EDU UK MANAGEMENT SERVICES LIMITED ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2020

Registered Number: 07285370

EDU UK MANAGEMENT SERVICES LIMITED

EDU UK MANAGEMENT SERVICES LIMITED
DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

E Lancaster
N Williams

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 2020

The Directors present their report and the financial statements for EDU UK Management Services Limited (the Company) for the year ended 31 December 2020. 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.

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.

BUSINESS REVIEW

In February 2020 the Company acquired Insendi Limited ('Insendi'), a leading online learning platform innovator based in the UK. Chaired by Dr David LeFevre, who founded the company in 2017 in conjunction with the Edtech lab at London's Imperial College Business School, the acquisition of online education platform provider Insendi is of strategic importance to Study Group. Insendi has grown rapidly since inception and has 15 partnership agreements with universities and business in the UK, Australia, the USA, Germany, Norway, Spain, Switzerland and Singapore.

The Directors have performed an annual impairment review of the Company's investments, and due to the reduction in the number of new students as a result of Covid-19 coupled with ANZ governments adopting a stricter border closure approach relative to that of the UK & Europe, the Company has recognised a non-cash impairment charge of £51,959,000 in the year in respect of its investment in EDU Holdings SPV Pty Limited (2019: £nil).

The profit for the financial year was £82,521,000 (2019: £627,000 loss) predominantly as a result of the intercompany debts waiver. The Directors do not recommend payment of a dividend (2019: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company acts as an intermediate holding company in the Group in which it is consolidated. It does not generate revenue from parties outside of the consolidated Group and therefore the principal risk to the Company is the ability of the trading subsidiaries of the Group to continue to generate sufficient cash to meet its financing and operating requirements. The Directors also considered the effect 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 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

N Williams
Director
18 June 2021

EDU UK MANAGEMENT SERVICES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

DIRECTORS' INDEMNITY PROVISION

The Group maintains liability insurance for all its Directors and officers including those acting in and on behalf of wholly owned subsidiaries, which includes this Company. 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 arising from the Company's financial instruments are 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

The Company is charged interest on its long-term intercompany loans payable at a fixed rate of interest, therefore the interest rate risk is deemed low with minimal exposure.

Liquidity risk

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

Foreign currency risk

The Company 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 (2019: £nil).

CHARITABLE CONTRIBUTIONS

The Company made no charitable contributions during the year (2019: £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 22.

AUDIT EXEMPTION

For the year ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

N. Williams

N Williams
Director
18 June 2021

EDU UK MANAGEMENT SERVICES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

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

N Williams
Director
18 June 2021

EDU UK MANAGEMENT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover		**2,309**	3,383
Other operating income		**139,524**	-
Administrative expenses		**(2,433)**	(3,471)
Operating profit / (loss)		**139,401**	(88)
Impairment	5	**(51,959)**	-
Depreciation and amortisation		**(281)**	(293)
Gain on disposal of investment		-	295
Finance income	2	-	15,809
Finance costs	3	**(4,805)**	(16,240)
Profit / (Loss) on ordinary activities before taxation		**82,356**	(517)
Tax credit / (charge)	4	**165**	(110)
Profit / (Loss) for the financial year		**82,521**	(627)
OTHER COMPREHENSIVE LOSS			
Items that may be subsequently reclassified to profit or loss			
Net fair value loss on cash flow hedges		-	(50)
OTHER COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR, NET OF TAX		-	(50)
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**82,521**	(677)

STATEMENT OF FINANCIAL POSITION

	Note	2020 £'000	2019 £'000
NON-CURRENT ASSETS			
Investments	5	**373,238**	367,364
Intangible assets	6	**1,548**	193
Right-of-use assets	7	**981**	-
Deferred tax assets	8	**1,469**	1,304
		377,236	368,861
CURRENT ASSETS			
Debtors	9	**1,866**	73,449
Cash at bank and in hand		**2,353**	404
		4,219	73,853
CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)			
Trade and other creditors	10	**(78,698)**	(287,416)
Provisions	12	**(7,573)**	-
Lease liability	13	**(251)**	-
		(86,522)	(287,416)
NET CURRENT LIABILITIES		**(82,303)**	(213,563)
TOTAL ASSETS LESS CURRENT LIABILITIES		**294,933**	155,298
CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)			
Trade and other creditors	11	**(56,345)**	-
Provisions	12	**(47)**	(45)
Lease liability	13	**(767)**	-
		(57,159)	(45)
NET ASSETS		**237,774**	155,253
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium		**234,841**	234,841
Profit and loss account		**2,933**	(79,588)
TOTAL SHAREHOLDERS' FUNDS		**237,774**	155,253

For the year ending 31 December 2020 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 the Financial Statements

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

N Williams
Director
18 June 2021

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

2020	**Share capital**	**Share Premium**	**Hedging Reserve (Note 17)**	**Profit and loss account**	**Total Equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2020	-	**234,841**	-	**(79,588)**	**155,253**
Net loss on cash flow hedge	-	-	-		
Profit for the year	-	-	-	**82,521**	**82,521**
Balance at 31 December 2020	-	**234,841**	-	**2,933**	**237,774**

2019	**Share capital**	**Share Premium**	**Hedging Reserve (Note 17)**	**Profit and loss account**	**Total Equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2019	-	234,841	50	(78,961)	155,930
Net gain on cash flow hedge	-	-	(50)	-	(50)
Loss for the year	-	-	-	(627)	(627)
Balance at 31 December 2019	-	**234,841**	-	**(79,588)**	**155,253**

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 (CONT'D)

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
Course Development	3 years

1.8 TANGIBLE FIXED ASSETS

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

1. ACCOUNTING POLICIES (CONT'D)

1.9 LEASES

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.

