

Parent for 7285370

**SG GLOBAL TOPCO
LIMITED
(FORMERLY SURREY TOPCO LIMITED)
ANNUAL REPORT
&
FINANCIAL
STATEMENTS**

Period Ended 31 December 2019

**Registered Number:
11827427**

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SG GLOBAL TOPCO LIMITED

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SG GLOBAL TOPCO LIMITED
DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

K Burnett, Sir
R Kugler
B Ladriere
E Lancaster
E Little
O Personnaz
M Van Cauwenberge
N Williams
B Witcher

INDEPENDENT AUDITOR

Deloitte LLP
1 New Street Square
London
United Kingdom
EC4A 3HQ

REGISTERED OFFICE

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

COMPANY REGISTERED NUMBER

Registered in England No. 11827427

SG GLOBAL TOPCO LIMITED

STRATEGIC REPORT

Overview of the period

The Directors present their report and the consolidated financial statements for SG Global Topco Limited, 'the Company', and its subsidiaries, together 'the Group' or 'Study Group', for the period ended 31 December 2019. 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.

Incorporation and Acquisition

The Company was incorporated on 14 February 2019 in order to acquire EDU UK Topco Limited, the parent of the Study Group family of companies. The acquisition subsequently occurred on 31 May 2019. Further details of this acquisition are contained in Note 29 of the financial statements.

At the date of acquisition, Ardian LBO Fund VI B S.L.P. ('Ardian') became the majority shareholder of Study Group, following almost nine years of ownership by Providence Equity Partners.

In addition to executive Directors Emma Lancaster (CEO) and Nick Williams (CFO), the Board includes five non-executive Directors from Ardian. We were also delighted to welcome Sir Keith Burnett FRS, former Vice Chancellor of University of Sheffield, to the Board shortly after the acquisition. Study Group's Chairman since July 2019 is Ralph Kugler, a former executive with Unilever and Chairman of Cognita and amongst other education activities, a current Board Trustee on the largest primary school MAT. Please see pages 14-15 for more details about the Directors.

Pro-forma Group results

The statutory reporting includes seven months of trading for the Group since it acquired EDU UK Topco Limited on 31 May 2019. In order to provide a meaningful understanding of the Group's performance, the Directors have also included in their report pro-forma results of the Group to show the full twelve months' results of Study Group as if Study Group had been owned by SG Global Topco Limited from 1 January 2019, and provided commentary against the comparable 12 month prior year period. These pro-forma 12 months' results are reported incorporating the impact of IFRS 16 as if it had been in place for both periods and referred to as 'Full Year' results throughout.

Overview

Study Group is the leading international provider of international education, driving success for its students and partners. Its core business is the delivery of Higher Education and Pathway programmes, referred to hereafter as the "University Partnerships" business. This entails providing undergraduate foundation or International Year 1, Pre-Masters and Masters programmes to international students in the United Kingdom, Europe, the United States, Canada, Australia and New Zealand. It delivers these programmes in seven countries, primarily on the campuses of its partner universities to international students from over 140 countries.

The results throughout this report are wholly attributable to the University Partnerships business. The Group operates three operating segments: United Kingdom & Europe ('UK&EU'), Australia & New Zealand ('ANZ') and North America ('NA').

In 2019 there was strong overall continuing revenue performance of £148.6 million for the seven months and £275.7 million for the Full Year (2018 Full Year: £269.7 million⁽ⁱⁱⁱ⁾).

The Group has continued with its strategy of developing partnerships with chosen universities, both new and existing. During 2019, it renewed two university partnerships in Europe, Tilburg University and Hanze University. It also signed two new UK partners during the year, Cardiff University (launched in 2020) and the University of Aberdeen (launched in 2019). In the US, DePaul University and the University of Hartford were acquired from EC English. In 2020 the Group acquired Insendi Limited, an online learning platform based in the UK, refer to Note 29 for more details.

The strong Group revenue performance of the University Partnerships business converted to adjusted EBITDA⁽ⁱ⁾ of £22.5 million and reported EBITDA⁽ⁱⁱ⁾ of £12.3 million for the seven month period and adjusted EBITDA of £53.0 million and reported EBITDA of £40.0 million for the Full Year (2018 Full Year adjusted and reported EBITDA⁽ⁱⁱⁱ⁾: £56.8 million and £57.3 million respectively).

⁽ⁱ⁾ Adjusted EBITDA for both 2018 and 2019 is defined as earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items (see Note 8 for details of exceptional and other items) and is reported under IFRS 16. Exceptional items are those which are material in size and 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⁾ Reported EBITDA is defined as earnings before interest, tax, depreciation, amortisation, and impairment.

⁽ⁱⁱⁱ⁾ 2018 revenue and adjusted and reported EBITDA have been restated at 2019 foreign exchange rates to show the results at constant currency. Amounts at actual rates have been disclosed on page 3. 2018 full year results have been restated as if IFRS 16 was applied from 1 January 2018.

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Operating and financial review

Key performance indicators

The financial and non-financial KPIs for the continuing business are as follows. These KPIs are selected for monitoring of the Group's medium term goal of continued revenue and EBITDA growth. Given the shortened statutory period, pro-forma Full Year 2019 and 2018 figures under IFRS 16 have been provided for comparability.

The strong Group revenue performance of the core business converted to adjusted EBITDA⁽ⁱ⁾ of £53.0 million for the Full Year, compared to £56.8 million for the 2018 Full Year at constant currency⁽ⁱⁱⁱ⁾. This decline was predominantly due to a change in the mix of programmes in Australia, refer to the Australia & New Zealand commentary on the next page for details. Excluding this, adjusted EBITDA was reasonably flat after making additional investments in our sales and marketing capability, positioning the Group well for future growth.

	Statutory results	Pro-forma Full Year results		
	2019	2019	2018	%
	7 months ^(v)	12 months	12 months ^(iv)	Variance
Revenue (£m)	148.6	275.7	272.9	1%
Constant currency adjustment ⁽ⁱⁱⁱ⁾ (£m)			(3.2)	
Revenue at constant currency (£m)	148.6	275.7	269.7	2%
Adjusted EBITDA ⁽ⁱ⁾ (£m)	22.5	53.0	58.4	(9%)
Constant currency adjustment ⁽ⁱⁱⁱ⁾ (£m)			(1.6)	
Adjusted EBITDA⁽ⁱ⁾ at constant currency (£m)	22.5	53.0	56.8	(7%)
Operating (loss)/profit before Exceptional and Other items (£m)	(1.3)	13.4	4.4	>100%
New student enrolments (NSE)⁽ⁱⁱ⁾	n/a	14,450	13,303	9%

The Group's results by operating segment are summarised as follows and shown at constant currency⁽ⁱⁱⁱ⁾ to allow for a like-for-like Year on Year comparison:

	Revenue			
	Statutory results	Pro-forma Full Year results		
	2019	2019	2018	%
£m	7 months ^(v)	12 months	12 months ^(iv)	Variance
<i>On a continuing operations basis under IFRS 16:</i>				
United Kingdom & Europe	79.4	153.4	139.1	10%
Australia & New Zealand	62.0	112.1	123.9	(10%)
North America	7.2	10.2	6.7	52%
Total	148.6	275.7	269.7	2%

(i) See definition on page 2.

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

(iii) 2018 revenue and adjusted EBITDA have been restated at 2019 foreign exchange rates to show the results at constant currency.

(iv) 2018 full year results have been restated as if IFRS 16 was applied from 1 January 2018.

(v) The parent entity was incorporated on 14 February 2019 and the acquisition of the trading group occurred on 31 May 2019, thus the results reflect 7 months of trade.

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£m	Adjusted EBITDA ⁽ⁱ⁾			
	Statutory results	Pro-forma Full Year results		
	2019 7 months ⁽ⁱ⁾	2019 12 months	2018 12 months ⁽ⁱ⁾	% Variance
<i>On a continuing operations basis under IFRS 16:</i>				
United Kingdom & Europe	15.9	37.5	35.4	6%
Australia & New Zealand	21.8	42.4	49.1	(14%)
North America	(1.2)	(2.7)	(4.5)	40%
Total University Partnerships	36.5	77.2	80.0	(4%)
Shared functional & corporate costs	(14.0)	(24.2)	(23.2)	4%
Total	22.5	53.0	56.8	(7%)

Reconciliation of reported EBITDA to adjusted EBITDA at actual foreign exchange rates:

£m	Statutory results	Pro-forma Full Year results		
	2019	2019	2018	%
	7 months ⁽ⁱ⁾	12 months	12 months ⁽ⁱ⁾	Variance
<i>On a continuing operations basis under IFRS 16:</i>				
Reported EBITDA (as defined in (n) on page 2)	12.3	40.0	58.8	(32%)
Exceptional and other items	10.2	13.0	(0.4)	>100%
Adjusted EBITDA (as defined in (i) on page 2)	22.5	53.0	58.4	(9%)

Review of results by Operating Segment

The following section provides commentary for the Full Year pro-forma result against the comparable twelve month prior year period re-translated at constant currency 2019 foreign exchange rates and the adoption of IFRS 16 to allow for a like-for-like comparison.

Overall Study Group saw NSE (New Students Enrolled) grow from 13,303 to 14,450, an increase of 9%.

UK & Europe

Full year revenue in 2019 increased by 10% to £153.4 million (2018: £139.1 million), mainly as a result of higher NSE with key university partners across the UK. There was also a revenue benefit from a favourable centre mix, with more volume in higher priced centres. Adjusted EBITDA growth was 6% to £37.5 million (2018: £35.4 million).

Australia & New Zealand

In Australia, a change in programmes at the Australian National University ('ANU') resulted in lower NSE in the year. This was offset by NSE growth in other ANZ partners and the inclusion of the first full year of the University of Waikato, resulting in an overall small 2% decline in ANZ NSE in 2019. Excluding the ANU, ANZ NSE grew by 5%. Increased student volumes across a range of programmes and campuses partially offset the ANU decline but led to overall revenue decline of 10% to £112.1 million (2018: £123.9 million). This led to an adjusted EBITDA decline of 14% to £42.4 million (2018: £49.1 million).

North America

Full year revenue in 2019 increased by 52% to £10.2 million (2018: £6.7 million). NSE were up 71% to 856 (2018: 500). The increase was primarily due to an increase in student numbers at Baylor University, as well as the impact of opening two new centres - DePaul and Hartford. This provides a strong foundation for revenue growth in future years. Adjusted EBITDA for the year improved to a loss of £2.7 million (2018: £4.5 million loss). North America reported a loss as a result of further upfront set-up costs incurred in 2019 for new centres.

Shared functional and corporate costs

Functional and corporate costs, being largely central IT, finance, HR and head office costs increased by 4% to £24.2 million (2018: £23.2 million), due to investments made to strengthen central functions to support growth in the business. These costs are managed and controlled centrally and as such are reported separately from the Group's operating segments.

(i) See definition on page 3 for Statutory results footnote (v) and for 2018 results footnote (iv).

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The following section provides commentary mainly for the seven months period to 31 December 2019.

Exceptional and Other items included in reported EBITDA

Exceptional items are those which are material in size and 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 recurring trading operations of the business.

Total Exceptional and Other items included in reported EBITDA for the period ended 31 December 2019 (as defined in footnote (ii) on page 2) total £10.2 million and include £6.0 million of transaction fees in respect of the change of ownership, £1.9 million strategic investments related to a corporate strategy project, £1.8 million restructuring costs, £0.9 million of shareholder and management fees and £(0.4) million relating to property provisions.

Depreciation and amortisation

Depreciation and amortisation for the period ended 31 December 2019 total £23.7 million. The Full Year total of £37.6 million (2018: £31.0 million) includes additional amounts expensed under IFRS 16.

Finance expense

The net finance expense for the period ended 31 December 2019 was £14.8 million. The largest finance expense was interest on the term loans of £9.8 million which have an interest margin of 6.00%. The revolving credit facility ('RCF') remained undrawn at the period end due to adequate cash held across the Group. In addition, other finance costs include non-commitment fees on the undrawn RCF of £0.1 million, amortisation of deferred borrowing costs of £0.7 million, IFRS 16 net finance costs for leases of £2.8 million and exceptional finance costs of £0.7 million arising from foreign exchange losses.

Taxation

For the period to 31 December 2019, the Group received a total tax credit of £4.0 million being a current tax charge of £1.0 million and a deferred tax credit of £5.0 million. The deferred tax credit was largely due to the accumulation of unused tax losses as well as the difference between allowable tax depreciation and accounting depreciation. During this period, a net cash tax outflow of £0.2 million was paid predominantly relating to tax payable in China.

Loss after taxation

After deducting the above depreciation and amortisation, finance expenses and taxation from Reported EBITDA of £12.3 million, the loss after taxation from continuing operations for the period to 31 December 2019 was £22.5 million.

Balance sheet position

Net debt, being external borrowings less available cash, was £177.5 million at 31 December 2019. Despite the loss for the period, cash remained positive and the revolving credit facility of £30.0 million was fully unutilised as at 31 December 2019.

Cash flow

The Group generated free cash inflow (being cash available to service debt) of £50.3 million in the period ended 31 December 2019. Free cash flow for the total business included cash exceptional outflows of £3.7 million, a cash inflow of £44.0 million relating to movements in net working capital due to advance student fees collections mainly in the UK, a net cash tax outflow of £0.2 million, and capital expenditure of £10.5 million.

