

**EDU UK MANAGEMENT  
SERVICES LIMITED  
ANNUAL REPORT  
&  
FINANCIAL  
STATEMENTS**

**31 December 2019**

**Registered Number:  
07285370**

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## **EDU UK MANAGEMENT SERVICES LIMITED**

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**EDU UK MANAGEMENT SERVICES LIMITED  
DIRECTORS AND CORPORATE INFORMATION**

**DIRECTORS**

E Lancaster  
N Williams (appointed on 31 May 2019)  
D Leigh (resigned 31 May 2019)  
A Petersen (resigned 31 May 2019)  
D Rammal (resigned 31 May 2019)  
P Wilde (resigned 31 May 2019)

**REGISTERED OFFICE**

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

**COMPANY REGISTERED NUMBER**

Registered in England No. 07285370

**EDU UK MANAGEMENT SERVICES LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their report and the financial statements for EDU UK Management Services Limited (the Company) for the year ended 31 December 2019. The Company is domiciled in the United Kingdom with its registered office at Brighton Study Centre, 1 Billinton Way, Brighton, East Sussex, BN1 4LF. The Company is a part of a group (the Group) which is consolidated within the financial statements of the parent company SG Global Topco Limited. The Group is headquartered in London.

On 31 May 2019 SG Global Bidco Limited, an indirect subsidiary of SG Global Topco Limited, acquired the entire share capital of EDU UK Topco Limited, the parent company of a Group in which this Company is and continues to be an indirect subsidiary. As a consequence of this acquisition Ardian LBO Fund VI B S.L.P. ('Ardian') became the ultimate parent company of EDU UK Management Services Limited.

As a direct consequence of the acquisition of the Group by SG Global Topco Limited, the financing structure was reorganised and intercompany funding was provided to enable the Company to repay its term loans and rolling cash facility.

During the first 5 months of the year, the Company continued to manage various external financing arrangements on behalf of the EDU UK Topco Limited Group. This activity ceased on 31 May 2019 following repayment of the various third party loans and credit facilities that had been extended to the Company. All throughout the year the Company provided and continues to provide a variety of management services to various members of both the original and subsequently the new enlarged Group.

**BUSINESS REVIEW**

The loss for the financial year was £627,000 (2018: £19,558,000). The Directors do not recommend payment of a final dividend (2018: £nil). No interim dividend was paid during the year (2018: £nil).

**PRINCIPAL RISKS AND UNCERTAINTIES**

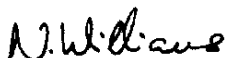
The Company acts as an intermediate holding company in the Group in to which it is consolidated. It does not generate revenue from parties outside of the consolidated Group and therefore the principal risk to the Company is the ability of the trading subsidiaries of the Group to continue to generate sufficient cash to meet its financing and operating requirements. The Directors also considered the affect that the covid-19 pandemic has had on the company after the Balance sheet date, this is outlined in the going concern section of the Directors Report. The Company prior to 31 May 2019 had been exposed to a number of risks related to various of financial instruments it held up until that date, these risks are outlined on pages 3 & 4 of the Directors Report.

The risks to these subsidiaries are primarily global, economic and political risks; in particular those that impact on the willingness and ability of international students to travel to their centres to study, together with regulatory changes that may impede the ability of international students to study abroad. Please see going concern disclosure in the Directors report on page 4.

These are discussed further in the consolidated Financial Statements of SG Global Topco Limited which are held at 1 Billinton Way, Brighton, BN1 4LF.

**FUTURE DEVELOPMENTS**

The Company will continue to operate as an intermediate holding company and to provide management services to a number of other Group companies



**N Williams**  
**Director**  
**11 December 2020**

**EDU UK MANAGEMENT SERVICES LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**GENERAL INFORMATION**

EDU UK Management Services Limited is an intermediate holding company registered in England and Wales with the company number 07285370.

**PRINCIPAL ACTIVITIES**

The Company is currently an indirect subsidiary of SG Global Topco Limited, which is the parent company of the consolidated Group. The principal activities of the Company are that of an intermediate holding company and the provision of management services to a variety of Group companies.

