to £31.9 million (2015: £40 million), as well as a 59% fall in adjusted EBITDA to £7.1 million (2015: £17.5 million). A restructuring exercise to reduce costs began in 2016 and remains underway.

Embassy

Embassy volumes were reflective of a generally tough market for English language schools with weak growth in a number of key source markets and a reduction in weeks taught of 4%. Adjusted EBITDA decreased by £0.3 million to £0.9 million (2015: £1.2 million), driven by the volume decreases and increased discounts and commissions due to mix of student source countries. Part of the decrease can also be attributed to the volume mix, where we have seen growth in our lower margin ANZ schools. This was offset by a cost reduction programme across the division.

Unallocated functional and corporate costs

Functional and corporate costs, being largely central IT, finance, HE and head office costs, increased £0.2 million or 1% to £24.9 million (2015: £24.7 million). 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 or are non-recurring in nature. Other items include adjustments which we believe are beneficial to strip out when analysing the underlying trading result. Exceptional and other items are summarised below, refer to note 6 to the financial statements for full detail.

Within exceptional items, impairment charges to goodwill and intangible assets totalling £40.3 million have been recognised across our Embassy, VET and High School segments as a result of challenging market conditions. Restructuring costs of £3.2 million were recognised relating to the VET and High Schools businesses and transformation finance teams. Onerous contract provisions of £12.0 million were raised representing the costs of meeting or exiting lease obligations.

Exceptional finance costs in the year consist of the break charge following the Group's early redemption of the bond finance (£4.5 million), as well as the release of related deferred borrowing costs (£1.8 million). See note 13 for further detail with regards to the refinancing.

Depreciation and amortisation

Depreciation and amortisation for the year to 31 December 2016 increased £3.3 million to £20.6 million (2015: £17.3 million). This increase is due to significant capital expenditure in the prior year on projects including the implementation of a new finance system and also the impact of the strengthened Australian Dollar on the charge for the year.

Finance expense

Net finance expense for the period decreased by £17.8 million to £22.4 million (2015: £40.2 million). This decrease is primarily attributable to a £22.5 million unrealised foreign exchange gain (2015: £3.5 million loss). This arises from the multi-currency intra-group loans, with the gain as a result of the strengthening of the Australian dollar against the Pound Sterling spot rate. The underlying increase is due to higher bank interest as a result of the revolving credit facility ('RCF') drawdown, short term subordinated shareholder debt drawn in the period and increased Eurobond interest as interest is rolled into the principal annually.

Taxation

For the year to December, the Group incurred a total tax charge of £3.7 million (2015: £10.3 million credit) being a current tax credit of £1.0 million (2015: £2.2 million charge) and a deferred tax charge of £4.7 million (2015: £12.5 million credit). During the year, a net cash refund of £0.2 million was collected (2015: £4.2 million paid). Cash tax paid in the prior year included cash tax paid of £5.1 million relating to a one-off legacy Australian tax issue settled during the year.

Balance sheet position

Net debt, being external borrowings less cash, was £402.3 million at 31 December 2016 (2015: £367.5 million). Within net debt, the revolving credit facility of £49.0 million was drawn down by £17.3 million as at 31 December 2016. This compares with £21.9 million of a £30.0 million facility at 31 December 2015.

Refinancing

The group's debt structure was impacted by a refinancing in the year, whereby the senior secured loan notes with a carrying value of £205.0 million were redeemed and replaced with term loan financing totalling £231.0 million. At the same time, the revolving credit and lease guarantee facilities were increased from £30.0 million to £49.0 million.

Cash flow

The Group generated free cash inflow (being cash available to service debt) of £13.3 million in the period to 31 December 2016 (2015: £12.7 million).

Free cash flow includes cash exceptionals of £4.6 million relating to the restructuring in ANZ, HE NA and Bellerbys businesses (noted above), a net £0.2 million cash tax inflow due to current year payments being net of a one-off refund, combined with movements in working capital and capital expenditure. Working capital was a net outflow in 2016, primarily due to the timing of receipts across the business.

Capital expenditure is lower than the prior year due to significant prior year investments across the Group, including a new finance system, the Singapore admissions hub and the new Melbourne campus. There continues to be a significant level of investment across the group, both in IT developments and tangible spend, 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.

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

Reconciliation of Adjusted EBITDA to Free Cash flow	**2016**	**2015**
	£'m	**£'m**
Adjusted EBITDA	37.2	40.0
Cash exceptional and other items	(4.6)	(5.5)
Movement in working capital	(3.8)	2.4
Cash tax refunded/(paid)	0.2	(4.2)
Capital expenditure and other investment activities	(15.7)	(20.0)
Free Cash flow	13.3	12.7
Free cash flow excluding exceptional tax	13.3	17.8

Going concern

The Group manages its day to day working capital requirements through an RCF. The new 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 first formal test is in June 2017.

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 2016, the Group had available £26.2 million (December 2015: £3.0 million) of undrawn committed borrowing facilities, with £17.3 million of the £49.9 million facility drawn as a loan and £5.6 million utilised for specific guarantees.

STRATEGY AND PRINCIPAL RISKS AND UNCERTAINTIES

Strategy

In our 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 five of our existing University partnerships in 2016. We believe that this, coupled with a longer term goal to explore new University partnerships, as demonstrated by the signing of Durham University, CCNY and Texas A&M University Corpus Christi in 2016 and Ogelthorpe University in 2017, sets us up to be a global leader in 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 Pathways business.

Our focus in our Bellerbys High Schools continues to be stabilising our student volumes and restructuring our cost base to be more flexible to changes in the size of the student body. To that end, we announced the closure of our Bellerbys Oxford College in March 2017.

In Australia, we are committed to expanding our HE Proprietary Brand business and see further opportunities to move course content on-line. With regards to the VET business, the Group is undergoing a significant cost out exercise in relation to this line of business and has decided to cease new student enrolments for a number of its courses.

Within our Embassy division, we are reviewing our property portfolio and exiting locations when opportunities arise in order to drive operational efficiency, whilst continuing to invest in other aspects of our student proposition to refresh the offering.