Exceptional cash outflows primarily related to a Group strategy project (£1.6 million) and restructuring costs (£1.2 million).

Capital expenditure in the period was for continued investment across the business, both in IT developments and tangible spend, including launch costs for new centres.

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

Reconciliation of Adjusted EBITDA to Free Cash flow

	2019 7 Months £m
Adjusted EBITDA for the continuing business	22.5
EBITDA attributable to discontinued businesses	(1.8)
Cash exceptional and other items	(3.7)
Movement in working capital	44.0
Cash tax paid	(0.2)
Capital expenditure and other investment activities	(10.5)
Free cash flow	50.3

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2020 developments including the impact of and response to Covid-19

In February 2020 shortly before the first impact of Covid-19 the Group acquired Insendi Limited, an online learning platform based in the UK, refer to Note 30 for more details.

2020 has seen unprecedented challenges for many sectors around the world due to public health restrictions on international travel and face-to-face gatherings. The impact on international education was first seen by Study Group's student recruitment team in China and Singapore, quickly followed by a series of regional lockdowns in Australia and New Zealand, and then in the UK and continental Europe.

In the face of these changes, Study Group immediately implemented a coordinated senior team to support the safety and well-being of students and staff and to lead the necessary actions globally, including:

- Developing plans focused on enabling the continuation of high-quality teaching and student welfare to secure student satisfaction and successful progression, regardless of whether students had remained in the destination country or returned to their home countries.
- Working closely with our university partners and in-house academic teams to pivot our Study Centres to high-quality blended and online learning which was recognised for progression by these institutions.
- Throughout this period we also drew on the expertise of the Group's recently-acquired online learning platform, Insendi Limited, which worked to quickly move our online offering beyond emergency provision and to embed the principles of best practice into online teaching, peer engagement and feedback.
- Simultaneously successfully moving central functions and operational teams fully online, developing new formats and channels for positive communications and engagement.

As a direct result of the above actions, satisfaction rates, continuation and progression remained strong.

The impact of Covid-19 has continued into the second half of 2020 and as a consequence the Group experienced reductions in student recruitment during this period relative to pre-pandemic expectations. Although it remains the case that students continue to wish to pursue studies overseas at leading international universities, they are also concerned about safety, and limited international travel has meant that demand across the market has softened. Despite this, Study Group made full use of its own ability to control costs, made use of government support schemes across the world, and instigated targeted student recruitment and project development to adapt to a rapidly changing and uncertain context. Study Group has been strongly supported in this approach by its majority shareholder Ardian.

Study Group marked its 25th anniversary as a company in 2020, taking pride in its track record as a leading provider of international education and in its response to a global pandemic which demanded a coordinated response, a focus on the needs of students, close working with university partners and the rapid embedding of innovation in online education across our operations. As a result, the company has fast-tracked key areas of its strategy and is looking forward with confidence to a period of innovation and renewal beyond Covid-19.

Going concern

At 31 October 2020 the Group had cash and cash equivalents of £29.8m. After consideration of the impact of Covid-19 on the business as discussed below, including the application of scenario and sensitivity analysis, and the ongoing support of the Group's majority shareholder Ardian, there is positive cash headroom on committed facilities throughout the going concern assessment period. This includes a commitment from Ardian to provide a capital injection of up to £30m if required, as part of an agreement that has been reached with the Group's lenders. That agreement is subject to legal documentation, which is currently in the process of being finalised.

In making the going concern assessment, the Directors have taken into account the ongoing impact of Covid-19 on the Group. The Directors have prepared a series of trading performance forecasts in terms of the impact of the pandemic on the business. The going concern assessment recognises the inherent uncertainty associated with any forecasting and the Directors believe that the Group's strong financial and market position, together with its proactive management of evolving market conditions including closely managing costs and ensuring that liquidity is maintained with sufficient headroom, will ensure that the Group will manage through the situation and will emerge strongly.

In an illustrative extreme downside scenario for the purposes of stress-testing the Group's strong financial position, NSE for the first six months of 2021 could be over 50% lower than the same period in 2020, and NSE for the second six months of 2021 no better than the comparable period in 2020 which was impacted by Covid-19 before cash resources would reach zero. Based on current evidence available to the Directors at the date of this report, the assumptions in this scenario are considered to be highly unlikely. Therefore, under all reasonable downside scenarios modelled, and assuming the finalisation of the agreement with the Group's lenders as referenced above, the group has sufficient committed facilities.

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The Group's term loan currently includes a single financial covenant requiring that the Group's leverage ratio remains within agreed limits, with which the Group was in compliance throughout the year and since the year end. The agreement that has been reached with the Group's lenders includes the setting aside of this covenant for a period that extends beyond the next 12 months, subject to final legal documentation, and incorporating the commitment from Ardian to provide a capital injection of up to £30m if required. As a result of a reduction in NSE in the second six months of 2020, as outlined in more detail in the section above, the 'last 12 months EBITDA' used in the covenant calculation during the going concern assessment period is expected to be materially lower than it would have been before Covid-19. If the agreement to set aside the covenant had not been reached with the lenders, a financial covenant breach resulting in the facilities becoming repayable from June 2021 would otherwise have been forecast.

Given the above, the Board is confident that the Company and the Group will have adequate resources to continue to operate for the foreseeable future. Because the agreement with the Group's lenders remains subject to final legal documentation at the date of approval of these financial statements, the Directors have concluded that these circumstances represent a material uncertainty, which may cast significant doubt on the Company's and the Group's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. However, because the Directors consider that any financial covenant breach in the next 12 months from the date of these financial statements is highly unlikely due to the agreement reached, and that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future, they continue to adopt the going concern basis in the financial statements.

Strategy

Study Group is committed to a strategy of continuing to strengthen its position as a leading provider of international education. The Group has identified four key pillars to achieve its strategy:

Student Success: A key factor in the success of the Group's partnerships is continuing to drive successful student outcomes and high progression rates to the partner institutions. During the year the Group saw a 1% improvement on 2018 progression rates.

Partner Success: Study Group aims to continuously improve the service it provides to all its stakeholders including its key partners.

Highly Engaged Team: The Group understands that recruiting, developing and retaining a strong team will be critical to achieving its strategic objectives. It is also focused on ensuring that its employees are continually learning and growing at work.

Growth-Driven: Working with the best university partners to ensure Study Group can offer valuable propositions to its students to support them with the next phase of their education. To this end, the Group is constantly looking for new opportunities to improve the breadth of source channels in order to provide cultural and economic diversity for its existing partners, as well as expanding its offering and maintaining strong relationships with current partners, as evidenced by the renewals of two of its existing university partnerships during the period (nine in 2018). The Group believes that this, coupled with a longer term goal to build new university partnerships and develop new products and business lines, positions it to be a global leader in international higher education and deliver exceptional student outcomes. This can be evidenced by the addition of four new partnerships during the year and the acquisition of Insendi in February 2020 to develop the Group's online learning capabilities.

Study Group believes that this strategy, combined with a continued focus on operational effectiveness and efficiency, will be supportive of long term revenue and EBITDA growth.

Outlook

Overall, the Group is pleased with the 2019 business performance and NSE volumes. The Board has considered the below Principal Risks and Uncertainties, in particular the potential impact of Covid-19 on the business as discussed in the Going Concern section above and is confident that its strong financial and market position, together with its proactive management of the impact of the outbreak, will ensure that the Group will manage through the situation and will emerge strongly.

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Principal Risks and Uncertainties

A risk management framework is in place consisting of divisional compliance, risk and assurance boards that report monthly to a Global Compliance, Risk and Assurance Board ('GCRAB'). The GCRAB has as its key objectives the following:

- Drive focus on the achievement of top grade compliance
- Oversee, test, challenge and provide input into initiatives and activities that are integral to delivering top grade compliance
- Filter and prioritise new ideas for improving compliance and managing enterprise risks
- Monitor adherence to all statutory compliance measures and requirements across the Group
- Receive and consider output from any Divisional Compliance, Risk and Assurance Groups
- Identify and evaluate all significant enterprise risks and ensure they are appropriately owned and managed
- Ensure that all key stakeholders are aligned in pursuit of the achievement of top grade compliance

The Board is responsible for overseeing the framework. In addition, 2019 saw the Group establish an internal audit function. The most significant risks are described below.

- **Natural catastrophes**

The global economy has been and remains affected by the Covid-19 pandemic. The Group's management are actively engaged on a daily basis in supporting current and future students, and are following public health guidance in each of the territories in which it operates. It is not currently possible to accurately determine how long the pandemic and associated disruption will continue, and therefore the consequent financial impact on the Group. Some students have delayed, in some cases, cancelled their studies as a result of the outbreak. The Group is keeping its resource levels and investments under close review in order to respond as flexibly as possible to the situation as it evolves. The Board is confident that its strong financial and market position, together with its proactive management of the impact of the outbreak, will ensure that the Group will manage through the situation and will emerge strongly. The Directors' going concern assessment is detailed in the Strategic Report on page 6.

- **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. The Group's students join from over 140 countries worldwide, which provides a degree of mitigation against these risks.

- **The UK future relationship with the EU, visa frameworks and immigration policy**

The Group's ability to recruit international students to its programmes depends on the ability of those students to procure visas. Study Group engages proactively with Government agencies in discussions on visa policy and frameworks and continually monitors students' processes through training agents in market.

With regards to the European Union (EU), it is unclear what the future status will be of students from outside of the United Kingdom (UK), but within the EU. However, the number of student weeks⁽ⁱ⁾ taught to EU students in the UK business represents less than 1% of total weeks across the Group and therefore management consider the associated risk to the Group to be low.

- **Contract risks**

University partners

The Group maintains relationships in the form of contractual agreements with its university partners. It works closely with these university partners to ensure that it maintains a good relationship and is adhering to the terms of its contractual arrangements.

Agent relationships

The Group relies on a global network of education agents to recruit its international students and market its programmes. The management structure is designed to ensure that the Group manages its agent relationships effectively and it constantly reviews its approach to ensure that it is able to continuously improve in this area.

- **Regulatory oversight**

The majority of our partnerships are subject to regulatory compliance and are overseen by independent third party regulators. The Group is committed to assuring adherence to its regulatory obligations and, beyond that, achieving top grade compliance. All of our centres, colleges, and campuses are operated by appropriately qualified personnel and, where deemed appropriate, central staff, including internal audit, are employed to review compliance with regulatory requirements and, where possible, drive continual improvement.

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

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Financial position

The Group has a leverage covenant attached to its term loans. The required leverage ratio reduces over time and therefore in order to meet the covenant, the Group must continue to deliver growth in consolidated EBITDA. The Group monitors its covenant requirements on a regular basis to ensure that it has time to take mitigating action in the event of a projected reduction in its leverage ratio. The impact that Covid-19 has had on the business and its financial position, and consequently on the Directors' going concern assessment is detailed in the Strategic Report on page 6.

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

Business systems risks

The Group relies on information technology systems and its online platform to operate its websites, facilitate student enrolment online, deliver its programmes and maintain cost-efficient operations. In common with many businesses, the Group's information technology systems and online platform could be impacted by interruption from both internal and external threats. In order to mitigate these risks, Study Group's production IT systems are housed and backed up appropriately to minimise the risk of catastrophic failure. All systems are monitored for environmental factors and system performance by a dedicated team of professionals.

Reputational risk

The Group's reputation could be adversely affected by its ability to adequately update and expand the content of its existing programmes and develop new programmes, as well as the quality and integrity of its curricula, teaching staff or programme facilities. The Group continuously reviews its operations to ensure that it is able to respond to and mitigate any reputational risks.

Litigation risk

In common with many other businesses, from time to time, the Group is subject to litigation. The occurrence of material litigation could have an adverse effect on its reputation and financial results in the event of an unfavourable outcome. The Group employs internal counsel and retains outside counsel to provide advice in the event of any litigation.

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Section 172 of the Companies Act 2016

The Board is fully aware of its duty to promote the success of the Company pursuant to Section 172 of the Companies Act 2016. Consequently, each Director must act in a way s/he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of the company.

The Board understands the business can only grow and prosper if it respects the views of students, University Partners, suppliers, and shareholders to whom the Board is accountable. The Board seeks to align the Company's strategic direction to the shareholders' long-term aspirations for sustainability, growth, diversification and investment.

The Board has safeguards in place to ensure the long term implications of decisions are being considered. Regular five year planning allows the Company to preserve the value of the business over the long term and whilst there are internal boards that have delegated authority to review long term consequences, the Board conducts an appropriate level of due diligence where required. The GCRA, as defined on page 8, maintains a monthly dashboard that indicates a rating for various sectors of the business.

The development of the Group's strategy under the Board's direction (as stated on page 7) sets a target for the Group to become the leading provider of international education by driving success for the Group's students and partners. The Board ensures there is clear dialogue with stakeholders about the Group's vision through communications such as weekly newsletters, social media posts (Workplace) and presentations by members of the global executive and senior leadership teams. The Directors consider feedback from the stakeholders in reviewing progress of and aiding principal decisions in relation to future strategy.