**DIRECTORS**

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

E Lancaster  
N Williams (appointed on 31 May 2019)  
D Leigh (resigned 31 May 2019)  
A Petersen (resigned 31 May 2019)  
D Rammal (resigned 31 May 2019)  
P Wilde (resigned 31 May 2019)

**DIRECTORS' INDEMNITY PROVISION**

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

**FINANCIAL INSTRUMENTS**

At the year end the Company's financial instruments comprised intercompany balances arising directly from its operations. The Company's has various financial assets and liabilities both of which include intercompany and third party elements.

In respect of the review period covered by this report, the Company's policy has been that none of its management should engage in any speculative trading of financial instruments on its behalf.

The main risks arose from the Company's former portfolio of financial instruments. These included interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board reviewed and agreed the policies for managing each of these risks and they are summarised below.

**Interest rate risk**

Prior to the acquisition of EDU UK Topco Limited by SG Global Topco Limited on 31 May 2019, the Company's primary exposure to market interest rates related to the Company's long-term borrowing obligations. Historically the Company had been exposed to movements in interest rates which had been mitigated through the use of different currency loans in Pound Sterling and Australian Dollars with different variable rate basis of LIBOR and BBSY. The Company also utilised interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. Following repayment of the term loans, interest rate risk remains low.

**Liquidity risk**

Until 31 May 2019 the Company had been responsible for the original EDU UK Topco Limited Group's liquidity risk. Ultimate responsibility for liquidity risk management had rested with the board of Directors of EDU UK Topco Limited, who had built an appropriate liquidity risk management framework for that Group's short, medium and long-term funding and liquidity requirements. That Group managed liquidity risk by previously maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by having continuously monitored forecast and actual cash flows, and by having matched the maturity profiles of financial assets and liabilities. The Directors of that original Group also monitored compliance with all the covenants that related to that Group's historical term loans.

**EDU UK MANAGEMENT SERVICES LIMITED  
DIRECTORS' REPORT (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Foreign currency risk**

Prior to 31 May 2019 the Company had foreign currency exposure resulting from a term loan denominated in Australian dollars, which was fully repaid on 31 May 2019. The Company had effectively hedged the foreign exchange exposure on the Australian Dollar term loan with the use of a fair value hedge.

Subsequent to the acquisition, the Company now has an AUD\$88.9 million intercompany loan from SG Global Bidco Limited, denominated in AUD. The Directors' intention continues to be to mitigate the effects of its exposure to foreign currency fluctuations on its investment in EDU Holdings SPV Pty Limited, a company based in Australia. It hedges the foreign exchange exposure on the intercompany loan using a fair value hedge. All remaining intercompany debtors and creditors are with other Group companies predominantly based in the UK and are denominated in Pound Sterling, therefore carrying low foreign currency risk.

**POLITICAL CONTRIBUTIONS**

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

**CHARITABLE CONTRIBUTIONS**

The Company made no charitable contributions during the year (2018: £nil).

**GOING CONCERN**

The Coronavirus pandemic continues to have a significant impact on both national and global economies. The Company's Directors are actively engaged in regularly monitoring the changes in all national and local government issued guidance and regulation. It is not currently possible to accurately determine how long the outbreak and associated disruption will continue. Whilst the Company's operation is not directly affected by the pandemic, the performance of a number of its investments are more directly affected by the pandemic and the Directors continue to monitor the effect that a change in performance of these investments would have on the results of the Company. The Company is keeping its resource levels and investments under close review in order to respond as flexibly as possible as the situation evolves. The Board is confident that the Company's strong financial position, together with its proactive management of the impact of the outbreak, will ensure that the Company will manage through the situation and will emerge in a good financial position.

Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events between the balance sheet date and the date the financial statements were issued are disclosed in Note 20.

**AUDIT EXEMPTION**

For the year ending 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.