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

Outlook

Overall, we are pleased with our 2016 performance in our core Pathways business and the NSE growth sets us up well for 2017. NSEs for the first quarter of 2017 in our core Pathways markets were encouraging and combined with our autumn 2016 intakes, provide a strong foundation for 2017 and we expect to see overall revenue and EBITDA growth across the Pathways business. The NSE growth we are seeing in 2017 in the Pathways business will significantly benefit future years also, as students sign up for one to three year courses. We have also been focused on stabilising the decline in Bellerbys student numbers, and this is starting to come to fruition with a small growth in Q1 2017 enrolments compared with Q1 2016.

The growth in the Pathways business, together with growth in the HE Proprietary Brand part of the business should offset the declines we expect to see in the smaller segments of the business. VET in particular is expected to make negligible contribution to EBITDA in 2017.

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

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 are vulnerable to damage or 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
22 May 2017

GENERAL INFORMATION

EDU UK TopCo Limited ('the Company') is a holding company registered in England and Wales with the Company number 07285288. The Directors present their report and the audited consolidated financial statements for EDU UK TopCo Ltd 'the Company' and its subsidiaries, together 'the Group' or 'Study Group', for the year ended 31 December 2016.

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 9 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 £70.1 million (2015: £44.3 million loss). Of this, no loss is attributable to non-controlling interests. The directors do not recommend payment of a dividend (2015: £nil).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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

DIRECTORS

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

D Dracup
W Ethridge
J Hood
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 13 includes detail of additional undrawn facilities that are available to the Company and the Group.

Foreign currency risk
The Group undertakes transactions denominated in foreign currencies, hence experiences translational and transactional exchange rate exposures. The Group is mainly exposed to movements between sterling and Australian Dollars/US Dollars. EBITDA for the year was generated as follows: 36% in Pound Sterling; 89% in Australian Dollars, (10%) in US Dollars and (15%) 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 13). 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 £76,000 (2015: £60,000) to its charitable partner, Plan UK. Plan UK work with the world's poorest children so that they can move themselves from a life of poverty to a future with opportunity.

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

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

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

GOING CONCERN

The Group manages its day to day working capital requirements through a revolving credit facility ('RCF'). A covenant attached to the 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 22.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

E Lancaster
Director
22 May 2017

EDU UK TOPCO LTD
DIRECTORS AND KEY MANAGEMENT

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

John Hood
Chairman,
Study Group

Sir John Hood is the President and Chief Executive Officer of the Robertson Foundation, and Chair of the Rhodes Trust. He also serves as a director on the Board of WPP plc and as Chairman of BMT Group and Study Group Limited.

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

From 2004 to 2009, Sir John served as Vice-Chancellor of the University of Oxford. He served as Vice-Chancellor of the University of Auckland from 1999 to 2004.

Sir John earned a Bachelor of Engineering and a PhD in Civil Engineering from The University of Auckland. Upon completing his doctorate, he was awarded a Rhodes Scholarship to study at the University of Oxford. There he read for an MPhil in Management Studies and was a member of Worcester College. Sir John has been appointed a Knight Companion to the New Zealand Order of Merit.

David Leigh
Chief Executive Officer,
Study Group

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

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

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

Emma Lancaster
Chief Financial and Operations Officer,
Study Group

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

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

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

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.

Dennis Dracup
Operating Partner,
Providence Equity Partners VI International LP

Mr Dracup was most recently Executive Chairman of Language Line Services, the world's largest language interpretation company.

Mr Dracup also served as CEO of Language Line Services from 2001 to 2011. Before that, Mr Dracup held various senior management positions, including CEO of Gemkey.com, President of Pitney Bowes Software Solutions and Vice President and General Manager of Moore Business Communication Services.

Mr Dracup received a Master of Business Administration from the State University of New York, a Master of Science from Roosevelt University and a Bachelor of Arts from Canisius College.

Will Ethridge
Principal,
Ethridge Advisors

Will Ethridge is the Principal at Ethridge Advisors and provides advisory services to education companies, educational institutions, policy makers and private equity companies in areas such as strategic planning, acquisitions, product development, go-to-market plans, executive development, and education industry analysis.

From 2008 until early 2015, Mr Ethridge was CEO of Pearson North America and also served on Pearson plc's board of Directors'. Mr Ethridge served as Chief Executive Officer and President of Pearson's U.S. Higher Education, International, and Professional Publishing Group, a division of Pearson from March 2003 - 2008. He was appointed a Non-Executive Director of Study Group in December 2014.

In addition to Study Group, Mr. Ethridge currently serves on the boards of Finalsite, Frontline, Ruffalo Noel Levitz, and Turnitin.

Mr Ethridge is a graduate of the University of Northern Carolina at Chapel Hill.

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

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

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

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

Dany Rammal
Managing Director,
Providence Equity Partners VI International LP

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

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

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

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

The Global Executive Team

The Global Executive Team ('GET') is responsible for the day to day management of the Group's affairs and strategic decision making. It is led by the Group's CEO, David Leigh. All members of the team have extensive experience in, and in-depth knowledge of, the education sector or the function that they lead. The members of the GET and their roles in 2016 were as follows:

David Leigh, Chief Executive Officer
Emma Lancaster, Chief Financial and Operations Officer
James Pitman, Managing Director, Higher Education UK and Europe
Warren Jacobson, Managing Director, HE ANZ
Robert Morgan, Managing Director, Embassy;
Emily Williams Knight, Managing Director, North American Higher Education (joined 19 July 2016);
Jeanette Gooding, Chief Human Resources Officer
Manoj Shetty, Executive Director, Sales
Paul Levett, Chief Commercial Officer
Mike Everett, Chief Operations Officer, UK and Europe

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 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 IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

On behalf of the Board

E Lancaster
Director
22 May 2017

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

We have audited the financial statements of EDU UK TopCo Ltd for the year ended 31 December 2016 set out on pages 17 to 54. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- 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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
24 May 2017

EDU UK TOPCO LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the Year ended 31 December 2016