During the Covid-19 pandemic, the Directors have considered the health and safety of both students and staff to be of paramount importance, leading to a number of specific actions:

- Moving 15,000 students online and creating an environment where the majority of staff were able to work from home.
- Where centres have re-opened the directors have ensured they comply with the relevant Covid-19 guidelines.
- The Directors have also provided support to employees working from home in terms of ensuring a high level of staff engagement comprising regular online global town hall meetings, supported by many other local and regional meetings.
- The organisation of regular online student and employee surveys as a method of gathering feedback from both groups.
- The Group continues to allow employees to benefit from various government backed schemes to help safeguard roles.

The Directors have also recognised the threat to the Group's data and information systems created by remote working and have engaged additional IT support to provide enhanced safeguards in this area. The financial impact of the pandemic on the business and consequently on shareholders has been outlined in page 6 of the Strategic Report.

The Board recognises that whilst promoting the success of the Company for the benefit of the shareholders is paramount, the interests of other stakeholders including the workforce, students, agents and partners is also crucial. The Board continues to engage with the workforce and has taken into consideration their interests through annual policy reviews, engagement surveys, an online HR service portal and the introduction of self-service career development platforms. Also refer to the employment policies section within the Directors' report on page 12. Students are encouraged to provide feedback to the Company and also have roll on sub-committees that ultimately feed up to the Board. Agents are surveyed for their feedback. The relationship with university partners are maintained through frequent steering/management meetings.

The Board is committed to high standards of ethical conduct, social responsibility, community engagement and environmental sustainability. It currently achieves this through its implementation of Group policies, training and by ensuring the welfare of students and staff is maintained. The Board reviews further ways to address these commitments on a regular basis. The Board has continued to create a positive environmental and social impact with the "Building Futures" initiative which this year has focused on fundraising to help reconstruct schools in Bangladesh. Refer to 'Charitable contributions' on page 13 for further detail on this initiative.

On behalf of the Board of Directors



E Lancaster
Director

11 December 2020

SG GLOBAL TOPCO LIMITED

DIRECTORS' REPORT

General Information

SG Global Topco Limited ('the Company'), formerly Surrey Topco Limited, is a holding company registered in England and Wales with the Company number 11827427. The Directors present their report and the audited consolidated financial statements for SG Global Topco Limited 'the Company' and its subsidiaries, together 'the Group' or 'Study Group', for the period ended 31 December 2019.

Principal Activities

Study Group is a leading provider of international education. It delivers its University Partnerships programmes to international students from over 140 countries.

The subsidiaries and associated undertakings of the Group in the period, including those registered overseas, are listed in Note 13 to the financial statements.

Ultimate Parent Company

In the view of the Directors, the ultimate parent undertaking and controlling party is Ardian LBO Fund VI B S.L.P., a company incorporated in France.

Result and Dividends

The Group loss for the seven month reporting period after taxation amounted to £24.9 million including discontinued operations and a loss after taxation of £22.5 million for continuing operations. Of the Group loss for the period, no loss is attributable to non-controlling interests. The Directors do not recommend payment of a dividend.

Business Review and Future Developments

The information contained in the Strategic Report 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 period are listed below; details of the Directors and their background are set out on pages 14 to 15:

K Burnett, Sir (appointed 18 June 2019)
R Kugler (appointed 1 July 2019)
B Ladriere (appointed 31 May 2019)
E Lancaster (appointed 31 May 2019)
E Little (appointed 14 February 2019)
O Personnaz (appointed 14 February 2019)
M Van Cauwenberge (appointed 31 May 2019)
N Williams (appointed 31 May 2019)
B Witcher (appointed 31 May 2019)

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 period and is in place as at the date of this report.

Financial Instruments

The Group's financial instruments comprise borrowings, 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 period 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.

SG GLOBAL TOPCO LIMITED

DIRECTORS' REPORT

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 Pound Sterling loans and BBSY for Australian Dollar loans plus 6%. For the rolling credit facility the margin is set at 4.75 %. The Group also may at times hold cash and cash equivalents which earn interest at a variable rate. The current banking arrangement has interest rate floors in place for both GBP (0.5% LIBOR) and AUD (1.5% BBSY) which impacts the interest rates the Group is exposed to and the Group utilises interest rate cap agreements to manage and mitigate its exposure to changes in interest rates.

In August 2019, the Group entered into two interest rate cap agreements to cap the floating interest rates on a 6-monthly basis on 50% of the GBP (£57.5 million) and 50% of the AUD term loans (\$107.3 million) until 30 August 2022, covering 50% of the Group's total loans. The Group will continue to regularly monitor and sensitise interest rate risk and will consider additional interest rate arrangements to manage and mitigate its exposure to changes in interest rates if this is considered appropriate.

As part of the Group's regular review of interest rate risk, the Group is aware of and has considered the future elimination of LIBOR. It is currently considered there is no significant risk around this elimination as the agreements in place for the long-term borrowing obligations have agreed terms that account for any unavailability of LIBOR rates.

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 21 includes detail of additional undrawn facilities that are available to the Company and the Group. Also refer to page 6 for specific consideration given to liquidity with respect to the going concern assessment.

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 Pound Sterling and Australian Dollars/US Dollars. EBITDA for the period was generated as follows: 45.5% in Pound Sterling; 86.0% in Australian Dollars, (22.8%) in Singapore Dollars, (6.1%) in US Dollars and (2.6%) 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 the Group external debt, being its term loans, are denominated 50% in Pound Sterling and 50% in Australian Dollars. It hedges the foreign exchange exposure on the Australian Dollar term loan using a net investment hedge (see Note 21). In addition, its leverage ratio (upon which its bank loan covenant compliance is calculated) is impacted to a certain extent by movements in foreign exchange rates; however the impact on EBITDA and net debt will to a certain extent offset and is something management regularly monitors and sensitises. It continues to review whether it would be beneficial to take out a foreign currency hedge to mitigate this risk.

Employment Policies

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. Study Group promotes equal opportunity and the avoidance of discrimination, by treating individuals equally and with fairness at all times when making employment decisions. The Group achieves this by reaching objective solutions based on merit, and ensuring that any unjustifiable barriers are removed. Staff are encouraged to raise any matters that are important to them within the workplace, in order to ensure that they are provided with appropriate levels of support.

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. 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.

SG GLOBAL TOPCO LIMITED

DIRECTORS' REPORT

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. Via these mediums, employees are made aware of the financial and economic factors affecting the performance of the company, as well as encouraging our individuals to fulfil their potential and to build positive working relationships within a flourishing and dynamic environment. The Group also incentivises certain role's performance through various bonus and other reward systems relevant to their level and role. All balanced views are welcomed, and it routinely celebrates diversity across our global workforce, students and partners. Refer to the s172 report on pages 10 for details on how the Board of Directors engage with employees and take into account their interest when making key business decisions.

Political Contributions

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

Business Relationships

The Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others as discussed in the s172 report on page 10.

Charitable Contributions

During the period, the Group made donations of £16,600 (the Group's subsidiaries made Full Year donations of £58,000 in 2019 and £44,000 in 2018) to its charitable partner, Plan International, which strives to advance children's rights and equality for girls all over the world. The Group's partnership with Plan International, known as 'Building Futures' invests in educational infrastructure projects in developing countries, and aligns with its mission to educate students from every corner of the globe.

Continuing the partnership's history, the donation made in the year was utilised to fund a project in the Kurigram district of Bangladesh. The project aim is to provide access to safer education to 1,080 girls, 1,320 boys and 128 teaching and education staff through the rehabilitation of eight schools in the district. Starting in July 2018, the two-year project aims to raise a total of £200,000 from donations from staff and students, and match funding from Study Group. This target is on track to be achieved by March 2020.

Going Concern

The financial statements have been prepared on a going concern basis, with strong net assets of £306.7 million. The impact that Covid-19 has had on the business and consequently on the Directors' going concern assessment is detailed in the Strategic Report on page 6. Whilst there is considered to be a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern due to a forecast financial covenant breach as outlined on page 6, the Directors consider that any financial covenant breach in the next 12 months from the date of these financial statements is highly unlikely due to an agreement reached with the Group's lenders that includes the setting aside of this covenant for a period that extends beyond the next 12 months, subject to final legal documentation. The Directors therefore continue to adopt the going concern basis in the financial statements and have concluded that they have a reasonable expectation that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future.

Events after the Balance Sheet Date

Events between the balance sheet date and the date the financial statements were issued are disclosed in Note 30 of the consolidated financial statements and Note 8 of the parent company financial statements. The impact that Covid-19 has had on the business and consequently on the Directors' going concern assessment is detailed in the Strategic Report on page 6.

Disclosure of Information to Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.



N Williams

Director

11 December 2020

SG GLOBAL TOPCO LIMITED DIRECTORS AND KEY MANAGEMENT

The Directors include the following individuals, being a balance of executive Directors and non-executive Directors:

Emma Lancaster

Chief Executive Officer,

Study Group

Emma Lancaster was appointed Chief Executive Officer of Study Group in September 2018, having served as Chief Financial Officer since April 2013.

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.

Nick Williams

Chief Financial Officer

Study Group

Nick joined Study Group in October 2018 as Chief Financial Officer and was appointed to the Board on the same day.

Nick began his finance career at KPMG, and prior to joining Study Group was finance leader for a number of growing, international businesses. Most recently he was CFO of JacTravel, a global B2B travel provider. Previous businesses included Masternaut, Truflo International and Biocompatibles. Nick also serves as Non-Executive Director of Cambridge Scientific Innovations.

He has a BA (Hons) in History from the University of Exeter, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Professor Sir Keith Burnett FRS

Vice-Chair (Academic)

Study Group

Professor Sir Keith Burnett FRS is an eminent scientist who was formerly the Head of the Division of Mathematical, Physical and Life Sciences at The University of Oxford. He also worked as a physicist in the United States and at Imperial College in London before spending two decades at Oxford and then 11 years as the President and Vice-Chancellor of The University of Sheffield.

In addition to his role with Study Group, Sir Keith is Chair of the Nuffield Foundation - the charitable trust established in 1943 Lord Nuffield, the founder of Morris Motors, which aims to improve social well-being by funding research and innovation projects in education and social policy, and building research capacity in science and social science. He is also the Chair of the Academic Council of the Schmidt Science Fellows in partnership with the Rhodes Trust in Oxford, a global programme to support exemplary interdisciplinary science in partnership with the world's leading universities. He has served as President of the U.K. Science Council, as a trustee of the Royal Society and as a member of the Prime-Minister's Advisory Council on Science and Technology.

A speaker of Mandarin Chinese, Sir Keith has also been a significant leader of scientific and educational partnership between the UK and China. In 2014 and 2016 he was given an Award for Outstanding Personal Achievement by the People's Republic of China for his contribution to the understanding of Chinese language and culture. Sir Keith was the co-founder of the award-winning #WeAreInternational campaign which welcomes international students and scholars to the UK, now supported by over 100 UK universities, education providers and businesses and led by the U.K. Council for International Student Affairs. He was awarded a knighthood in 2013 for services to Science and Higher Education.

Ralph Kugler

Non-Executive Chairman

Ralph has worked on a number of private equity deals, in a number of different sectors. He currently chairs Williams Lea Tag, an Advent International investment, and is Independent Director of Keter, a BC Partners investment. He also chairs an exciting early stage business, Ileadbox.

Ralph has been involved in a number of education activities in recent years. He is Board Trustee on the largest primary school MAT. He was chair of the Advisory board of a leading University business school, recently stepping down after 10 years on the board. Until 2018, he was Chairman of Cognita, the global K12 schools organisation, with over 70 schools worldwide.

Ralph spent 25 years at Unilever, and has lived and worked in S Africa, Brazil, Malaysia, Thailand and Belgium, as well as the UK. He rose to become executive Director on the main board of Unilever. He has also been a Director of Intercontinental Hotels, and was Board advisor on the main board of Mars, Incorporated.

SG GLOBAL TOPCO LIMITED DIRECTORS AND KEY MANAGEMENT

Ralph was appointed Commander of the Royal Order of the Direkgunaborn, a Thai royal honour, in 1999.

Olivier Personnaz

Ardian

Olivier is a Managing Director based in the London office at Ardian. Prior to joining Ardian in 2011, he was a Principal at Apax Partners in the business and financial services team. Previously, Mr. Personnaz worked in Paris as a management consultant with McKinsey & Company. He graduated as an Engineer from Ecole Centrale Paris. Currently sits on the board of DRT and SFAM.

Bruno Ladrière

Ardian

Bruno has been a Managing Director with Ardian since 2002. He was previously a Director at PAI Partners. He has extensive investment experience in the food, chemicals, industrials and healthcare sectors. Bruno has worked in the pharmaceutical industry with Rhone-Poulenc, in management consulting with Corporate Decisions and in investment banking with Triago. He qualified as a Medical Doctor and received an MBA from The Wharton School. Currently sits on the board of Envision Pharma Group, Inula, DRT and Solina.

Edward Little

Ardian

Edward Little is based in the London office of Ardian. Prior to joining Ardian in 2018, Mr. Little worked at TPG Capital where he focused on the consumer and business services sectors. Previously, Mr. Little worked at HIG Capital and began his career as an investment banker at Rothschild in London. Mr. Little is a graduate of the London School of Economics.

Benjamin Witcher

Ardian

Benjamin Witcher joined Ardian in 2015 within Ardian's Buyout team in London. Prior to joining Ardian, he spent two years in the Leveraged Finance & Sponsors Group at Credit Suisse.

Michael Van Cauwenberge

Ardian

Michael Van Cauwenberge joined Ardian in 2019 as an Analyst within the Buyout Team in London.