**N Williams  
Director  
11 December 2020**

**EDU UK MANAGEMENT SERVICES LIMITED  
STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

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

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



**N Williams  
Director  
11 December 2020**

# EDU UK MANAGEMENT SERVICES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Turnover</b>		<b>3,383</b>	2,111
Administrative expenses		<u>(3,471)</u>	<u>(5,747)</u>
<b>Operating loss</b>		<b>(88)</b>	(3,636)
Depreciation and amortisation		(293)	-
Gain / (loss) on disposal of investment		295	(2,661)
Finance income	2	15,809	131
Finance costs	3	(16,240)	(14,806)
<b>Loss on ordinary activities before taxation</b>		<u>(517)</u>	<u>(20,972)</u>
Tax (charge)/credit	4	(110)	1,414
<b>Loss for the financial year</b>		<u><b>(627)</b></u>	<u>(19,558)</u>
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Net fair value (loss) / gain on cash flow hedges		<u>(50)</u>	<u>140</u>
<b>OTHER COMPREHENSIVE (LOSS)/ GAIN FOR THE FINANCIAL YEAR, NET OF TAX</b>		<u><b>(50)</b></u>	<u>140</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR</b>		<u><b>(677)</b></u>	<u>(19,418)</u>

# EDU UK MANAGEMENT SERVICES LIMITED

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Investments	5	367,364	354,135
Intangible assets	6	193	164
Tangible assets	7	-	5
Right-of-use assets	8	-	-
		<u>367,557</u>	<u>354,304</u>
<b>CURRENT ASSETS</b>			
Debtors	9	73,449	101,921
Deferred tax assets	10	1,304	1,402
Cash at bank and in hand		404	43
Derivative financial assets		-	63
		<u>75,157</u>	<u>103,429</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(287,416)</u>	<u>(132,122)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(212,259)</u>	<u>(28,693)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>155,298</u>	<u>325,611</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(45)</u>	<u>(169,681)</u>
<b>NET ASSETS</b>		<u>155,253</u>	<u>155,930</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	-	-
Share premium		234,841	234,841
Hedging Reserve	16	-	50
Profit and loss account		(79,588)	(78,961)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>155,253</u>	<u>155,930</u>

For the year ending 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

### Directors' responsibilities

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.
- the Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts

These financial statements of EDU UK Management Services Limited, Company Registration Number 07285370, on pages 6 to 21 were approved by the Board of Directors and signed on its behalf by:



**N Williams**  
**Director**

11 December 2020

# EDU UK MANAGEMENT SERVICES LIMITED

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

2019	Share capital	Share Premium	Hedging Reserve	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	-	234,841	50	(78,961)	155,930
Net loss on cash flow hedge	-	-	(50)	-	(50)
Loss for the year	-	-	-	(627)	(627)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>234,841</b>	<b>-</b>	<b>(79,588)</b>	<b>155,253</b>

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

# **EDU UK MANAGEMENT SERVICES LIMITED**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **1.1 GENERAL INFORMATION**

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

#### **1.2 BASIS OF PREPARATION**

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

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

- In these financial statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- a cash flow statement and related notes;
- the requirements of IAS 38 Intangible Assets and has, therefore, not disclosed comparative period reconciliations for intangible assets;
- the requirements of IAS 24 Related Party Transactions and has, therefore, not disclosed transactions between the Company and its wholly owned subsidiaries;
- disclosure requirements concerning situations when an entity has not applied a new IFRS that has been issued but is not yet effective;
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead); and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

#### **1.3 GROUP FINANCIAL STATEMENTS**

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

#### **1.4 TAXATION INCLUDING DEFERRED TAX**

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

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

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

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

#### **1.5 TURNOVER**

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

# **EDU UK MANAGEMENT SERVICES LIMITED**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES (CONT'D)**

#### **1.6 INVESTMENTS**

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

#### **1.7 INTANGIBLES**

##### **Intangible assets acquired separately**

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

##### **Internally-generated intangible assets**

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

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

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

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

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

Software Development	3-5 years
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#### **1.8 TANGIBLE FIXED ASSETS**

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

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

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

Leasehold improvements	- Term of lease
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# EDU UK MANAGEMENT SERVICES LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES (CONT'D)

#### 1.9 LEASES

The Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17.

##### *Policies applicable from 1 January 2019*

###### *The Company as lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company 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 Company uses its incremental borrowing rate.

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 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 Company 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.

Whenever the Company 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 transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated 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 balance sheet.

# **EDU UK MANAGEMENT SERVICES LIMITED**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES (CONT'D)**

#### **1.9 LEASES (CONT'D)**

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'tangible fixed assets' 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 "Administrative 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 Company 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 Company 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.

##### *The Company as lessor*

Leases for which the Company 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 Company 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 Company'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 Company's net investment outstanding in respect of the leases.

#### **1.10 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 at rates that reflect current market assessments of the time value of money.