	Note	2016 Before Exceptional and Other Items	2016 Exceptional and Other Items (Note 6)	2016 Total	2015 Before Exceptional and Other Items	2015 Exceptional and Other Items (Note 6)	2015 Total
		£'m	£'m	£'m	£'m	£'m	£'m
Revenue	2	340.3	-	340.3	307.5	-	307.5
Sales and marketing costs		(75.9)	-	(75.9)	(66.2)	-	(66.2)
Delivery costs		(165.2)	(1.9)	(167.1)	(145.3)	(1.8)	(147.1)
Administrative expenses		(62.0)	(16.1)	(78.1)	(56.0)	(9.3)	(65.3)
EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, NET FINANCING COSTS AND TAXATION:	2	37.2	(18.0)	19.2	40.0	(11.1)	28.9
Impairment	6	-	(42.7)	(42.7)	-	(26.0)	(26.0)
Depreciation and amortisation	7, 8	(20.6)	-	(20.6)	(17.3)	-	(17.3)
OPERATING PROFIT/(LOSS)		16.6	(60.7)	(44.1)	22.7	(37.1)	(14.4)
Finance income	3	0.6	22.5	23.1	0.4	-	0.4
Finance costs	3	(39.2)	(6.3)	(45.5)	(37.1)	(3.5)	(40.6)
Share of profit of associate	9	0.1	-	0.1	-	-	-
LOSS BEFORE TAXATION		(21.9)	(44.5)	(66.4)	(14.0)	(40.6)	(54.6)
Taxation (charge)/credit	5	(3.7)	-	(3.7)	7.3	3.0	10.3
LOSS FOR THE PERIOD AFTER TAXATION		(25.6)	(44.5)	(70.1)	(6.7)	(37.6)	(44.3)
OTHER COMPREHENSIVE INCOME/ (LOSS)							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translation of foreign operations		5.0	-	5.0	(1.6)	-	(1.6)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		5.0	-	5.0	(1.6)	-	(1.6)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		(20.6)	(44.5)	(65.1)	(8.3)	(37.6)	(45.9)

All of the activities of the Group are continuing.

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

EDU UK TOPCO LTD

GROUP STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	31 December 2016 £'m	31 December 2015 £'m
ASSETS			
NON-CURRENT ASSETS			
Goodwill	7	**336.1**	351.4
Intangible assets	7	**38.6**	42.5
Property, plant and equipment	8	**33.9**	32.2
Investments	9	**0.2**	0.1
Deferred tax assets	15	**7.3**	11.3
Trade and other receivables	10	**5.6**	4.6
		421.7	442.1
CURRENT ASSETS			
Inventories		**0.5**	0.4
Trade and other receivables	10	**146.2**	137.6
Current tax assets		**0.5**	0.6
Cash and cash equivalents		**21.2**	21.3
		168.4	159.9
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	13	**14.2**	31.7
Current tax payable		**1.0**	2.1
Unearned revenues		**147.4**	146.4
Trade and other payables	11	**97.8**	86.8
Provisions	12	**10.7**	10.0
		271.1	277.0
NET CURRENT LIABILITIES		**(102.7)**	(117.1)
NON-CURRENT LIABILITIES			
Borrowings	13	**396.9**	364.1
Unearned revenues		**17.8**	16.5
Trade and other payables	11	**9.7**	7.3
Provisions	12	**14.2**	4.0
Deferred tax liabilities	15	**0.8**	1.8
		439.4	393.7
NET ASSETS		**(120.4)**	(68.7)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	16	**0.9**	0.9
Share premium reserve		**101.7**	89.1
Translation reserve		**11.9**	6.9
Accumulated losses		**(234.9)**	(165.6)
TOTAL SHAREHOLDERS' FUNDS		**(120.4)**	(68.7)

The financial statements and notes on pages 17 to 47 were approved by the Board of directors on 22 May 2017 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 TopCo Ltd Registered no. 07285288

GROUP STATEMENT OF CHANGES IN EQUITY
for the Year ended 31 December 2016

2016	**Ordinary Share Capital**	**Share Premium**	**Translation Reserve**	**Accumulated Losses**	**Total Equity**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Balance at 1 January 2016	**0.9**	**89.1**	**6.9**	**(165.6)**	**(68.7)**
Loss for the period	-	-	-	**(70.1)**	**(70.1)**
Exchange gains on translation of foreign operations	-	-	**5.0**	-	**5.0**
Total comprehensive gain/(loss) for the year	-	-	**5.0**	**(70.1)**	**(65.1)**
Share capital issued at a premium	-	**12.6**	-	-	**12.6**
Employee share scheme charge	-	-	-	**0.8**	**0.8**
Balance at 31 December 2016	**0.9**	**101.7**	**11.9**	**(234.9)**	**(120.4)**

2015	Ordinary Share Capital	Share Premium	Translation Reserve	Accumulated Losses	Total Equity
	£'m	£'m	£'m	£'m	£'m
Balance at 1 January 2015	0.9	89.1	8.5	(122.1)	(23.6)
Loss for the period	-	-	-	(44.3)	(44.3)
Exchange losses on translation of foreign operations	-	-	(1.6)	-	(1.6)
Total comprehensive loss for the year	-	-	(1.6)	(44.3)	(45.9)
Employee share scheme charge	-	-	-	0.8	0.8
Balance at 31 December 2015	0.9	89.1	6.9	(165.6)	(68.7)

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2016

	2016 £'m	2015 £'m
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(66.4)**	(39.8)
Adjustments for:		
Amortisation and depreciation	**20.6**	17.3
Impairment of Goodwill	**37.2**	26.0
Impairment of tangible fixed assets	**1.3**	-
Impairment of intangible assets	**4.2**	-
Interest expense	**45.5**	22.3
Interest income	**(0.6)**	(0.4)
Equity settled share based payments	**0.8**	0.8
Unrealised foreign exchange (gain)/loss	**(22.5)**	3.5
	20.1	29.7
Decrease/(Increase) in trade and other receivables	**5.6**	(34.1)
(Decrease)/Increase in unearned revenues	**(11.6)**	14.2
Increase in provisions	**11.2**	1.9
Increase in trade and other payables	**4.4**	20.4
	29.7	32.1
Interest paid and financing costs	**(25.7)**	(19.3)
Tax refunded/(paid)	**0.2**	(4.2)
Net cash generated from operating activities	**4.2**	8.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**0.6**	0.4
Acquisition of business net of cash acquired	**-**	(29.6)
Purchase of fixed assets	**(8.7)**	(10.7)
Purchase of intangible assets	**(8.1)**	(9.3)
Net cash used in investing activities	**(16.2)**	(49.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from draw down/(repayment) of revolving credit facility	**(4.6)**	21.9
Net proceeds from refinancing	**218.2**	-
Repayment of bond and associated costs	**(209.5)**	-
Proceeds from subordinated shareholder debt	**(0.6)**	9.8
	3.5	31.7
Net (decrease)/increase in cash and cash equivalents	**(8.5)**	(8.9)
Cash and cash equivalents at the beginning of the financial year	**21.3**	29.9
Effect of exchange rate movements	**8.4**	0.3
	21.2	21.3

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Date of incorporation
EDU UK Topco Ltd 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 22 May 2017.