The Global Executive Team

The GET is responsible for the day to day management of the Group's affairs. It is led by the Group's CEO, Emma Lancaster. All members of the team have extensive experience in, and in-depth knowledge of, the education sector or the function that they lead. The current members of the GET and roles are as follows:

Emma Lancaster, Chief Executive Officer

Nick Williams, Chief Financial Officer

Gordon Bull, Chief Legal Officer

Alex Chevrolle, Managing Director, ANZ

Anthony Claridge, Chief Information Officer

Mike Everett, Global Delivery Director, UK & Europe

Nikki Hall, Chief People & Transformation Officer

Robert Morgan, Global Chief Operating Officer

James Pitman, Managing Director, Development UK & Europe

Manoj Shetty, Chief Revenue Officer

Dr Mark Cunningham, Executive Director, UK & Europe (appointed 28 February 2020)

SG GLOBAL TOPCO LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board of Directors



N Williams
Director
11 December 2020

SG GLOBAL TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SG GLOBAL TOPCO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of SG Global Topco Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the related notes to the financial statements 1 to 30;
- the parent statement of financial position;
- the parent statement of changes in equity; and
- the related notes to the parent company financial statements 1 to 8.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Directors have reached an agreement with the Group's lenders that includes the setting aside of the single financial covenant related to the Group's term loans for a period that extends beyond the next 12 months, and incorporating a commitment from Ardian to provide a capital injection of up to £30m if required. If the agreement to set aside the covenant with the lenders had not been reached, a financial covenant breach resulting in the facilities becoming repayable from June 2021 would otherwise have been forecast. However, the agreement with the Group's lenders is still subject to final legal documentation at the date of approval of the financial statements. As stated in Note 1, these events or conditions, along with the other matters as set forth in Note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

SG GLOBAL TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SG GLOBAL TOPCO LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

Helen Burridge

Helen Burridge (Senior statutory auditor)

For and on behalf of Deloitte LLP, Statutory Auditor, London, United Kingdom

15 December 2020

SG GLOBAL TOPCO LIMITED

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period ended 31 December 2019

		Before Exceptional and Other Items	Exceptional And Other Items (Note 8)	Total
		2019		
<i>On a continuing operations basis:</i>				
	Note	£m	£m	£m
Revenue	2	148.6	-	148.6
Sales and marketing costs		(39.8)	-	(39.8)
Delivery costs		(55.8)	-	(55.8)
Administrative expenses		(30.5)	(10.2)	(40.7)
EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, NET FINANCING COSTS AND TAXATION FROM CONTINUING OPERATIONS:		22.5	(10.2)	12.3
Impairment		(0.1)	(0.2)	(0.3)
Depreciation and amortisation		(23.7)	-	(23.7)
OPERATING LOSS	3	(1.3)	(10.4)	(11.7)
Finance income	4	0.3	-	0.3
Finance costs	5	(14.4)	(0.7)	(15.1)
LOSS BEFORE TAXATION		(15.4)	(11.1)	(26.5)
Taxation	6	4.0	-	4.0
LOSS FOR THE PERIOD AFTER TAXATION FROM CONTINUING OPERATIONS		(11.4)	(11.1)	(22.5)
<i>Discontinued operations:</i>	7			
Loss after tax for the period from discontinued operations, net of tax		(1.8)	(0.6)	(2.4)
LOSS FOR THE PERIOD AFTER TAXATION		(13.2)	(11.7)	(24.9)
OTHER COMPREHENSIVE (LOSS)				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Exchange differences on translation of foreign operations		(4.2)	-	(4.2)
OTHER COMPREHENSIVE (LOSS) FOR THE PERIOD, NET OF TAX		(4.2)	-	(4.2)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD		(17.4)	(11.7)	(29.1)

The accompanying notes form an integral part of these financial statements

SG GLOBAL TOPCO LIMITED

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	31 December 2019 £m
ASSETS		
NON-CURRENT ASSETS		
Goodwill	9	287.7
Other intangible assets	10	408.6
Property, plant and equipment	11	26.1
Right-of-use assets	12	117.4
Interests in joint ventures	13	0.3
Finance lease receivables	14	4.7
Deferred tax assets	15	20.1
Other financial assets		0.1
		<u>865.0</u>
CURRENT ASSETS		
Finance lease receivables	14	0.8
Current tax assets		0.3
Trade and other receivables	16	58.1
Cash and cash equivalents		44.0
		<u>103.2</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	17	80.0
Unearned revenues	18	113.0
Current tax liabilities		3.2
Lease liabilities	19	16.2
Provisions	20	4.8
		<u>217.2</u>
NET CURRENT LIABILITIES		(114.0)
NON-CURRENT LIABILITIES		
Borrowings	21	221.5
Deferred tax liabilities	15	104.4
Provisions	20	5.2
Lease liabilities	19	113.2
		<u>444.3</u>
NET ASSETS		<u>306.7</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	23	334.8
Share premium reserve	23	1.0
Translation reserve		(4.2)
Accumulated losses		(24.9)
TOTAL SHAREHOLDERS' FUNDS		<u>306.7</u>

The financial statements and notes on pages 19 to 58 were approved by the Board of directors on 11 December 2020 and were signed on its behalf by N. Williams. The accompanying notes form an integral part of these financial statements.



N. Williams, Director, SG Global Topco Limited, Registered no. 11827427

SG GLOBAL TOPCO LIMITED

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2019

2019		Ordinary Share Capital £m	Share Premium Reserve £m	Translation Reserve £m	Accumulated Losses £m	Total Equity £m
	Note					
Opening balance on incorporation		-	-	-	-	-
Loss for the period		-	-	-	(24.9)	(24.9)
Other comprehensive income for the period		-	-	(4.2)	-	(4.2)
Total comprehensive gain/(loss) for the period		-	-	(4.2)	(24.9)	(29.1)
Issue of share capital	23	334.8	1.0	-	-	335.8
Balance at 31 December 2019		334.8	1.0	(4.2)	(24.9)	306.7

SG GLOBAL TOPCO LIMITED

GROUP CONSOLIDATED CASH FLOW STATEMENT

for the period ended 31 December 2019

The Group has elected to present a statement of cash flows that analyses all cash flows in total, including both continuing and discontinued operations; amounts relating to discontinued operations are disclosed in Note 7.

	Note	2019 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(28.9)
<i>Adjustments for:</i>		
Depreciation and amortisation	3	23.7
Impairment of right of use assets		(0.1)
Impairment of intangible assets		0.1
Finance costs		14.4
Finance income	4	(0.3)
Loss on disposal of discontinued operations	7	0.6
Acquisition costs	8	6.0
		15.5
Decrease in trade and other receivables		60.7
Decrease in unearned revenues		(9.4)
Decrease in provisions		(0.6)
Decrease in trade and other payables		(14.5)
		51.7
Acquisition costs	29	(6.0)
Interest paid and financing costs		(5.4)
Interest element of lease payments		(3.0)
Income taxes paid		(0.2)
Net cash generated from operating activities		37.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		0.1
Interest income on the net investment in the lease		0.2
Purchase of businesses	29	(287.5)
Cash balances acquired on acquisition	29	6.2
Purchase of property, plant and equipment	11	(6.8)
Purchase of intangible assets		(3.7)
Net cash used in investing activities		(291.5)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of shares	23	335.8
Proceeds from issue of loans		232.8
Deferred borrowing costs on new loans		(7.7)
Repayment of bank loans and other financing	28	(252.5)
Repayment of the principal portion of the net investment in the lease		0.5
Repayment of the principal portion of the lease liability		(10.8)
Net cash generated from financing activities		298.1
Net increase in cash and cash equivalents		43.7
Effect of foreign exchange rate changes		0.3
CLOSING CASH AND CASH EQUIVALENTS		44.0

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Date of incorporation

SG Global Topco Limited (formerly Surrey Topco Limited) was incorporated on 14 February 2019. It is a company limited by shares and is incorporated, domiciled and registered in England and Wales. The company name was changed from Surrey Topco Limited to SG Global Topco Limited on 29 May 2019. The Group consolidated financial statements were authorised for issue by the Board of Directors on 11 December 2020.

For the period ending 31 December 2019 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies:

Subsidiary Name	Companies House Registration Number
EDU UK Intermediate Ltd	07285315
EDU UK Management Services Ltd	07285370
EDU UK Topco Ltd	07285288
Study Group Holdings UK Ltd	05888001
Bellerbys UK Ltd (formerly Study Group Ltd)	04275123
Study Group Distance Learning Ltd	07145464
SG Global Bidco Ltd	11827693
SG Global Midco Ltd	11827648
SG Global Finco Ltd	11827569

Accounting policies for the period ended 31 December 2019

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated.

1.2 BASIS OF PREPARATION

These financial statements are based on the consolidated results of the SG Global Topco Limited Group ('the Group') for the period to 31 December 2019. The parent entity was incorporated on 14 February 2019 and the acquisition of the trading group occurred on 31 May 2019, thus the results reflect 7 months of trade.

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. This is the first set of financial statements for the Company. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 59 to 63.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.23.

Going Concern

At 31 October 2020 the Group had cash and cash equivalents of £29.8m. After consideration of the impact of Covid-19 on the business as discussed below, including the application of scenario and sensitivity analysis, and the ongoing support of the Group's majority shareholder Ardian, there is positive cash headroom on committed facilities throughout the going concern assessment period. This includes a commitment from Ardian to provide a capital injection of up to £30m if required, as part of an agreement that has been reached with the Group's lenders. That agreement is subject to legal documentation, which is currently in the process of being finalised.

In making the going concern assessment, the Directors have taken into account the ongoing impact of Covid-19 on the Group. The Directors have prepared a series of trading performance forecasts in terms of the impact of the pandemic on the business. The going concern assessment recognises the inherent uncertainty associated with any forecasting and the Directors believe that the Group's strong financial and market position, together with its proactive management of evolving market conditions

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

including closely managing costs and ensuring that liquidity is maintained with sufficient headroom, will ensure that the Group will manage through the situation and will emerge strongly.

In an illustrative extreme downside scenario for the purposes of stress-testing the Group's strong financial position, NSE for the first six month of 2021 could be over 50% lower than the same period in 2020, and NSE for the second six months of 2021 no better than the comparable period in 2020 which was impacted by Covid-19 before cash resources would reach zero. Based on current evidence available to the Directors at the date of this report, the assumptions in this scenario are considered to be highly unlikely. Therefore, under all reasonable downside scenarios modelled, and assuming the finalisation of the agreement with the Group's lenders as referenced above, the group has sufficient committed facilities.

The Group's term loan currently includes a single financial covenant requiring that the Group's leverage ratio remains within agreed limits, with which the Group was in compliance throughout the year and since the year end. The agreement that has been reached with the Group's lenders includes the setting aside of this covenant for a period that extends beyond the next 12 months, subject to final legal documentation, and incorporating the commitment from Ardian to provide a capital injection of up to £30m if required. As a result of a reduction in NSE in the second six months of 2020, as outlined in more detail in the section above, the 'last 12 months EBITDA' used in the covenant calculation during the going concern assessment period is expected to be materially lower than it would have been before Covid-19. If the agreement to set aside the covenant had not been reached with the lenders, a financial covenant breach resulting in the facilities becoming repayable from June 2021 would otherwise have been forecast.

Given the above, the Board is confident that the Company and the Group will have adequate resources to continue to operate for the foreseeable future. Because the agreement with the Group's lenders remains subject to final legal documentation at the date of approval of these financial statements, the Directors have concluded that these circumstances represent a material uncertainty, which may cast significant doubt on the Company's and the Group's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. However, because the Directors consider that any financial covenant breach in the next 12 months from the date of these financial statements is highly unlikely due to the agreement reached, and that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future, they continue to adopt the going concern basis in the 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.

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.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.4 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of sales taxes and discounts.

Revenue is recognised as follows, in accordance with the principles of IFRS 15:

a) **Tuition revenue**

Tuition revenue is generated from education courses provided to students and is recognised over time as the courses are provided, with performance obligations being satisfied as the course is delivered. Discounts and bursaries given to students are netted against tuition revenue. Payments from students are due in accordance with agreed payment terms for that particular course and education provider. Pre-payments for courses are treated as deferred revenue and amortised over the duration of the course. Refunds will be granted to students in accordance with the agreed refund policies for each University partner, for example in exceptional circumstances such as relating to illness or bereavement, or where Study Group has been unable to provide or complete teaching of a paid-for programme of study.

b) **Accommodation revenue**

Accommodation revenue is generated from accommodation provided to students and is recognised over time as it is provided. Payments from students are due in accordance with agreed payment terms for the accommodation provided. Pre-payments for accommodation are treated as deferred revenue and amortised over the duration of stay. Refunds will be granted to students in accordance with the agreed refund policies for each University partner, for example in exceptional circumstances such as relating to illness or bereavement, or where Study Group has been unable to provide or complete teaching of a paid-for programme of study.

c) **Matriculation or placement revenue**

Matriculation or placement revenue from University Partners is recognised when the Group's performance obligations are met, which is the point at which matriculation or placement of the student is confirmed. The revenue is recognised for all semesters and years, with an estimate of subsequent year amounts being made by taking into account average progression rates. Payment is due in accordance with agreed payment terms with that particular University. Study Group is entitled to payment once the student enrolls on their course, and there is no obligation for a refund should the student fail to complete the course.

d) **Other revenue**

Other revenue is recognised in line with IFRS 15 and when the performance obligations have been met.