#### **1.11 BORROWINGS**

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

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

#### **1.12 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING**

##### **a) Derivative financial instruments**

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

##### **b) Cash flow hedges**

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

# **EDU UK MANAGEMENT SERVICES LIMITED**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES (CONT'D)**

#### **1.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (CONT'D)**

##### **c) Fair value hedges**

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

The Company uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 16 for more details.

##### **d) Hedge of a net investment**

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

#### **1.14 SHARE CAPITAL AND SHARE PREMIUM**

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

#### **1.15 GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Principal Risks and Uncertainties section of the Directors' Report on page 4.

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

#### **1.16 FOREIGN CURRENCY TRANSACTIONS**

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

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

#### **1.17 ADOPTION OF NEW AND REVISED STANDARDS**

*New and amended standards that are effective in the current year*

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 1.8. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019. The Company has applied IFRS 16 using the modified retrospective approach. Therefore the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, where applicable, with no restatement of the comparative information.

## **EDU UK MANAGEMENT SERVICES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1. ACCOUNTING POLICIES (CONT'D)**

##### **1.17 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)**

###### *Impact of the new definition of a lease*

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

###### *Impact on lessee accounting*

###### *Former operating leases*

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments;
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

Lease incentives (such as rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as laptops, photocopiers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Company has used the following practical expedients when applying the modified retrospective approach to leases previously classed as operating leases applying IAS 17:

- The Company has excluded initial direct costs from the measurement of right-of-use assets at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

###### *Financial impact of the initial application of IFRS 16*

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 3.71%.

The Company has recognised £279,000 of right-of-use assets and £208,000 of lease liabilities to IFRS 16. The difference of £71,000 is recognised in other assets, relating to adjustments for accruals and prepayments.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 which have had a material impact on the Company.

**EDU UK MANAGEMENT SERVICES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**2. FINANCE INCOME**

	2019 £'000	2018 £'000
Dividends received from equity investments	15,742	-
Foreign exchange gains	67	131
	<u>15,809</u>	<u>131</u>

Dividends received relate to investments held at the end of the reporting period

**3. FINANCE COSTS**

	2019 £'000	2018 £'000
Unrealised foreign exchange losses	7	-
Interest – revolving credit facility	502	557
Interest – term loan	5,383	12,565
Write off of deferred borrowing costs on repayment of debt	6,809	-
Early exit fee for previous financing structure	351	-
Other finance costs	-	1
Amortisation of finance costs	863	1,683
Interest on lease liabilities	4	-
Interest payable to Group companies	2,321	-
	<u>16,240</u>	<u>14,806</u>

**4. TAXATION**

<b>Analysis of tax credit in the year</b>		
<b>Current tax</b>	2019 £'000	2018 £'000
UK corporation tax on losses for the year	-	-
<b>Total current tax charge</b>	-	-
<b>Deferred tax (Note 10)</b>	2019 £'000	2018 £'000
Prior year tax (gain) / losses recognised in the year	(110)	1,414
<b>Total deferred tax (charge) / credit</b>	(110)	1,414
<b>Total tax (charge) / credit to the Statement of comprehensive income</b>	<u>(110)</u>	<u>1,414</u>

**EDU UK MANAGEMENT SERVICES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**4. TAXATION (CONT'D)**

**Reconciliation of effective tax rates**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before tax	<u>(517)</u>	<u>(20,972)</u>
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 19.00% (2018: 19.00%)	<b>(98)</b>	<b>(3,985)</b>
Effects of:		
Items not taxable or deductible	<b>(2,765)</b>	602
Effect of group relief	<b>2,832</b>	2,535
Tax gain not recognised	-	-
Prior year tax losses recognised	<u>141</u>	<u>(566)</u>
Total current tax charge / (credit)	<u><b>110</b></u>	<u><b>(1,414)</b></u>

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%.