Accounting policies for the year ended 31 December 2016
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.2 BASIS OF PREPARATION

These financial statements are based on the consolidated results of the EDU UK Topco Ltd Group for the year to 31 December 2016.

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 48 to 54.

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 1.22.

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

1.3 BASIS OF CONSOLIDATION

Subsidiaries

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

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.

(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. Following the change in reportable segments (note 2) the Group's CGUs were also reviewed, with the conclusion that each segment, with the exception of corporate and functional costs, represents a CGU. Functional costs have then been allocated to each other segment. Goodwill was allocated to the new CGUs using a relative value method and the annual impairment test was performed on this basis.

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 receivables

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) 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 13 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 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.

1.18 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

1.19 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.

1.20 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.

1.21 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.22 KEY AREAS OF JUDGEMENT

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

a) Goodwill and Intangibles

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

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require management to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of key assumptions are disclosed in note 7.

b) Income taxes

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

c) Deferred tax assets

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

d) Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by Study Group. Provisions are shown in Note 12. Contingent liabilities related to pending litigation or outstanding claims subject to negotiation as well as other contingent liabilities require the Group to exercise judgement when recognising in the financial statements. Contingent liabilities are set out in Note 18.

1.23 REVISIONS TO IFRS NOT APPLICABLE IN 2016

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*, IAS 7 *Disclosure Initiative*, IFRS 2 *Classification and Measurement of Share-based Payment Transactions* and IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.*

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, VET and Embassy.

This represents a change from the year ended 31 December 2015 when we had four segments (HE UK & Europe; HE ANZ; HE NA and Embassy). The change in reportable segments reflects the change in which the business is managed and business decisions are made, and is therefore reported 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 7).

Prior year numbers have been restated to be presented in line with the current reportable segments.

£m	Revenue Year ended 31 December		Adjusted EBITDA(i) Year ended 31 December	
	2016	**2015**	**2016**	**2015**
Pathways business				
UK & Europe	81.6	66.0	23.0	21.7
ANZ	87.6	62.6	26.2	15.6
North America	8.3	8.8	(1.5)	(0.4)
Total Pathways	**177.5**	**137.4**	**47.7**	**36.9**
High Schools	44.8	54.0	1.7	5.4
HE Proprietary Brands	32.4	21.6	4.7	3.7
Total HE	**254.7**	**213.0**	**54.1**	**46.0**
VET	31.9	40.0	7.1	17.5
Embassy	53.7	54.5	0.9	1.2
Unallocated functional & corporate costs	-	-	(24.9)	(24.7)
Total revenue and adjusted EBITDA	**340.3**	**307.5**	**37.2**	**40.0**
Exceptional and other items	-	-	18.0	11.1
Total revenue and reported EBITDA	340.3	307.5	19.2	28.9

(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.

2. SEGMENTAL ANALYSES (CONT'D)

Geographical Segments – external revenue

	2016 £'m	2015 £'m
United Kingdom & Europe	**149.5**	145.7
Australia & New Zealand	**166.8**	134.9
North America	**24.0**	26.9
Total	**340.3**	307.5

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

	2016 £'m	2015 £'m
Finance costs:		
Interest – revolving credit facility	**(2.6)**	(1.9)
Interest - 8.875% Senior Secured Loan Notes	**(15.4)**	(18.2)
Interest – term loan	**(2.2)**	-
Interest on Eurobond	**(16.5)**	(14.8)
Amortisation of deferred finance setup costs	**(1.3)**	(1.0)
Other finance costs	**(1.2)**	(1.2)
Unrealised foreign exchange losses (note 6)	**-**	(3.5)
Costs relating to refinancing (note 6)	**(6.3)**	-
	(45.5)	(40.6)
Finance income:		
Bank interest	**0.6**	0.4
Unrealised foreign exchange gains (note 6)	**22.5**	-
	23.1	0.4
Net finance costs	**(22.4)**	(40.2)

4. OPERATING PROFIT/(LOSS)

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

	2016 **£'m**	2015 £'m
Depreciation of property, plant and equipment:	**8.8**	6.4
Amortisation of intangible assets	**11.8**	10.9
Operating lease rentals payable	**30.8**	29.7
Impairment of Goodwill	**37.2**	26.0
Impairment of intangible assets	**4.2**	-
Impairment of tangible fixed assets	**1.3**	-
Allowance for bad debt	**0.9**	1.1
Acquisition related costs	-	1.0

Services provided by the Group's auditor and network firms

	2016 **£'m**	2015 £'m
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries	**0.4**	0.4
Total fees payable for audit services	**0.5**	0.5
Fees payable to the Company's auditors and its associates for other services:		
- Services relating to taxation compliance	**0.1**	0.1
- Services relating to taxation advisory services	-	0.3
	0.6	0.9

5. TAXATION

Analysis of tax credit/(charge) in the year

	2016	2015
	£'m	£'m
Current tax		
- UK current tax on loss for the year	**(0.7)**	(0.5)
- Adjustments in respect of prior periods	**0.5**	0.2
- Overseas current tax on losses for the year	**(0.4)**	(1.7)
- Overseas adjustments in respect of prior periods	**1.6**	(0.2)
Total current tax credit/(charge) to the Statement of comprehensive income	**1.0**	(2.2)
Deferred Tax (Note 15)		
- UK origination and reversal of temporary differences	**0.9**	1.1
- Adjustments in respect of prior periods	**0.1**	-
- Overseas origination and reversal of temporary differences	**(5.7)**	11.4
Total deferred tax (charge)/credit to the Statement of comprehensive income	**(4.7)**	12.5
Total tax credit to the Statement of comprehensive income	**(3.7)**	10.3

The tax for the year differs to the standard rate of corporation tax in the UK 20.00% (2015: 20.25%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2016	2015
	£'m	£'m
Loss before taxation	**66.4**	54.6
Loss on ordinary activities multiplied by rate of corporation tax in UK of 20.00% (2015: 20.25%)	**13.3**	11.1
Effects of:		
Items not taxable or deductible	**(8.3)**	(7.7)
Group relief not paid	**-**	-
Tax losses not recognised/paid	**(5.5)**	-
Recognition of historic tax losses	**-**	11.4
Timing differences	**(4.0)**	(3.2)
Difference on overseas rates of tax	**(0.6)**	(0.8)
Withholding tax written off	**(0.6)**	(0.5)
Adjustments in respect of prior periods – corporation tax	**1.9**	-
Adjustments in respect of prior periods – deferred tax	**0.1**	-
Total taxation credit	**(3.7)**	10.3

The main rate of corporation tax in the UK is 20% from 1st April 2015 and will reduce to 19% from 1st April 2017.