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as laptops, photocopiers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. At the end of each reporting period, the Group assesses whether there is any indication that a right-of-use asset may be impaired under IAS 36. If there is an indication of impairment, the asset will be written down to its recoverable amount.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated on a straight-line basis over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other operating expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has elected to apply this to leases of student accommodation and motor vehicles only. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

1.7 EXCEPTIONAL AND OTHER ITEMS

Due to their material nature, certain exceptional and other non-trading or non-recurring items have been classified separately in order to aid the understanding of the reader. Exceptional items comprise, *inter alia*, impairment charges, restructuring costs and costs associated with material financing or acquisition transactions. Other items include strategic investments which comprise of upfront investments for the benefit of future years, non-executive director fees, restructuring costs and unrealised FX loss that the directors believe are beneficial to strip out when analysing the underlying trading result for the period because these are items that are not directly linked to the trading business.

1.8 BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.9 GOODWILL

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

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to CGU's for the purpose of impairment testing, with CGU's in line with the reported operating segments. The allocation is made to those CGU's or Groups of CGU's that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Goodwill is recorded in the functional currency of the CGU to which it relates.

1.10 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.

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. Intangible assets acquired in a business combination are recorded in the functional currency of the CGU to which they relate. 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 at the balance sheet exchange rate, on the same basis as intangible assets acquired separately.

The following useful lives have been determined for the intangible assets acquired separately or in a business combination:

University Partnerships	30 years
Brand	30 years
Software	3-5 years
Centre Contracts	Life of contract
Course Development	3 years

Internally-generated intangible assets

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

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

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

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

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

Course Development	3 years
Software Development	3-5 years

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.11 TANGIBLE FIXED ASSETS

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

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

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

Freehold buildings	- 50 years
Equipment	- 2-10 years
Leasehold improvements	- Term of lease
Asset Retirement obligations	- Term of lease
Freehold land is not depreciated.	

1.12 IMPAIRMENT OF NON-CURRENT ASSETS

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

1.13 FINANCIAL INSTRUMENTS

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.

Financial assets

All financial assets are normally recognised and de-recognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value. On de-recognition, however, where a specific transaction is entered into with a counterparty that is judged to carry a high credit or liquidity risk, then the Directors may determine that de-recognition of the financial asset shall be based on settlement date rather than trade date, with any realised gain or loss taken to the income statement on date of settlement.

Financial assets that are within the scope of IFRS 9 are required to be classified and measured subsequently at amortised cost, fair value through other comprehensive income ('FVTOCI') or fair value through profit and loss ('FVTPL') on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at FVTOCI; and
- all other debt investments and equity investments are measured subsequently at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Classes of financial asset

Financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified at amortised cost. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at FVTOCI

Financial assets at FVTOCI are stated at fair value, with any gains or losses arising on re-measurement recognised in other comprehensive income.

Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the income statement.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. In accordance with IFRS 9 impairment of financial assets is based on an expected credit loss ('ECL') model. The ECL model requires the Group to account for ECLs and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected, IFRS 9 also requires current and future events to be considered when making an impairment assessment.

IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECLs if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For all financial assets, including finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either "financial liabilities at FVTPL" or "other financial liabilities".

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and IFRS 9 Financial Instruments permits the entire combined contract (asset or liability) to be designated as at FVTPL.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

1.14 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

a) Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement 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 re-measurement are recognised immediately in the income statement (even if those gains would normally be recognised in reserves).

c) Cash flow hedges

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

d) Hedge of a net investment

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in the statement of changes in equity 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.

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.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.16 TAXATION INCLUDING DEFERRED TAX

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

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

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

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

1.17 DISCONTINUED OPERATIONS

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

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

Or

- is a subsidiary acquired exclusively with a view to resale

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

Additional disclosures are provided in Note 7. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

1.18 CASH AND CASH EQUIVALENTS

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

1.19 EMPLOYEE BENEFITS

Defined contribution plans

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

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

Employee leave entitlements

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

1.20 SHARE CAPITAL AND SHARE PREMIUM

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

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.21 FOREIGN CURRENCY

a) Functional and presentation currency

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

b) Transactions and balances

Transactions denominated in foreign currencies are recorded in Pound Sterling 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 Pound Sterling using average rates that existed during the accounting period. The balance sheets of foreign subsidiaries are translated into Pound Sterling 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 other comprehensive income and accumulated in a foreign exchange translation reserve.

1.22 FINANCIAL RISK MANAGEMENT

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

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to be approximate to their book values.

1.23 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in Note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made relating to the Directors' going concern assessment is detailed in the Strategic Report on page 6.

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;

Key sources of estimation uncertainty

Goodwill and Intangibles

Annually the Group tests whether intangible assets and goodwill have suffered any impairment, in accordance with the accounting policy stated in Notes 1.9 and 1.10.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. The period end impairment reviews were based on forecasts as at the period end date, which have not been updated to reflect the impact of Covid-19 as this is a non-adjusting post balance sheet event. The impact of Covid-19 and reduction in forecasts next year may result in impairment in future periods, additional sensitivity analysis and further details of key assumptions are given in Note 9.

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.

In 2019 the Group was subject to a review by the Australian Taxation Office ('ATO') as part of the Top 1000 companies under their tax performance program. The Group has raised a provision that it considers may become payable to the ATO (i.e. the tax liability and associated interest) pursuant to AASB Interpretation 23 in respect of some of these items. However, whilst several of these matters are still in various states of progress with the ATO, the ultimate outcome is unknown and cannot be reliably determined at the date of this report. Therefore the provision raised against these uncertain items is one of the Group's key estimates, refer to Note 6 for details.

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.

1.24 REVISIONS TO IFRS NOT APPLICABLE IN 2019

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 17 Insurance Contracts
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 and IAS 8 Definition of material
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Other standards not yet effective

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. SEGMENTAL ANALYSES

The primary reportable segments of the Group have been identified as UK & Europe Pathways, ANZ Pathways and North America Pathways. These are in line with the internal reporting of the Group's performance to the Chief Operating Decision Maker, ('CODM') identified as the CEO, Emma Lancaster. Each segment represents a cash-generating unit ('CGU'). Goodwill has been allocated to the UK & Europe Pathways and ANZ Pathways CGUs (refer to Note 9).

£m	Revenue Period ended 31 December 2019	Operating loss
<i>On a continuing operations basis:</i>		
University Partnerships by Geographical Segment ⁽ⁱⁱ⁾		
United Kingdom & Europe	79.4	15.9
Australia & New Zealand	62.0	21.8
North America	7.2	(1.2)
Total University Partnerships	148.6	36.5
Shared functional & corporate costs	-	(14.0)
Total revenue and adjusted EBITDA ⁽ⁱ⁾	148.6	22.5
Exceptional and other items	-	(10.2)
Total revenue and reported EBITDA	148.6	12.3
Impairment	-	(0.3)
Depreciation and amortisation	-	(23.7)
Total revenue and Operating loss	148.6	(11.7)

- (i) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items.
(ii) During the period there was no trading between segments and central and shared costs have been allocated on a reasonable and consistent basis.

The above operating loss has been reconciled to the loss before tax on the face of the consolidated statement of Group comprehensive income on page 19.

3. OPERATING LOSS

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

	2019 £m
Depreciation of property, plant and equipment:	3.3
Depreciation of right-of-use assets	8.4
Amortisation of intangible assets	12.0
Impairment of intangible assets	0.1
Allowance for bad debt	1.5
Services provided by the Group's auditor and network firms	
	2019 £m
Fees payable to the Company's auditor for the audit of parent company and consolidated	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's	0.3
Total fees payable for audit services	0.5

SG GLOBAL TOPCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4. FINANCE INCOME

Finance income:	2019 £m
Bank interest	0.1
Finance lease receivables	0.2
	<u>0.3</u>

5. FINANCE COSTS

Finance costs:	2019 £m
Interest – term loan	9.8
Interest – revolving credit facility	0.1
Amortisation of deferred finance setup costs	0.7
Other finance costs	0.8
Interest on lease liabilities	3.0
Unrealised foreign exchange losses (Note 8)	0.7
	<u>15.1</u>

6. TAXATION

Analysis of tax credit in the period

Current tax	2019 £m
- UK tax	(0.1)
- Overseas tax	(1.2)
- Overseas tax in respect of prior periods	<u>0.1</u>
Total current tax charge to the Statement of comprehensive income	(1.2)
Analysed by:	
Total current tax charge on continuing operations	<u>(1.2)</u>
Total current tax charge	<u>(1.2)</u>

Deferred Tax (Note 15)

- UK origination and reversal of temporary differences	3.6
- UK adjustments in respect of prior periods	(0.1)
- Overseas origination and temporary differences	1.9
- Overseas adjustments in respect of prior periods	<u>(0.2)</u>
Total deferred tax credit to the Statement of comprehensive income	<u>5.2</u>
Analysed by:	
Total deferred tax credit on continuing operations	<u>4.0</u>
Total current tax credit	<u>4.0</u>

Total tax credit to the Statement of comprehensive income	<u>4.0</u>
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Analysed by:	
Total tax credit on continuing operations	<u>4.0</u>
Total tax credit to the Statement of comprehensive income	<u>4.0</u>

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. TAXATION (CONT'D)

The tax for the period differs to the standard rate of corporation tax in the UK 19%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2019 £m
Loss before taxation from continuing operations	26.5
Loss before tax from discontinued operations	2.4
Loss before taxation	<u>28.9</u>
Loss on ordinary activities multiplied by rate of corporation tax in UK of 19%	5.5
Effects of:	
Items not taxable or deductible	(1.5)
Tax losses not recognised/paid	(0.6)
Difference in overseas rates of tax	0.8
Adjustments in respect of prior periods – corporation tax	0.1
Adjustments in respect of prior periods – deferred tax	(0.3)
Total taxation credit	<u>4.0</u>

The Group was subject to a review by the Australian Taxation Office ('ATO') as part of the Top 1000 companies under their tax performance program. As part of this review the ATO identified a number of areas for which it determined that there was either a low, medium or high level assurance. The Group has raised a provision that it considers may become payable to the ATO (i.e. the tax liability and associated interest) pursuant to AASB Interpretation 23 in respect of some of these items. However, whilst several of these matters are still in various states of progress with the ATO, the ultimate outcome is unknown and cannot be reliably determined at the date of this report. In addition, the Group is in the process of obtaining a private binding ruling from the ATO in respect of the withholding tax implication and the deductibility of interest on its external funding arrangements following the change of ownership on 31 May 2019. At this point, the Group is still in discussion with the ATO, and the outcome of this ruling is unknown and cannot be reliably determined at the date of this report. In summary, a total provision of AUD \$2.9m (GBP £1.6m) has been raised against these uncertain items.

7. DISCONTINUED OPERATIONS

Since 2018, strategically Study Group has been focused on the core University Partnerships business and as a consequence, discontinued the non-core parts of the business. These non-core business segments outlined below which, whilst material lines of business at the point of classifying as discontinued, are now relatively small and therefore have been classified as one discontinued business line ('Discontinued businesses') for the period ended 31 December 2019.

Discontinued businesses comprise:

- **Embassy English ('Embassy')** - the global Embassy business was sold in 2018. In the period to 31 December 2019 amounts recognised as revenue and operating expenses predominantly related to property costs. Final amounts due in relation to the sale are recoverable in 2020.
- **HE Proprietary Brands ('HE Proprietary')** - includes Martin HE and Endeavour. Martin HE was formally discontinued in 2017 and all students were taught out by the end of 2019. The full exit of the business is on track for early 2021. The sale of Endeavour completed in 2018 and cash of £2.1 million was received in September 2019 in relation to monies held in Escrow from the date of sale, following the satisfaction of certain criteria.
- **Vocational Education and Training business ('VET')** - VET was formally discontinued in 2017 and all students were taught out by the end of 2019. Whilst the exit of the VET operations is now complete, refund claims continue to be received with £0.7 million of refunds paid in the period to 31 December 2019.

SG GLOBAL TOPCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7. DISCONTINUED OPERATIONS (CONT'D)

Accordingly, the above discontinued operating segment has been classified as a discontinued operation and is not presented within the segmental note. The results of the discontinued operation for the period are presented below:

	Total
	£m
2019	
Revenue	0.4
Operating expenses	(2.8)
Loss for the period from discontinued operation	(2.4)
Presented as:	
Before Exceptional and Other Items	(1.8)
Exceptional and Other Items (Costs relating to discontinued operations, Note 8)	(0.6)
	(2.4)

The net cash flows incurred by the discontinued operation are as follows:

	Total
	£m
2019	
Net cash used in operating activities	(1.4)
Net cash generated from financing activities	2.1
Net cash inflow	0.7

8. EXCEPTIONAL AND OTHER ITEMS

	Group Exceptional Items 2019 £m	Group Other items 2019 £m	Group Total 2019 £m
Exceptional and other items included within operating loss:			
Transaction costs	6.0	-	6.0
Strategic investments	-	1.9	1.9
Restructuring costs	0.9	0.9	1.8
Shareholder & management fees	-	0.9	0.9
Property provision	(0.4)	-	(0.4)
	6.5	3.7	10.2
Impairment	0.2	-	0.2
Exceptional and other items included within finance costs:			
Foreign exchange losses	-	0.7	0.7
Total costs relating to continuing operations	6.7	4.4	11.1
Exceptional and other items included within discontinued operations:			
Costs relating to discontinued operations (Note 7)	0.6	-	0.6
	0.6	-	0.6
Total exceptional and other costs	7.3	4.4	11.7

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 recurring trading operations of the business.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. EXCEPTIONAL AND OTHER ITEMS (CONT'D)

Exceptional items included within operating loss:

- Transaction costs included £6.0 million transaction fees in respect of the change of ownership.
- Restructuring costs comprise of projects in the period including £0.7 million relating to a restructuring project within the ANZ division and £0.4 million of associated legal fees, which was partially offset by a £0.2 million of historic aged balance sheet clean-up.
- Adjustments made to previously recognised provisions for onerous property contracts which have not been capitalised under IFRS 16 due to the available exemptions and practical expedients on transition dates, resulting in a gain of £0.4 million.
- Impairment items relate to impairments of centre contract assets associated with certain North America centres.