**5. INVESTMENTS**

	<b>Investments in subsidiaries</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 January 2019	407,723
Additions	15,288
Revaluation	<u>(2,059)</u>
<b>At 31 December 2019</b>	<u><b>420,952</b></u>
<b>Provisions</b>	
At 1 January and 31 December 2019	<u><b>(53,588)</b></u>
<b>Net book value at 31 December 2019</b>	<u><b>367,364</b></u>
Net book value at 31 December 2018	<u><b>354,135</b></u>

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

<b>Name of Entity</b>	<b>Country of Incorporation</b>	<b>Nature of Business</b>	<b>Ownership 2019 %</b>	<b>Ownership 2018 %</b>
Study Group Holdings UK Limited	United Kingdom	Holding company	100	100
EDU Holdings SPV Pty Limited	Australia	Holding company	100	100
EDU US Holdco Inc.	USA	Holding company	100	100
Study Group Canada Higher Education Limited	Canada	Trading	100	100

**EDU UK MANAGEMENT SERVICES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**6. INTANGIBLE ASSETS**

	<b>Software</b>	
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>COST</b>		
At 1 January	164	-
Additions	39	164
<b>At 31 December</b>	<b>203</b>	<b>164</b>
<b>ACCUMULATED AMORTISATION</b>		
At 1 January	-	-
Charge for the year	(10)	-
<b>At 31 December</b>	<b>(10)</b>	<b>-</b>
<b>Net book value at 31 December</b>	<b>193</b>	<b>164</b>

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

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

**7. TANGIBLE ASSETS**

	<b>Leasehold Improvements</b>	
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>COST</b>		
At 1 January	5	-
Additions	-	5
<b>At 31 December</b>	<b>5</b>	<b>5</b>
<b>ACCUMULATED DEPRECIATION</b>		
At 1 January	-	-
Charge for the year	(5)	-
<b>At 31 December</b>	<b>(5)</b>	<b>-</b>
<b>Net book value at 31 December</b>	<b>-</b>	<b>5</b>

**EDU UK MANAGEMENT SERVICES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**8. RIGHT-OF-USE ASSETS**

	<b>Land and buildings £'000</b>
<b>COST</b>	
Balance at 1 January 2019	-
Adoption of IFRS 16	279
Balance at 31 December 2019	<u>279</u>
<b>ACCUMULATED DEPRECIATION</b>	
Balance at 1 January 2019	-
Charge for the year	(279)
Balance at 31 December 2019	<u>(279)</u>
<b>Net book value</b>	
At 31 December 2018	<u>-</u>
At 31 December 2019	<u>-</u>

The Company's right-of-use asset relates to the Group's head office building located in London, which had expired as at 31 December 2019. A new lease has been signed after the year end for a further 5 years to 31 December 2024.

The total cash outflow for the lease in the year amounted to £212,000.

**Amounts recognised in the profit and loss**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Depreciation expense on right-of-use assets	279	-
Interest expense on lease liabilities	4	-

**9. DEBTORS**

	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	72,719	99,293
Other taxation	536	114
Prepayments and accrued income	194	2,514
<b>Total debtors</b>	<u>73,449</u>	<u>101,921</u>

**EDU UK MANAGEMENT SERVICES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**10. DEFERRED TAX ASSET**

	2019 £'000	2018 £'000
Balance at the beginning of the year	1,402	21
Unused tax losses	(120)	1,414
PPE	2	-
Accruals and provisions	8	-
Cash flow hedge reserve losses (Note 16)	12	(33)
Balance at the end of the year	<u>1,304</u>	<u>1,402</u>
	2019 £'000	2018 £'000
Deferred tax assets relate to the following:		
Tax losses carried forward	1,294	1,414
PPE	2	-
Accruals and provisions	8	-
Cash flow hedge reserve losses (Note 16)	-	(12)
	<u>1,304</u>	<u>1,402</u>

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £'000	2018 £'000
Other taxation	94	-
Accruals	737	2,679
Accrued finance costs	-	5,077
Revolving credit facility net of borrowing costs	-	7,227
Derivative financial liabilities	-	1
Amounts owed to group undertakings	286,585	117,138
	<u>287,416</u>	<u>132,122</u>

**12. INTEREST BEARING LOANS AND BORROWINGS**

*Terms and repayment schedule*

	Currency	Nominal interest rate	Year of maturity	Face Value 2019 £'000	Carrying value 2019 £'000	Face value 2018 £'000	Carrying value 2018 £'000
<b>Creditors falling due within one year</b>							
£49.0m Revolving credit facility	£ GBP	4.75% + Libor	2021	-	-	8,500	7,227
				-	-	8,500	7,227
<b>Creditors falling due after more than one year</b>							
£115.0m Term loan	£ GBP	6.25% + Libor	2022	-	-	115,000	110,820
\$110.2m Term loan	\$ AUD	6.25% + BBSY	2022	-	-	61,034	58,816
				-	-	176,034	169,636

During 2018, the Company had a £49.0 million revolving credit facility which was partially drawn as well as term loans with a carrying value of £169.6 million. These were fully settled on 31 May 2019 when EDU Topco Limited was acquired by Ardian.