6. EXCEPTIONAL AND OTHER ITEMS

	Group	Group	Group	Group	Group	Group
	Exceptional Items	Other items	Total	Exceptional Items	Other items	Total
	2016	2016	2016	2015	2015	2015
	£ 'm	£ 'm	£ 'm	£ 'm	£ 'm	£ 'm
Exceptional and other items included within operating *profit / (loss)*:						
Impairment (notes 7, 8)	42.7	-	**42.7**	26.0	-	26.0
Restructuring costs	3.2	-	**3.2**	3.1	-	3.1
North America balance sheet review	-	-	-	2.4	-	2.4
Property provision	12.0	-	**12.0**	0.5	-	0.5
Transaction costs	-	-	-	1.0	-	1.0
Shareholder & management fees	-	0.9	**0.9**	-	1.0	1.0
Irrecoverable partner costs	-	-	-	1.8	-	1.8
Other	1.1	0.8	**1.9**	0.5	0.8	1.3
	59.0	**1.7**	**60.7**	35.3	1.8	37.1
Exceptional and other items included within finance costs:						
Foreign exchange losses/(gains)	-	(22.5)	**(22.5)**	-	3.5	3.5
Costs relating to refinancing	6.3	-	**6.3**	-	-	-
	6.3	**(22.5)**	**(16.2)**	-	3.5	3.5
Total exceptional and other costs	**65.3**	**(20.8)**	**44.5**	35.3	5.3	40.6

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 charges to goodwill and intangible assets totalling £40.3 million have been recognised in our Embassy (£13.0 million), VET (£22.7 million) and High School (£4.6 million) segments as a result of challenging market conditions.
- Impairment was recognised on intangible course development assets relating to the VET business totalling £1.1 million and on tangible assets held by Bellerbys totalling £1.3 million.
- Restructuring costs of £0.8m were recorded in High Schools as steps were taken to reduce the cost base in response to lower student numbers. Onerous contract provisions against sites representing the unavoidable costs of meeting or exiting the lease obligations where these costs exceed the economic benefits expected under the lease were recorded totalling £8.4m.

6. EXCEPTIONAL AND OTHER ITEMS (CONT'D)

- Further restructuring projects in the year included: £1.2m in the ANZ division predominantly as a consequence of changes to the VET business; £0.8m in respect of finance transformation; and £0.4m relating to the set-up of our admissions hub in Singapore.
- Further property provisions relating to onerous contracts were recognised of £3.4 million in addition to the Bellerbys property (2015: £0.5 million).
- Other exceptional costs of £1.1 million consists of a provision for student refunds relating to courses charged in previous periods offset by the release of a litigation provision in the year which was not wholly utilised.

Exceptional items included within finance costs:

- Exceptional finance costs in the year consist of the break charge following the Group's early redemption of the bond finance (£4.5 million), as well as the release of related deferred borrowing costs (£1.8 million). See note 13 for further detail with regards to the refinancing.

Other items:

- Other items within operating loss consist of management fees and expenses charged by Providence Equity, Petersen Investments, and non-executive directors totalling £0.9 million (2015: £1.0 million) and share based payment charges of £0.8 million (2015: £0.8 million).
- Unrealised foreign exchange gains for the year were £22.5 million (2015: £3.5 million loss) and are also included within 'Other' items.

7. INTANGIBLE ASSETS

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**

7. INTANGIBLE ASSETS (CONT'D)

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

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. Following the change in reportable segments (note 2) the Group's CGUs were also reviewed, with the conclusion that each segment, with the exception of corporate and functional costs, represents a CGU. Functional costs have then been allocated to each other segment. Goodwill was allocated to the new CGUs using a relative value method and the annual impairment test was performed on this basis.

As a result of the reduced student numbers in each of the Embassy, VET and High School businesses and the resulting decrease in EBITDA, the directors have concluded that the carrying values of goodwill in these CGUs are impaired and as such impairment charges of £13.0 million, £22.7 million and £4.6 million respectively have been recognised against the CGUs. Of this total £40.3 million impairment charge, £37.2 million has been recognised against goodwill, £2.8 million against agent network and customer lists and £0.3 million against brands.

An impairment of £1.1 million has also been recognised against course development assets in the VET business.

Key assumptions used in the value in use calculation

	2016 All CGUs	2015 All CGUs
Pre-tax discount rate	11.3%	12.0%
Long term growth rate	2.5%	3.0%

The EBITDA projections considered as at 31 December 2016 were based on the latest Board approved forecast for 2017, with the following years being based on the 'five year plan' growth rates by CGU.

7. 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. In the UK Pathways CGU, an increase in the discount rate of 0.6% or a decrease in the long term growth rate of 0.8% would cause the carrying value of goodwill in the CGU to equal its recoverable value. This is considered to be reasonably possible.

8. TANGIBLE FIXED ASSETS

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**

8. TANGIBLE FIXED ASSETS (CONT'D)

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

Freehold land is not depreciated.

Impairment review
Tangible fixed assets are reviewed for impairment once indicators of impairment are identified. Impairment of £1.3 million was recorded against Bellerbys' leasehold improvements and equipment as a result of the challenging market conditions.