Exceptional items included within the discontinued operation:

- Exceptional items relating to the discontinued VET business included final redundancy costs and legal fees of £0.1 million.
- Exceptional items include released aged balance sheet balances and final transaction fees relating to the prior year Embassy and Endeavour disposals and the 2019 ACPE sale totalling £0.2 million.
- Exceptional items includes bad debt provision for EC totalling £0.3 million.

Other items:

Other items include strategic investments which comprise of upfront investments for the benefit of future years, non-executive director fees, restructuring costs and unrealised FX loss that the directors believe are beneficial to strip out when analysing the underlying trading result for the period.

- Strategic investments in the period related to the Group's strategy project of £1.7 million and £0.2 million of University of Western Australian ('UWA') additional contract tender costs.
- Restructuring costs in the period consist of corporate reorganisation fees, transformation costs in ANZ division and senior management recruiting fees totalling £0.9 million. The restructuring and recruitment costs arose as a result of the change in ownership and have therefore been classified as 'Other' for the purpose of disclosing them separately from and understanding the underlying trading result.
- Shareholder and management fees include £0.3 million of non-executive director fees and £0.6 million of senior management long-term incentive plan scheme costs.
- Unrealised foreign exchange losses for the period were £0.7 million due to net unfavourable exchange rate movements during the period.

9. GOODWILL

2019	Goodwill £m
COST	
Current period acquisitions (Note 29)	292.3
Exchange rate adjustments	(4.6)
At 31 December 2019	287.7

Impairment testing

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value:

Goodwill allocated to operating segments	2019 £m
UK & Europe Pathways	142.4
Australia & New Zealand Pathways	145.3
North America Pathways	-
	287.7

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. GOODWILL (CONT'D)

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed five year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a terminal growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment, bench-marked to the recent change in ownership transaction. The estimate of the recoverable amount for each CGUs is particularly sensitive to changes in the forecast NSEs as well as the discount and terminal growth rates as detailed in the sensitivity analysis below.

Key assumptions

	Terminal growth rate	Post-tax discount rate
UK & Europe Pathways	2.0%	7.4%
Australia & New Zealand Pathways	2.0%	7.8%

The growth rates reflect the long-term average growth rates for each segment. The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment. For reference, the equivalent pre-tax discount rates for the UK & Europe Pathways and Australia & New Zealand Pathways CGUs were 8.9% and 11.1% respectively.

Cash flow assumptions

The free cash flow projections considered as at 31 December 2019 were based on the 'five year plan' model used at the time of the change in ownership, consistent with the model used to value the acquisition intangible assets on 31 May 2019. The key assumptions include reasonable growth rates and profit margins in each CGU, based on past experience in this market. No significant or unreasonable efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

Sensitivity

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the CGU's to which goodwill is allocated. Given the balance sheet date is relatively close to the date on which goodwill was recognised (31 May 2019) and given there were no significant changes to the business or market between these two dates, headroom is relatively small at 31 December 2019 in line with expectations. Therefore the estimate of the recoverable amount for each CGUs is particularly sensitive to changes in the discount and terminal growth rates. If the post-tax discount rate used were to be increased by 1 percentage basis point from 7.4% and 7.8% to 8.4% and 8.8% in the UK & Europe and Australia and New Zealand Pathways CGUs respectively, impairment losses of £21.8 million and £25.7 million would have to be recognised against goodwill. If the terminal growth rate were to decrease by 0.5 percentage basis points from 2.0% to 1.5% for both CGUs, impairment losses of £2.9 million would have to be recognised against goodwill in the Australia and New Zealand Pathways CGU, whereas in the UK and Europe Pathways CGU this would yield a break-even position with no impairment and nil headroom.

Further sensitivity analysis has been carried out on the original impairment model in response to Covid-19, including the application of downside scenarios and sensitivity analysis as discussed in the Going Concern assessment on page 6. In a downside scenario of reduced NSE's, where 2020 post tax cash flows for UK & Europe reduce by £17.2 million, and Australia and New Zealand pathways by £16.0 million, and all other assumptions including cash flows in future periods are maintained at the original impairment model levels, a break-even position would result for both CGU's.

Management is not currently aware of any other reasonably possible changes in the key assumptions on which the recoverable amounts of each of the Group's CGUs is based that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

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10. OTHER INTANGIBLE ASSETS

2019

	University Partnerships	Brands	Software	Centre Contract	Course Development	Total
	£m	£m	£m	£m	£m	£m
COST						
Current period acquisitions	394.4	12.4	11.4	3.6	0.4	422.2
Additions	-	-	3.3	2.4	-	5.7
Disposals	-	-	(0.1)	-	(0.1)	(0.2)
Transfers	-	-	-	(0.2)	-	(0.2)
Exchange difference	(6.5)	-	(1.1)	(0.1)	-	(7.7)
At 31 December 2019	387.9	12.4	13.5	5.7	0.3	419.8
ACCUMULATED AMORTISATION & IMPAIRMENT						
Charge for the period	7.7	0.2	3.7	0.3	0.1	12.0
Disposals	-	-	-	-	(0.1)	(0.1)
Impairment charge	-	-	-	0.2	-	0.2
Exchange difference	-	-	(0.9)	-	-	(0.9)
At 31 December 2019	7.7	0.2	2.8	0.5	0.0	11.2
Net book value at 31 December 2019	380.2	12.2	10.7	5.2	0.3	408.6

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. Intangible assets acquired in a business combination are recorded in the functional currency of the CGU to which they relate. 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 at the balance sheet exchange rate, on the same basis as intangible assets acquired separately.

Two categories of acquired intangible assets have been identified and recognised: University Partnerships (31 December 2019: £387.9m) representing the contractual relationships with universities with whom Study Group has the exclusive right to provide 'pathway' and other courses, targeted primarily at overseas students; and Brands (31 December 2019: £12.4m) representing the 'Bellerbys' brand in the UK, under which Study Group provides its own bespoke pathway and further education offerings directly to students without these being branded under a partner university.

Other intangible assets include Course Development for offline or online courses developed for specific centres, as well as Centre Contract assets comprising mainly of launch costs recognised in line with IFRS 15. Software includes any software purchased or developed internally from which future economic benefits are expected.

During the period, £0.2m was transferred from centre contracts to leasehold improvements (refer to Note 11).

Amortisation for all classes of intangible assets is included within 'depreciation and amortisation' in the statement of comprehensive income.

An annual impairment review is performed each year in December, as well as any impairment triggers are reviewed throughout the year. Specific impairment in 2019 relate to impairments of centre contract assets associated with certain North America centres. Based on the annual impairment tests performed, no additional impairment has been recorded in 2019 (see Note 9).

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NOTES TO THE FINANCIAL STATEMENTS

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold improvements	Equipment	Total
	£m	£m	£m	£m
COST				
Current period acquisitions	7.3	8.9	6.6	22.8
Additions	-	3.8	3.0	6.8
Disposals	-	-	(1.8)	(1.8)
Transfers	-	0.2	-	0.2
Exchange difference	-	(0.4)	(0.4)	(0.8)
At 31 December 2019	7.3	12.5	7.4	27.2
ACCUMULATED DEPRECIATION				
Charge for the period	0.2	1.1	2.0	3.3
Disposals	-	-	(1.8)	(1.8)
Exchange difference	-	(0.2)	(0.2)	(0.4)
At 31 December 2019	0.2	0.9	-	1.1
Net book value at 31 December 2019	7.1	11.6	7.4	26.1

12. RIGHT-OF-USE ASSETS

	Land and buildings	Computer equipment	Total
	£m	£m	£m
COST			
Current period acquisitions	126.2	0.3	126.5
Additions	0.2	0.1	0.3
Disposals	(0.3)	-	(0.3)
Impairments	(0.6)	-	(0.6)
Revaluations	0.6	-	0.6
Exchange difference	(1.2)	-	(1.2)
At 31 December 2019	124.9	0.4	125.3
ACCUMULATED DEPRECIATION			
Charge for the period	8.3	0.1	8.4
Disposals	(0.3)	-	(0.3)
Foreign currency translation	(0.2)	-	(0.2)
At 31 December 2019	7.8	0.1	7.9
Net book value at 31 December 2019	117.1	0.3	117.4

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12. RIGHT-OF-USE ASSETS (CONT'D)

Under the business combination the Group acquired a number of lease contracts for assets including student accommodation, schools, classrooms, office buildings, IT data centres and motor vehicles. The average lease term of leases acquired from the date of acquisition was 5 years.

Contracts acquired under a business combination that meet the definition of a lease under IFRS 16 require specific measurement considerations. Lease liabilities acquired have been recorded based on the present value of the remaining lease payments as if a new lease had been acquired on the acquisition date, with a corresponding right-of-use asset of equal value being recognised, adjusted for favourable or unfavourable terms compared to market rates as well as other transitional adjustments. The fair value adjustment recognised at 31 May 2019 compared to the acquired net assets carrying value resulted in an increase of the right-of-use assets by £6.0 million and an increase of the lease liabilities by £6.3m, resulting in an increase to Goodwill of £0.3 million. The majority of the Group's right-of-use assets relate to land & buildings, predominantly located in the UK (£86.8 million) and Australia (£25.4 million).

The weighted average lessees' incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on the date of acquisition is shown in the table below:

Region	Incremental Borrowing Rate per Lease Bucket			
	0-5 Years	5-10 Years	10-15 Years	> 15 Years
UK & Rest of World	2.67%	3.23%	3.53%	3.97%
Australia	4.61%	4.86%	5.29%	n/a
New Zealand	n/a	4.96%	n/a	n/a

Land & buildings additions in the period largely related to Aberdeen, a new University Partner (£0.2 million). Computer equipment additions in the period (£0.1 million) related to the renewal of the Sydney Data Centre contract.

Right-of-use assets relating to lease contracts for sites which are closed or discontinued are considered standalone CGUs as they generate cash inflows independent from the rest of the group. At the date of acquisition, such right-of-use assets have been tested for impairment and have been written down to their value-in-use in accordance with IAS 36. At the financial period end, a reassessment of the value-in-use of such assets has been performed, with the net impairment charge of £0.6m reflecting the change in assumptions between the acquisition date and the year end.

The maturity analysis of lease liabilities is presented in Note 18.

	2019
Amounts recognised in profit and loss	£m
Depreciation expense on right-of-use assets	8.4
Interest expense on lease liabilities	3.0
Expense relating to short-term leases	3.0
Expense relating to leases of low value assets	0.1
Income from sub-leasing right-of-use assets	(0.2)

At 31 December 2019, the Group is committed to £2 million for short-term leases.

Approximately one third of the property leases in which the Group is the lessee contain rent review clauses within the lease contract, the majority of which are subject to indexation increases, all based within the UK. In contrast, the majority of leases in Australia have fixed increases built into the lease contract which are therefore included in the right-of-use asset valuation calculated at the commencement of the lease.

Indexation price increases in 2019 were 5.7% on average and the impact of expected future rent increases is not considered to present a significant liquidity risk to the Group.

The total cash outflow for leases amount to £13.8 million.

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NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENTS

The movements in the net book value of interests in joint ventures are as follows:

	Interest in joint venture 2019 £m
Current period acquisitions	0.3
Share of associate's profit	-
At 31 December	0.3

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.