**EDU UK MANAGEMENT SERVICES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2019 £'000	2018 £'000
Term loan net of borrowing costs	-	169,636
Provisions	45	45
	<u>45</u>	<u>169,681</u>

**14. SHARE CAPITAL**

	2019 Number of shares	£	2018 Number of shares	£
Ordinary shares authorised, allotted and issued of £1 each	3	3	3	3

**15. FINANCIAL INSTRUMENTS**

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

**Fair value hedge**

At 31 December 2019, the Company had entered into a fair value hedge using the AUD \$88.9 million term loan to hedge the Company's investments in foreign operations. The hedge is deemed 100% effective up to the value of the loan.

**Hedging activities and derivatives**

On 3 February 2017 the Company entered into two interest swap agreements to fix the floating interest rates on a 6-monthly basis until 9 February 2019, covering £65.7 million of the Company's term loans. Those interest rate swaps were valued using valuation techniques which employed the use of market observable inputs. The most commonly applied valuation techniques which utilised forward pricing and swap models which used present value calculations. The models incorporated various inputs which included the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. The various swap agreements expired on 9 February 2019 and the Directors decided not to renegotiate the agreements due to the impending repayment of the term loans on 31 May 2019.

**16. CASH FLOW HEDGE RESERVE**

	2019 £'000	2018 £'000
Balance at 1 January	50	(90)
Gain during the year of not-yet matured contracts	-	173
Write off of interest rate swap at maturity on 9 February 2019	(62)	-
Deferred tax asset / (liability) on cash flow hedge reserve losses / (gain)	12	(33)
Balance at 31 December	<u>-</u>	<u>50</u>

**EDU UK MANAGEMENT SERVICES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**17. EMPLOYEES**

	2019 £'000	2018 £'000
Staff costs during the year:		
Wages and salaries	1,218	2,681
Social security costs	248	296
Superannuation and other pension costs	41	24
	<u>1,507</u>	<u>3,001</u>

The average monthly number of employees during the year was as follows

	Number	Number
Management	<u>3</u>	<u>6</u>

**Directors' remuneration**

The Directors of the Company are considered to be key management personnel who are responsible for the day to day management of the Group's affairs and who perform services across the Group. The Group has undertaken a reassessment of Directors' qualifying services across the Group and has noted that the Company's Directors are not specifically remunerated for their services to the Company. Accordingly Directors' remuneration is deemed to be £nil and the disclosure has been restated (2018: £nil. Previously reported as £1,700,000 allocated cost in relation to services provided in the governance of the Company, and highest paid Director remuneration of £953,000 with company pension contributions of £38,000). Total Directors' remuneration is disclosed in the consolidated Group accounts of SG Global Topco Limited.

**18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking of the Company is EDU UK Intermediate Limited. The ultimate parent undertaking and controlling party is Ardian LBO Fund VI B S.L.P, a company incorporated in France.

The parent company of the largest consolidated group is SG Global Topco Limited. The consolidated accounts are available from 1 Billinton Way, Brighton, BN1 4LF.

**19. 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.

**20. EVENTS AFTER THE BALANCE SHEET DATE**

The office lease has been extended subsequent to the year end. Refer to Note 8 for further details.

Study Group acquired Insendi Limited ('Insendi') on 26 February 2020. Insendi is an online learning platform based in the UK. Insendi is the leading online learning experience innovator based in the UK. The primary reason for this business combination is to bring to Study Group an 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 was built into the agreement based on various targets including future EBITDA achievements and partner renewals, likely to be between £5m - £10m.

The Coronavirus pandemic continues have a significant impact on both national and global economies. The full details of the Directors response to the pandemic is set out in the going concern review section of the Directors report.

There were no other significant events that are required to be disclosed occurring between the Balance Sheet date and the date of signing of these financial statements.