9. INVESTMENTS

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

	Investments in joint venture 2016 £'m	Investments in joint venture 2015 £'m
Balance at the beginning of the year	**0.1**	0.1
Share of associate's profit	**0.1**	-
At 31 December	**0.2**	0.1

SUBSIDIARY UNDERTAKINGS

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

9. INVESTMENTS (CONT'D)

Name of Entity	Country of Incorporation	Ownership Interest %	Nature
Controlled Entities:			
EDU Holdings SPV Pty Ltd	Australia	100	Holding
EDU Investments SPV Pty Ltd	Australia	100	Holding
Study Group (Finance) Pty Ltd	Australia	100	Holding
Study Group Pty Ltd	Australia	100	Holding
ACPE Ltd	Australia	100	Trading
Australian College of Natural Medicine Pty Ltd	Australia	100	Trading
Australian Institute of Applied Sciences Pty Ltd	Australia	100	Trading
Endeavour Learning Group Pty Ltd	Australia	100	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	Trading
Study Group (Guangzhou) Pty Ltd	China	100	Trading
Study Group (Beijing) Ltd	China	100	Dormant
Bellerbys College Ireland Ltd.	Ireland	100	Trading
SG Study Group Malaysia Sdn. Bhd(iii)	Malaysia	100	Trading
Study Group (Netherlands) B.V.	Netherlands	100	Trading
Bay of Plenty College of Homeopathy Ltd	New Zealand	100	Trading
Fitnation Ltd	New Zealand	100	Trading
Study Group NZ Ltd	New Zealand	100	Trading
College of Natural Health and Homeopathy Ltd	New Zealand	100	Dormant
Endeavour College of Natural Health Ltd	New Zealand	100	Dormant
Endeavour College of Natural Medicine Ltd	New Zealand	100	Dormant
Wellnation Ltd	New Zealand	100	Dormant
SGI Consultancy Services Nigeria	Nigeria	100	Trading
Study Group Global Pte Ltd	Singapore	100	Dormant
EDU UK Intermediate	United Kingdom	100	Holding
EDU UK Bondco Plc	United Kingdom	100	Holding
EDU UK Management Services Ltd	United Kingdom	100	Holding
Study Group Holdings UK Ltd(ii)	United Kingdom	100	Holding
Study Group UK Ltd	United Kingdom	100	Holding
Bellerbys Educational Services Ltd	United Kingdom	100	Trading
Embassy Educational Services (UK) Ltd	United Kingdom	100	Trading
Study Group Distance Learning Ltd (ii)	United Kingdom	100	Trading
Study Group Ltd(ii)	United Kingdom	100	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) 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 2015 of 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.
(iii) SG Study Group Malaysia Sdn. Bhd was incorporated in Malaysia on 24 August 2016

10. TRADE AND OTHER RECEIVABLES

	2016 £'m	2015 £'m
CURRENT:		
Trade receivables[(i)]	**120.8**	126.8
Less: provision for impairment of receivables	**(10.4)**	(10.0)
Trade receivables – net	**110.4**	116.8
Other receivables	**3.8**	2.1
Prepayments	**32.0**	18.7
	146.2	137.6
NON CURRENT:		
Trade receivables[(i)]	**4.8**	4.6
Other receivables	**0.8**	-
	5.6	4.6

(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	2016 £'m	2015 £'m
Not past due	**107.9**	111.2
30 - 60 days	**3.0**	2.4
60 - 90 days	**1.1**	2.6
90 - 120 days	**0.4**	1.8
> 120 days	**2.8**	3.4
	115.2	121.4

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	2016 £'m	2015 £'m
1 - 120 days	-	-
> 120 days	**(10.4)**	(10.0)
	(10.4)	(10.0)

The charge relating to the increase in provision has been included in 'administrative expenses' in the statement of comprehensive income.

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

11. TRADE AND OTHER PAYABLES

	2016 £'m	2015 £'m
CURRENT:		
Trade payables	50.9	35.5
Other payables and accruals	46.0	46.0
Interest accrued – senior secured loan notes	-	5.3
Interest accrued – term loans	0.9	-
	97.8	86.8

	2016 £'m	2015 £'m
NON CURRENT:		
Other payables and accruals	9.7	7.3
	9.7	7.3

12. PROVISIONS

	2016 £'m	2015 £'m
CURRENT:		
Employee benefits	5.1	4.4
Property provisions	4.1	3.2
Litigation provisions	-	0.5
Restructuring	-	0.1
Other	1.5	1.8
	10.7	10.0

	2016 £'m	2015 £'m
NON CURRENT:		
Employee benefits	1.2	1.0
Property provisions	13.0	3.0
	14.2	4.0

12. PROVISIONS (CONT'D)

Movement on Provisions:	Employee Benefit	Property	Restructuring	Litigation	Other	Total
	2016	2016	2016	2016	2016	2016
	£ m	£ m	£ m	£ m	£ m	£ m
Balance at the start of the year	5.4	6.2	0.1	0.5	1.8	14.0
Additional provision recognised	2.7	12.6	-	-	1.4	16.7
Provisions utilised	(2.8)	(0.9)	(0.1)	(0.5)	(1.8)	(6.1)
Unwinding of discount	-	(1.6)	-	-	-	(1.6)
Exchange movements	1.0	0.8	-	-	0.1	1.9
	6.3	17.1	-	-	1.5	24.9

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 provisions utilised in the year relate to costs incurred in the year to teach out students after a licence partner went into administration during 2015.

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.

13. BORROWINGS

	Interest rate	Maturity	2016 £'m Principal	2016 £'m Value	2015 £'m Value
CURRENT BORROWINGS					
Secured borrowings at amortised cost					
USD $14.1m Subordinated shareholder debt	12.00%	2016	-	-	9.3
AUD $1.0m Subordinated shareholder debt	12.00%	2016	-	-	0.5
£30.0m Revolving credit facility (i)	3.75% + Libor	2018	-	-	21.9
£49.0m Revolving credit facility (i)	4.75% + Libor/BBSY	2021	17.3	14.2	-
			17.3	14.2	31.7
NON CURRENT BORROWINGS					
Secured borrowings at amortised cost					
£205.0m Senior Secured Loan Notes	8.875%	2018	-	-	205.0
£115.0m Term loan	5.75% + Libor	2022	115.0	110.5	-
$110.2m Term loan	5.75% + BBSY	2022	64.3	61.8	(2.0)
$81.8m Term loan	5.75% + BBSY	2022	47.7	45.4	(0.8)
Eurobond	10.09%	2020	178.4	178.4	161.9
Loan notes (ii)	8.00%	2020	0.8	0.8	-
			406.2	396.9	364.1

On 7 November 2016, the Group refinanced and received new term loans amounting to GBP £115.0 million and AUD $192.0 million, as shown above. Of the AUD $192.0 million, a $110.2 million tranche is held in the UK and utilised in a net investment hedge against the foreign operations of the Group.