Name of Entity	Country of Incorporation	Ownership Interest		Nature
		%	Method	
Controlled Entities:				
EDU Holdings SPV Pty Ltd	Australia	100	Indirect	Holding
EDU Investments SPV Pty Ltd	Australia	100	Indirect	Holding
Study Group (Finance) Pty Ltd	Australia	100	Indirect	Holding
Study Group Pty Ltd	Australia	100	Indirect	Holding
Australian Institute of Applied Sciences Pty Ltd	Australia	100	Indirect	Trading
Applied Training Pty Ltd	Australia	100	Indirect	Dormant
Study Group Australia Pty Ltd	Australia	100	Indirect	Trading
Taylor's Institute of Advanced Studies Ltd ⁽ⁱ⁾	Australia	-	Indirect	Dormant
Study Group do Brazil Agenciamento e Participacoes LTDA	Brazil	100	Indirect	Trading
Study Group Canada Higher Education Inc.	Canada	100	Indirect	Trading
Xueji Education Consulting (Beijing) Ltd	China	100	Indirect	Dormant
SGIPL Study Group India Private Limited	India	100	Indirect	Trading
SG Study Group Malaysia Sdn. Bhd	Malaysia	100	Indirect	Trading
Study Group NZ Ltd	New Zealand	100	Indirect	Trading
SGI Consultancy Services Nigeria	Nigeria	100	Indirect	Trading
EDU UK Intermediate Ltd ⁽ⁱⁱ⁾	United Kingdom	100	Indirect	Holding
EDU UK Management Services Ltd ⁽ⁱⁱⁱ⁾	United Kingdom	100	Indirect	Holding
EDU UK Topco Ltd ⁽ⁱⁱ⁾	United Kingdom	100	Indirect	Holding
Study Group Holdings UK Ltd ⁽ⁱⁱ⁾	United Kingdom	100	Indirect	Holding/ Dormant
Study Group UK Ltd	United Kingdom	100	Indirect	Holding
Bellerbys UK Ltd (formerly Study Group Ltd)	United Kingdom	100	Indirect	Dormant
Study Group Distance Learning Ltd ⁽ⁱⁱ⁾	United Kingdom	100	Indirect	Trading
Study Group Ltd (formerly Bellerbys Educational Services Ltd) ⁽ⁱⁱ⁾	United Kingdom	100	Indirect	Trading
SG Global Bidco Ltd ⁽ⁱⁱ⁾	United Kingdom	100	Indirect	Holding
SG Global Midco Ltd ⁽ⁱⁱ⁾	United Kingdom	100	Indirect	Holding
SG Global Finco Ltd ⁽ⁱⁱ⁾	United Kingdom	100	Direct	Holding
EC Higher Education Inc.	USA	100	Indirect	Dormant
EDU US Holdeo Inc.	USA	100	Indirect	Holding
Study Group USA Higher Education LLC	USA	100	Indirect	Trading
Study Group USA Inc.	USA	100	Indirect	Trading
Joint Venture:				
University of Sydney Foundation Program Pty Ltd ⁽ⁱⁱⁱ⁾	Australia	50	Indirect	Trading

The registered address of all Group companies registered in Australia is: Level 24, 201 Elizabeth Street, Sydney 2000, Australia

The registered address of the above Group company registered in Brazil is: Suite 81, 8th Floor, Avenue Brigadeiro, Faria Lima, No 1234, Jardim Paulistano, Sao Paulo, 01452-002.

The registered address of the above Group company registered in Canada is: Suite 900-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2.

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13. INVESTMENTS (CONT'D)

The registered address of the above Group company registered in China is: Units 1707, E Tower, No. C-12, Guanghai Road, Beijing, China.

The registered address of the above Group company registered in India is: 423A&B, 4th Floor World Trade Centre, Barakhamba Lane, New Delhi

The registered address of the above Group company registered in Malaysia is: Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 592000 Kuala Lumpur.

The registered address the above Group company registered in New Zealand is: Taylors House, 75 Karangahape Road, Auckland 1000, New Zealand.

The registered address the above Group company registered in Nigeria is: First Business Alliance Suites, 2nd Floor Plot 5, Chief Yesuf, Abiodun Street, Victoria Island, Lagos, Nigeria.

The registered address of all Group companies registered in the UK is: 1 Billinton Way, Brighton, East Sussex, BN1 4LF.

The registered address of all Group companies registered in the USA is: 2711 Centreville Rd, Suite 400, Wilmington, Delaware 19808, USA.

- (i) This entity is classified as a controlled entity as the Group has the capacity to control both the operating and financial decisions, and the capacity to dominate and control the composition of the Board of Directors.
- (ii) EDU UK Management Services Ltd (registered number: 07285370), Study Group Holdings UK Ltd (registered number: 05888001), Study Group Distance Learning Ltd (registered number: 07145464), SG Global Bidco Ltd (registered number: 11827693), SG Global MidCo Ltd (registered number: 11827648) and SG Global Finco Ltd (registered number: 11827569), 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 2019 of EDU UK Management Services Ltd, Study Group Holdings UK Ltd, Study Group Ltd, Study Group Distance Learning Ltd, SG Global Bidco Ltd, SG Global Midco Ltd and SG Global Finco Ltd have been guaranteed by the Company and no liability is expected to arise under the guarantee.
- (iii) The University of Sydney Foundation Program Pty Ltd is a joint venture between The University of Sydney and Study Group Australia Pty Limited. Under this arrangement the joint venture entity is required to pay royalties and fees for the provision of services to its joint venture partners. In total, these commitments are calculated as approximately 87% of gross revenue recognised in the accounting period. The principal place of business for this joint venture is at the University of Sydney, and the registered office address of the joint venture entity is Level 24, 201 Elizabeth Street, Sydney 2000, Australia. Both parties hold equal ownership and voting rights of 50% each.

SG GLOBAL TOPCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. FINANCE LEASE RECEIVABLES

	2019
	£m
Amounts receivable under finance leases:	
Year 1	1.1
Year 2	1.1
Year 3	0.9
Year 4	0.6
Year 5	0.4
Onwards	2.6
Undiscounted lease payments	6.7
Less: unearned finance income	(1.2)
Present value of lease payments receivable	5.5
Impairment loss allowance	-
Net investment in the lease	5.5
Undiscounted lease payments analyzed as:	
Recoverable after 12 months	5.6
Recoverable within 12 months	1.1
	6.7
Net investment in the lease analysed as:	
Recoverable after 12 months	4.7
Recoverable within 12 months	0.8
	5.5

During the period, the Group acquired companies with intermediary lessor arrangements that meet the definition of a finance sublease, located in Australia (two subleases) and the United Kingdom (one sublease). The acquired companies had previously entered into such finance leasing arrangements as a lessor for certain properties which were no longer used relating to discontinued businesses and operations. The average term of those finance leases entered into is 6.7 years.

The Group's exposure to foreign currency risk as a result of the leasing arrangements is not considered to be significant, as a large proportion of the net investment in the lease is denominated in Sterling (£3.7 million).

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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:

	Acquired via business combination	Created on acquisition	(Debit)/Credit to P&L	Unrealised Foreign Exchange gain /(loss)	Closing balance
	£m	£m	£m	£m	£m
Deferred tax assets					
Tax losses carried forward	1.9	-	0.2	-	2.1
Fixed assets	3.6	-	0.6	-	4.2
Lease liabilities	11.1	-	(1.7)	-	9.4
Accruals and provisions	3.3	-	1.1	-	4.4
	19.9	-	0.2	-	20.1
Deferred tax liabilities					
Intangible assets	(0.8)	(97.7)	2.3	1.9	(94.3)
Right-of-use assets	(10.1)	-	2.0	-	(8.1)
Prepayments	(2.7)	-	0.7	-	(2.0)
	(13.6)	(97.7)	5.0	1.9	(104.4)
Net deferred tax asset / (liability)	6.3	(97.7)	5.2	1.9	(84.3)

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.

The below table shows the deferred tax balances by jurisdiction:

	2019 £m	
	Australia & New Zealand £m	UK £m
Deferred tax assets		
Tax losses carried forward	0.1	2.0
Property, plant and equipment	1.0	3.2
Lease liabilities	9.4	-
Accruals and provisions	3.2	1.2
	13.7	6.4
Deferred tax liabilities		
Intangible assets	(0.2)	(94.1)
Right-of-use assets	(8.1)	-
Prepayments	(2.0)	-
	(10.3)	(94.1)
Net deferred tax asset / (liability)	3.4	(87.7)

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax liability would have been £10.1m higher.

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16. TRADE AND OTHER RECEIVABLES

	2019
	£m
CURRENT:	
Trade receivables ⁽ⁱ⁾	39.1
Loss allowance	(8.1)
Trade receivables – net	<u>31.0</u>
Other receivables	1.1
Prepayments	<u>26.0</u>
	<u>58.1</u>

- (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.

The following table shows the movement in the loss allowance that has been recognised for trade receivables:

	2019
	£m
At acquisition	6.7
Impairment losses recognised on receivables	1.5
Impairment losses reversed	(0.1)
Balance as at 31 December 2019	<u>8.1</u>

Trade receivables can be analysed as follows:

Ageing of trade receivables net of loss allowance

	2019
	£m
Ageing of trade receivables net of loss allowance	
Not past due	21.0
30 - 60 days	6.4
60 - 90 days	1.6
90 - 120 days	1.3
> 120 days	0.7
	<u>31.0</u>

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.

	2019
	£m
Ageing of impaired receivables	
1 - 120 days	(0.1)
> 120 days	(8.0)
	<u>(8.1)</u>

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

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16. TRADE AND OTHER RECEIVABLES (CONT'D)

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

17. TRADE AND OTHER PAYABLES

	2019
	£m
CURRENT:	
Trade payables	16.9
Other payables and accruals	55.4
Interest accrued – term loans	5.7
	80.0

18. UNEARNED REVENUES

	2019
	£m
Deferred income (current)	<u>113.0</u>

All deferred income arises from students paying tuition fees in advance.

19. LEASE LIABILITIES

	2019
	£m
Maturity analysis:	
Year 1	19.5
Year 2	25.0
Year 3	17.9
Year 4	16.8
Year 5	12.8
Onwards	75.9
	167.9
Less: unearned interest	(38.5)
	129.4
Analysed as:	
Non-current	113.2
Current	16.2
	129.4

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease contracts are managed by the Group's property and operations departments, and the impact of lease liabilities on future forecast cash flows are monitored within the Group's treasury function.

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20. PROVISIONS

Movement in provisions:	Employee Benefit 2019 £m	Property 2019 £m	Other 2019 £m	Total 2019 £m
Current period acquisitions	4.6	4.7	1.4	10.7
Additional provision recognised	2.6	0.2	0.2	3.0
Provisions utilised	(2.0)	(0.6)	(0.9)	(3.5)
Foreign currency translation	(0.2)	-	-	(0.2)
	<u>5.0</u>	<u>4.3</u>	<u>0.7</u>	<u>10.0</u>
				2019 £m
CURRENT:				
Employee benefits				3.8
Property provisions				0.3
Other				0.7
				<u>4.8</u>
				2019 £m
NON CURRENT:				
Employee benefits				1.2
Property provisions				4.0
Other				-
				<u>5.2</u>

Employee benefit provisions relate predominantly to annual leave and Australian long service leave entitlements which will be utilised upon employees taking their long service leave, and also includes a provision relating to the Group's 2019 long-term incentive plan for senior employees, payable in 2022 if certain targets are met by the end of 2021.

Property provisions predominantly relate to 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 one to twenty five years.

Other predominantly relates to a provision for student refunds and reflects the Group's expected liability to refund students for fees paid up front and where the course was not completed.

21. BORROWINGS

	Interest rate	Maturity	2019 £m Principal	2019 £m Value
CURRENT BORROWINGS				
£30.0m Revolving credit facility	4.75% + Libor/BBSY	2025	-	-
			<u>-</u>	<u>-</u>
NON CURRENT BORROWINGS				
Secured borrowings at amortised cost				
GBP £115.0m Term loan	6.00% + Libor	2026	115.0	111.1
AUD \$88.9m Term loan	6.00% + BBSY	2026	47.3	45.7
AUD \$125.7m Term loan	6.00% + BBSY	2026	66.8	64.7
			<u>229.1</u>	<u>221.5</u>

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21. BORROWINGS (CONT'D)

Undrawn borrowing facilities

At 31 December 2019, the Group had available £30.0 million of undrawn committed borrowing facilities. The Group has drawn these facilities in full from March 2020. Debt issue and external borrowing costs are amortised to the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

At 31 May 2019, Group received term loans amounting to GBP £115 million and AUD \$ 214.6 million, as shown above, which have a termination date of 31 May 2026. Of the AUD \$ 214.6 million, an AUD \$88.9 million tranche is held in the UK and utilised in a net investment hedge against the foreign operations of the Group.

22. 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. There are no externally imposed capital requirements from any of our lenders.

Net investment hedge

At 31 December 2019, the Group had entered into a net investment hedge using the AUD \$88.9 million drawn in the UK to hedge the Group's foreign operations. The hedge is deemed 100% effective up to the value of the loan.

Hedging activities and derivatives

In August 2019, the Group entered into two interest cap agreements to cap the floating interest rates on a 6-monthly basis on 50% of the GBP (£57.5 million) and 50% of AUD term loans (\$107.3 million) until 30 August 2022, covering 50% of the Group's total loans. These interest rate caps are valued using valuation techniques which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. Study Group obtain the values for these interest rate caps on a quarterly basis from HSBC UK Bank Plc.

Fair values of non-derivative financial assets and liabilities

At 31 December 2019 there is no difference between the carrying amount and fair value of each of the following classes of financial assets and liabilities, principally due to their short maturity: trade and other receivables, cash at bank and in hand, trade and other payables and current borrowings. There is no significant difference between the fair value and carrying amount of non-current borrowings as the impact of discounting is not significant.