13. BORROWINGS (CONT'D)

(i) Undrawn borrowing facilities

At 31 December 2016, the Group had available £26.1 million (December 2015: £3.0 million) of undrawn committed borrowing facilities, with £17.3 million (2015: £21.9 million) of the £49.0 million facility drawn as a loan and £5.6 million (2015: £5.1million) 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.

During the year a new revolving credit facility agreement was entered into alongside the new term loans, increasing available credit from £30.0 million to £49.0 million.

(ii) Loan notes

The company has loan notes due to former employees totalling £783,832. The notes accrue interest at 8% annually and become payable in the event of a change of ownership, or in 20 years from date of issue, whichever is sooner.

14. FINANCIAL INSTRUMENTS

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

At 31 December 2016, the Group had no derivative financial instruments. In accordance with IAS 39, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No embedded derivatives have been identified.

Net investment hedge

At 31 December 2016, 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.

Fair values of non-derivative financial assets and liabilities

At 31 December 2016 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 impairment basis, given a 10% decrease in the respective year-end currencies against GBP and in accordance with IFRS 7 all other variables remaining constant. A 10% decrease in the value of GBP against the respective year-end currencies would have the opposite effect.

	Income Sensitivity 2016 £'m	**Equity Sensitivity 2016 £'m**	Income Sensitivity 2015 £'m	Equity Sensitivity 2015 £'m
Australian Dollar	**(3.2)**	**0.3**	1.0	(4.6)
US Dollar	**0.8**	**(1.7)**	(1.1)	0.1
Other	**0.7**	**(0.2)**	-	0.1
Equity decrease	**(1.7)**	**(1.6)**	(0.1)	(4.4)

14. FINANCIAL INSTRUMENTS (CONT'D)

Foreign exchange rates

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

	31 December 2016	31 December 2015
Australian Dollar - period average	**1.8252**	2.0350
Australian Dollar - period end	**1.7136**	2.0280
US Dollar - period average	**1.3554**	1.5286
US Dollar - period end	**1.2341**	1.4804

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.

	2016 **£'m**	2015 £'m
Total borrowings (note 13)	**423.5**	388.8
Less: Total cash and cash equivalents	**(21.2)**	(21.3)
Net Debt	**402.3**	367.5
Total Equity	**(120.4)**	(68.7)
Total Capital	**281.9**	305.8
Gearing	**143%**	120%

15. DEFERRED TAX

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

	2016 **£'m**	2015 £'m
Balance at the beginning of the year	**9.5**	(2.8)
Arising on acquisition	**-**	(0.2)
Credit to statement of comprehensive income (note 5)	**(4.7)**	12.5
Exchange differences	**1.7**	-
Net deferred tax liability at end of the year	**6.5**	9.5

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

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

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

	2016 **£'m**	2015 £'m
Deferred tax assets and liabilities relates to the following:		
Deferred tax assets		
Tax losses carried forward	**8.6**	8.6
Property, plant and equipment	**1.2**	1.1
Accruals and provisions	**7.8**	9.7
	17.6	19.4
Deferred tax liabilities		
Property, plant and equipment	**(0.1)**	(0.2)
Unrealised forex gains	**(4.3)**	1.9
Intangible assets	**(5.4)**	(10.8)
Prepayments	**(1.3)**	(0.8)
	(11.1)	(9.9)
Net deferred tax liability	**6.5**	9.5
Presented in the statement of financial position as follows:		
Deferred tax assets	**7.3**	11.3
Deferred tax liabilities	**(0.8)**	(1.8)
Net deferred tax liabilities	**6.5**	9.5

16. SHARE CAPITAL

	2016 Number of shares	2016 £'m	2015 Number of shares	2015 £'m
Ordinary shares authorised, allotted and issued of £1 each	**899,540**	**0.9**	899,540	0.9

17. EMPLOYEES

	2016 £'m	2015 £'m
Staff costs for the Group during the year:		
Wages and salaries	**120.2**	104.9
Social security costs	**10.0**	8.9
Superannuation and other pension costs	**6.8**	5.5
	137.0	119.3

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

	2016	2015
Teaching (Direct and Indirect)	**2,142**	2,044
Sales, marketing and distribution	**362**	373
Administration	**821**	737
	3,325	3,154

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.

	2016 £'m	2015 £'m
Salaries and short-term benefits	**3.3**	3.6
Termination payments	**0.2**	0.2
Post-employment benefits	**0.2**	0.2
	3.7	4.0

17. EMPLOYEES (CONT'D)

Aggregate Directors' remuneration:
The total amount for directors' remuneration was as follows:

	2016 £'m	2015 £'m
Salaries and short-term benefits	**1.4**	1.2
	1.4	1.2

Highest paid director	2016 £'m	2015 £'m
Salaries and short-term benefits	**0.6**	0.6
	0.6	0.6

18. FINANCIAL COMMITMENTS

CAPITAL COMMITMENTS

There are no capital commitments.

CONTINGENT LIABILITIES

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

The Group'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 (2015: £11.7 million) in outstanding bank guarantees at the end of the year against a £34.2m lease line facility opened as part of the refinance and £5.5m against the revolving credit facility. The majority of these are guarantees against future rental commitments.

19. OPERATING LEASE COMMITMENTS

	2016 £'m	2015 £'m
Lease payments under operating leases recognised as an expense in the year	**30.8**	29.7

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

	Land and Buildings	
	2016 £'m	2015 £'m
Not later than one year	**30.9**	33.9
Later than one year but not more than five years	**106.1**	92.9
More than five years	**124.9**	141.1
	261.9	267.9

20. RELATED PARTY DISCLOSURES

There were no contracts with the EDU UK TopCo 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 (2015: £0.5 million) to Providence Equity Partners VI International LP during the year with £0.3 million outstanding at year end (2015: £0.2 million). The Group paid Petersen Investments Company Pty Limited £0.2 million (2015: £0.2 million) with £nil outstanding at year end (2015: £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 (2015: £0.1 million), Will Ethridge of £0.0 million (2015: £0.0 million) and Dennis Dracup of £0.1 million (2015: £0.1 million) as well as management expenses of £0.0 million (2015: £0.1 million).