Foreign currency sensitivity

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

	Income Sensitivity £m	Equity Sensitivity £m
Australian Dollar	(0.7)	(13.2)
US Dollar	0.2	(0.8)
Other	0.8	0.4
Equity decrease	0.3	(13.6)

Foreign exchange rates

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

	31 December 2019
Australian Dollar - period average	1.8365
Australian Dollar - period end	1.8801
US Dollar - period average	1.2770
US Dollar - period end	1.3186

SG GLOBAL TOPCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONT'D)

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 for this purpose 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. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

	2019 £m
Total borrowings (Note 21)	221.5
Less: Total cash and cash equivalents	(44.0)
Net Debt	177.5
Total Equity	(306.7)
Net debt to equity ratio	58%

23. SHARE CAPITAL AND SHARE PREMIUM

	2019 Number of shares	2019 £
A Ordinary shares	846,153	846,153
B Ordinary shares	6,415	6,415
C shares	123,000	147,600
Preference shares	334,824,832	334,824,832
Total share capital and share premium	335,800,400	335,825,000

Movements in shares:

	Number of shares	Par value £	Share premium £	Total £
Details				
At incorporation	1	1	-	1
Subdivision and re-designation of shares	99	-	-	-
Shares issued on 31 May 2019	333,149,900	332,312,308	837,691	333,149,999
Shares issued on 19 June 2019	1,627,500	1,512,316	137,684	1,650,000
Shares issued on 23 July 2019	997,900	985,025	14,975	1,000,000
Shares issued on 16 August 2019	25,000	24,938	62	25,000
	335,800,400	334,834,588	990,412	335,825,000

SG Global Topco was incorporated on 14 February 2019 with a single £1 Ordinary Share issued at par.

On 31 May 2019 the 1 Ordinary Share of £1 was sub-divided into 100 Ordinary Shares of £0.01 each and were re-designated as 100 A Ordinary Shares.

On 31 May 2019 332,303,847 Preference Shares of £1 each were issued at par. Additionally, 846,053 A Ordinary Shares of £0.01 each were issued at a premium.

On 19 June 2019 1,511,153 Preference Shares of £1 each were issued at par. Additionally, 3,847 B Ordinary Shares and 112,500 C Shares of £0.01 each were issued at a premium.

On 23 July 2019 984,895 Preference Shares of £1 each were issued at par. Additionally, 2,505 B Ordinary Shares and 10,500 C shares of £0.01 each were issued at a premium.

On 16 August 2019 24,937 Preference Shares of £1 each were issued at par. Additionally, 63 B Ordinary Shares of £0.01 each were issued at a premium.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

Rights, preferences and restrictions

The Ordinary A and Ordinary B are considered pari passu as if the Ordinary Shares constituted one class of shares in the case of dividends.

The preference shares accrue a fixed cumulative preferential dividend at the annual rate of 10% of a sum equal to the entire nominal and premium amounts paid up on such Preference Share. If the dividend is not paid, the unpaid amount carries interest at 10%.

Each Ordinary A and Ordinary B share carry one vote per share. The C Shares and Preference Shares carry no voting rights.

24. EMPLOYEES

2019
£m

Staff costs for the Group during the period:

Wages and salaries	56.1
Social security costs	4.8
Superannuation and other pension costs	3.0
	<u>63.9</u>

2019

Average monthly number of people employed by the Group:⁽ⁱ⁾⁽ⁱⁱ⁾

Teaching (Direct and Indirect)	1,134
Sales, marketing and distribution	389
Administration	637
	<u>2,160</u>

- (i) Calculated from the date of acquisition on the 31 May 2019, thus reflecting the 7 months of trade.
(ii) Includes those directors who were employed by the Group during the period.

The average number of people employed by the parent company during the period is nil.

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.

2019
£m

Salaries and short-term benefits including management incentives	3.1
Post-employment benefits	0.1
	<u>3.2</u>

Aggregate Directors' remuneration:

The total amount for directors' remuneration was as follows:

2019
£m

Salaries and short-term benefits	0.9
	<u>0.9</u>

Highest paid director

Salaries and short-term benefits	0.6
	<u>0.6</u>

SG GLOBAL TOPCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

25. NOTES TO THE CASH FLOW STATEMENT

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

2019	Note	Financing cash flows £m	Acquisition	Foreign exchange movements	Non-cash changes Interest element in operating activities	Non-cash lease liability movements	Non-cash finance lease receivable movements	Deferred borrowing costs unwind	31 December 2019
Share capital & share premium	23	335.8							335.8
Borrowings	21	(27.4)	252.5	(2.9)				(0.7)	221.5
Finance lease receivables	14	0.5	(5.9)		0.2		(0.3)		(5.5)
Lease liabilities	19	(10.8)	139.2		(3.0)	4.0			129.4
Total		298.1	385.8	(2.9)	(2.8)	4.0	(0.3)	(0.7)	681.2

26. FINANCIAL COMMITMENTS

Capital commitments

The Group had no capital commitments at the period end.

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 Directors do not expect there to be a material cash outflow on any items known at the period end.

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 £10.5 million in outstanding bank guarantees at the end of the period against an AUD \$25.0 million lease line facility held with HSBC UK Bank Plc. The majority of these are guarantees against future rental commitments. In February 2020 the value of outstanding bank guarantees reduced by £1.2m resulting in outstanding bank guarantees of £9.3 million.

In addition the Group provides guarantees in the ordinary course of business, which correspond mainly to lease guarantees in respect of various buildings, for which no financial exposure has been identified at the period end.

No other contingent liabilities noted.

SG GLOBAL TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTY DISCLOSURES

There were no contracts with SG Global Topco Limited (the Company) or any of its subsidiaries existing during or at the end of the financial period 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.

Revenue of £18,533,136 and a marketing contribution of £317,633 was received from the joint venture The University of Sydney Foundation Program Pty Ltd during the period. Related party payables of £2,579,688 are owing to the University of Sydney Foundation Program Pty Ltd at 31 December 2019.

The Group paid Kugler Advisory Ltd, a company in which a director of The Group is a director and shareholder, £37,500 in consultancy fees during the period, with £nil outstanding at 31 December 2019.

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Ardian LBO Fund VI B S.L.P

The ultimate parent undertaking and controlling party is Ardian LBO Fund VI B S.L.P, a company incorporated in France.

29. BUSINESS COMBINATION

On 31 May 2019, the Group acquired 100% of the share capital of and obtained control of EDU UK Topco Limited ('Study Group'). Study Group is the leading international provider of international education, driving success for its students and partners. Its core business is the delivery of Higher Education and Pathway programmes. Study Group was acquired by SG Global Bidco Limited to facilitate the change in ownership from Providence Equity Partners to Ardian LBO Fund VI B S.L.P.

Acquisition-related costs (included in exceptional costs within administrative expenses Note 8) amount to £6.0 million.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

The following table summarises the consideration paid for Study Group and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	Fair Value 31 May 2019 £m
Total consideration	287.5
Fair value of net assets acquired	
Property, plant and equipment	22.8
Right-of-use assets	126.5
Investments	0.3
Identifiable intangible assets	422.2
Deferred tax assets	19.9
Cash acquired	6.2
Finance lease receivables	5.9
Financial assets	115.5
Financial liabilities	(221.1)
Deferred tax liabilities	(111.3)
Lease liabilities	(139.2)
Outstanding borrowings	(252.5)
Fair value of net assets acquired	(4.8)
Goodwill (Note 9)	292.3

SG GLOBAL TOPCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

29. BUSINESS COMBINATION (CONT'D)

Group
31 May 2019
£m

Net cash flow arising on acquisitions:

Cash consideration	(287.5)
Cash and cash equivalent balances acquired	6.2
Transaction costs (Note 8)	(6.0)
	<u>(287.3)</u>

There is no further consideration payable.

The goodwill relates to both the value of the university partnerships and brands beyond the forecast period of 30 years, together with the value inherent in acquiring the business as a going concern rather than acquiring a group of assets individually.

All revenue included in the consolidated statement of comprehensive income for the period is attributable to the acquisition of Study Group. If the acquisition of Study Group had been completed on the first day of the financial year, continuing group revenues for the year would have been £275.7 million and continuing operating profit would have been £13.4 million.

Insendi

Study Group acquired 100% of the share capital of and obtained control of Insendi Limited ('Insendi') on 26 February 2020. Insendi is the leading online learning platform innovator based in the UK. The primary reason for this business combination is to bring to Study Group a high-quality online learning platform and associated capabilities. Initial consideration of £10m (net of the cash acquired of £1.0m) was paid on completion and contingent consideration will become payable based on various targets including future EBITDA achievements, new partner contracts and partner renewals, likely to be between £5m - £10m.

The provisional fair values and carrying amounts recognised at the acquisition date for Insendi are as follows:

	£m
Net Working Capital	(0.5)
Partner relationships	2.6
Technology Intangible	2.9
Deferred tax	(1.0)
	<u>4.0</u>
Goodwill	12.9
Fair value of assets Acquired	<u>16.9</u>
 Cash and accrued Consideration	 17.7
Cash Acquired on Acquisition	<u>(0.8)</u>
	<u>16.9</u>

The profits earned during the period since acquisition to 31 October 2020 amount to £0.3m

30. EVENTS AFTER THE BALANCE SHEET DATE

Study Group acquired Insendi Limited ('Insendi') on 26 February 2020. Insendi is an online learning platform based in the UK that offers a learning experience platform and a range of services that help business schools and universities implement new models of online education. Refer to Note 29 for further details.

The impact that Covid-19 has had on the business and consequently on the Directors' going concern assessment is detailed in the Strategic Report on page 6.

SG GLOBAL TOPCO LIMITED

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

		31 December 2019
	Note	£m
ASSETS		
NON-CURRENT ASSETS		
Amounts due from subsidiary undertakings		349.5
Investments	3	1.0
		<u>350.5</u>
 NET ASSETS		 <u>350.5</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	4	334.8
Share premium reserve		1.0
Retained earnings		<u>14.7</u>
TOTAL EQUITY		 <u>350.5</u>

The company reported a profit for the financial period ended 31 December 2019 of £14.7m.

The financial statements and notes on pages 59 to 63 were approved by the Board of directors on 11 December 2020 and were signed on its behalf by Nick Williams.



N Williams
Director SG Global Topco Limited Registered no. 11827427

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

SG GLOBAL TOPCO LIMITED

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2019

	Ordinary Share Capital £m	Share Premium Reserve £m	Retained Earnings £m	Total Equity £m
Profit for the period	-	-	14.7	14.7
Issue of share capital	334.8	1.0	-	335.8
Balance at 31 December 2019	334.8	1.0	14.7	350.5

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

SG GLOBAL TOPCO LIMITED

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. GENERAL INFORMATION

Accounting policies for the period ended 31 December 2019

SG Global Topco Limited (formerly Surrey Topco Limited) was incorporated on 14 February 2019 and is a company incorporated, domiciled and registered in the United Kingdom. The company name was changed from Surrey Topco Limited to SG Global Topco Limited on 29 May 2019. The financial statements were authorised for issue by the Board of Directors on 11 December 2020.

1.2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') on the historical cost basis.

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

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

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

As permitted by Section 408 of the Companies Act 2006, a separate income statement for the Company has not been included in these financial statements. As permitted by the audit fee disclosure regulations, disclosure of non-audit fees information is not included in respect of the Company. No significant judgements and estimates for the Company are noted.

1.3. INVESTMENTS

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

1.4. 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.

1.5. FOREIGN CURRENCY

Functional and presentation currency

Items included in the financial statements of each of the Company'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 Pound Sterling, which is the Company's functional and presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are recorded in Pound Sterling 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.

SG GLOBAL TOPCO LIMITED
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

2. OPERATING RESULT

The auditor's remuneration for audit and other services is disclosed in Note 3 to the consolidated financial statements, and has been borne by the Company's subsidiary undertakings.

3. INVESTMENTS

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

	£m
Current period acquisitions	<u>1.0</u>

COMPANY SUBSIDIARY UNDERTAKINGS

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

Name of Entity	Country of Incorporation	Ownership Interest %	Nature
<i>Directly Controlled Entities:</i>			
SG Global FinCo Limited	United Kingdom	100	Holding

Details of indirectly controlled entities are detailed in note 13.

4. SHARE CAPITAL

	2019 Number of shares	2019 £
A Ordinary shares	846,153	846,054
B Ordinary shares	6,415	6,415
C shares	123,000	147,600
Preference shares	334,824,832	334,824,832
Total share capital and share premium	<u>335,800,400</u>	<u>335,824,901</u>

Refer to Note 23 in the Group accounts for details of movements in shares.

Rights, preferences and restrictions

The Ordinary A and Ordinary B are considered pari passu as if the Ordinary Shares constituted one class of shares in the case of dividends.

The preference shares accrue a fixed cumulative preferential dividend at the annual rate of 10% of a sum equal to the entire nominal and premium amounts paid up on such Preference Share. If the dividend is not paid, the unpaid amount carries interest at 10%.

Each Ordinary A and Ordinary B share carry one vote per share. The C Shares and Preference Shares carry no voting rights.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

SG GLOBAL TOPCO LIMITED
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

6. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Ardian LBO Fund VI B S.L.P

The ultimate parent undertaking and controlling party is Ardian LBO Fund VI B S.L.P, a company incorporated in France.

7. 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.

8. EVENTS AFTER THE BALANCE SHEET DATE

Study Group acquired Insendi Limited ('Insendi') on 26 February 2020. Insendi is an online learning platform based in the UK that offers a learning experience platform and a range of services that help business schools and universities implement new models of online education. Refer to Note 29 of the Group Financial Statements for further details.

The impact that Covid-19 has had on the business and consequently on the Directors' going concern assessment is detailed in the Strategic Report on page 6.