On 31 March 2015, EDU Lux Co SARL and Petersen Investments Company Pty Limited provided unsecured loans of USD $7.1 million and AUD $0.5 million to Bellerbys Educational Services Limited and Study Group Australia Pty Limited (indirect subsidiaries of the Company) respectively with maturity date 22 September 2016 at an interest rate of 12%. The loan from Petersen Investments Company Pty Limited was repaid on 8 September 2016 and the loan from EDU Lux Co SARL converted to equity at a Group level.

On 10 April 2015, EDU Lux Co SARL and Petersen Investments Company Pty Limited provided further unsecured loans of USD $7.0 million and AUD $0.5 million to Bellerbys Educational Services Limited and Study Group Australia Pty Limited (indirect subsidiaries of the Company) respectively with maturity date 6 October 2016 at an interest rate of 12%. The loan from Petersen Investments Company Pty Limited was repaid on 22 September 2016 and the loan from EDU Lux Co SARL converted to equity at a Group level.

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

Trading transactions

	Sale of goods		Purchase of goods		Amounts owed to related parties	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Company under common control	**0.6**	0.5	**0.4**	0.2	**0.1**	-

Director's interests in shares

No director has shares directly in the Company. However, refer to accounting policy 1.18 Employee benefits for details of employee share schemes.

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is EDU LuxCo S.a.r.l. The ultimate parent undertaking and controlling party is Providence Equity Partners VI International LP, a company incorporated in the Cayman Islands.

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

22. EVENTS AFTER THE BALANCE SHEET DATE

On 31 March 2017 the Group announced that it will be closing the Bellerbys Oxford College in August 2017. The closure will not have a material impact on the Group's future results.

EDU UK TOPCO LTD

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	31 December 2016 £'m	31 December 2015 £'m
ASSETS			
NON-CURRENT ASSETS			
Investments	3	234.9	222.3
Other receivables	4	3.1	7.9
		238.0	230.2
CURRENT ASSETS			
Current tax assets	5	-	0.2
		-	0.2
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	6	179.2	161.9
		179.2	161.9
NET ASSETS		**58.8**	68.5
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	5	0.9	0.9
Share premium		101.7	89.1
Accumulated losses		(43.8)	(21.5)
TOTAL EQUITY		**58.8**	68.5

The financial statements and notes on pages 48 to 54 were approved by the Board of directors on 22 May 2017 and were signed on its behalf by Emma Lancaster.

E Lancaster
Director EDU UK TopCo Ltd Registered no. 07285288

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

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year ended 31 December 2016

2016	**Ordinary Share Capital**	**Share Premium**	**Accumulated Losses**	**Total Equity**
	£'m	**£'m**	**£'m**	**£'m**
Balance at 1 January 2016	**0.9**	**89.1**	**(21.5)**	**68.5**
Result for the period	-	-	(23.1)	(23.1)
Employee share option credit	-	-	0.8	0.8
Issue of share capital at a premium	-	12.6	-	12.6
Balance at 31 December 2016	**0.9**	**101.7**	**(43.8)**	**58.8**

2015	Ordinary Share Capital	Share Premium	Accumulated Losses	Total Equity
	£'m	£'m	£'m	£'m
Balance at 1 January 2015	0.9	89.1	(8.3)	81.7
Result for the period	-	-	(14.0)	(14.0)
Employee share option credit	-	-	0.8	0.8
Balance at 31 December 2015	0.9	89.1	(21.5)	68.5

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Accounting policies for the year ended 31 December 2016

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

The Company financial statements were approved by the Board of Directors on 22 May 2017.

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

In these financial statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes; and
- the requirements of IAS 24 Related Party Transactions and has, therefore, not disclosed transactions between the Company and its wholly owned subsidiaries; and
- the effect of new but not yet effective IFRSs
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*

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

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

1.3 INVESTMENTS

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

1.4 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 Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.5 TRADE PAYABLES

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

1.6 FINANCIAL LIABILITIES AND EQUITY

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

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

1.7 EMPLOYEE BENEFITS

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

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

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

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

1.8 TAXATION INCLUDING DEFERRED TAX

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

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

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

Deferred tax assets and liabilities have not been discounted.

1.9 BORROWINGS

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

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

1.10 FINANCIAL RISK MANAGEMENT

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

1.11 FOREIGN CURRENCY

a) Functional and presentation currency

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

2. OPERATING RESULT

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

3. INVESTMENTS

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

	Total £'m
Cost at 1 January 2016	222.3
Redemption of preference shares	(222.3)
Issue of share capital at a premium	234.9
Cost at 31 December 2016	**234.9**

COMPANY SUBSIDIARY UNDERTAKINGS

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

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

4. OTHER RECEIVABLES

	2016 £'m	2015 £'m
NON CURRENT:		
Other receivables	**3.2**	7.9

5. CURRENT TAX ASSETS

	2016 £'m	2015 £'m
UK Corporation tax receivable	-	0.2

6. BORROWINGS

	2016 £'m	2015 £'m
NON CURRENT BORROWINGS		
Secured borrowings at amortised cost		
Eurobonds	**178.4**	161.9
Loan notes	**0.8**	-
	179.2	161.9
Total borrowings		
Amount due for settlement after one year	**179.2**	161.9
	179.2	161.9

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

The company has loan notes accruing to former employees totalling £783,832. The notes accrue at 8% interest annually and become payable on sale or exit, or in 20 years from date of issue.

Movement in Borrowings	**Eurobonds £'m**
At 1 January 2016	**161.9**
Interest Accrued	**16.5**
Loan notes issued	**0.8**
At 31 December 2016	**179.2**

7. SHARE CAPITAL

	2016		2015	
	Number of shares	**£'m**	Number of shares	£'m
Ordinary shares authorised, allotted and issued of £1 each	**889,541**	**0.9**	889,540	0.9

One ordinary share was issued in the period for a premium of £12.6 million to facilitate the Group's repayment of a loan from the immediate parent EDU Luxco S.a.r.l.

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

9. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

10. RELATED PARTY TRANSACTIONS

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

11. CAPITAL AND OTHER COMMITMENTS

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

All outstanding liabilities as at 31 December 2016 of Study Group Holdings UK Ltd, Study Group Ltd; EDU UK Management Services Ltd and Study Group Distance Learning Ltd have been guaranteed by the company and no liability is expected to arise under the guarantee.

12. CONTINGENT LIABILITIES

The company has no contingent liabilities.

13. 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.