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.

Covid-19-Related Rent Concessions Amendment
In response to the Covid-19 coronavirus pandemic, the International Accounting Standards Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of Covid-19 and the following conditions are met:
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Company has chosen to apply the practical expedient to all rent concessions that meet the conditions in the amendment.

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.

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.

1.13 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.

1.14 GOING CONCERN

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

1.15 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. ACCOUNTING POLICIES (CONT'D)

1.16 ADOPTION OF NEW AND REVISED STANDARDS

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 which have had a material impact on the Company.

2. FINANCE INCOME

	2020 £'000	2019 £'000
Dividends received from equity investments	-	15,742
Foreign exchange gains	-	67
	-	15,809

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

3. FINANCE COSTS

	2020 £'000	2019 £'000
Unrealised foreign exchange losses	-	7
Interest expense– revolving credit facility	-	502
Interest expense – term loan	-	5,383
Write off of deferred borrowing costs on repayment of debt	-	6,809
Early exit fee for previous financing structure	-	351
Unwinding of discount on provisions	958	-
Amortisation of finance costs	-	863
Interest expense on lease liabilities	52	4
Interest expense to Group companies	3,795	2,321
	4,805	16,240

4. TAXATION

Analysis of tax credit / (charge) in the year

Current tax	2020 £'000	2019 £'000
UK corporation tax on losses for the year	-	-
Total current tax charge	-	-

Deferred tax (Note 8)	2020 £'000	2019 £'000
Deferred tax credit / (charge):		
Current year over provision	168	(110)
Prior year under provision	(3)	
Total deferred tax credit / (charge)	165	(110)
Total tax credit / (charge) to the Statement of Comprehensive Income	165	(110)

4. TAXATION (CONT'D)

Reconciliation of effective tax rates

	2020	2019
	£'000	£'000
Profit / (Loss) on ordinary activities before tax	**82,356**	(517)
Profit / (Loss) on ordinary activities multiplied by rate of corporation tax in the UK of 19.00%	**15,648**	(98)
Effects of:		
Investment impairment	**9,872**	-
Items not taxable or deductible	**(26,670)**	(2,765)
Effect of group relief	**982**	2,832
Prior year tax losses recognised	**3**	141
Total current tax (credit) / charge	**(165)**	110

The tax rate is the standard rate of corporation tax in the UK at 19%.

5. INVESTMENTS

	Investments in subsidiaries £'000
Cost	
At 1 January 2020	**367,364**
Additions	**54,913**
FX Revaluation	**2,920**
Impairment	**(51,959)**
At 31 December 2020	**373,238**
Net book value at 31 December 2020	**373,238**
Net book value at 31 December 2019	367,364

Additions in the year include Insendi, acquired on 26 February 2020. Initial consideration of £10,133,000 (net of the cash acquired of £863,000) was paid on completion and contingent consideration becomes payable based on various targets including future EBITDA achievements, new partner contracts, and partner renewals, which at the time of acquisition was estimated to be £6,800,000 (included in Note 12). During the year, the Company also invested additional amounts into EDU Holdings SPV Pty Limited (£32,748,000), EDU US Holdco Inc. (£3,184,000) and Study Group Canada Higher Education Limited (£1,171,000).

The Company evaluates its investments in subsidiary undertakings annually for any indicators of impairment. The Company considers the relationship between the number of new enrolment students and the carrying value of its investments, among other factors, when reviewing for indicators of impairment.

The ongoing Covid-19 pandemic led to the ANZ business experiencing a reduction in the number of new students. Although the underlying demand from students to study overseas at leading international universities remains strong, they have also been concerned about safety, and limited international travel has meant that demand has reduced. In addition, the approach taken by the ANZ governments in response to Covid-19 has impacted demand across the region with the adoption of stricter border closure control. These events and government responses have consequently impacted the medium term outlook. Recovery in the ANZ operating segment is expected to take longer.

As a result of this analysis undertaken, the Company has recognised an impairment charge of £51,959,000 in the year in respect of its investment in EDU Holdings SPV Pty Limited (2019: £nil). The Directors believe that the carrying value of the remaining investments at year end is supported by their underlying assets, and therefore no further impairment has been recognised.

5. INVESTMENTS (CONT'D)

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

Name of Entity	Country of Incorporation	Nature of Business	Ownership 2020 %	Ownership 2019 %
Insendi Limited	United Kingdom	Trading	100	-
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

6. INTANGIBLE ASSETS

	Course Development	Software	Total
2020	**£'000**	**£'000**	**£'000**
COST			
As at 1 January 2020	-	203	**203**
Additions	1,223	173	**1,396**
As at 31 December 2020	1,223	376	**1,599**
ACCUMULATED AMORTISATION			
As at 1 January 2020	-	(10)	**(10)**
Charge for the year	-	(41)	**(41)**
As at 31 December 2020	-	(51)	**(51)**
Net book value at 31 December 2020	**1,223**	**325**	**1,548**
Net book value at 31 December 2019	-	193	193

Course Development additions in the year related to offline or online courses. Software includes any software purchased or developed internally from which future economic benefits are expected. 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. RIGHT-OF-USE ASSETS

	Land and buildings	
	2020	2019
	£'000	£'000
COST		
At 1 January	**279**	-
Additions	**1,221**	279
At 31 December	**1,500**	279
ACCUMULATED DEPRECIATION		
At 1 January	**(279)**	-
Charge for the year	**(240)**	(279)
At 31 December	**(519)**	(279)
Net book value at 31 December	**981**	-

The Company's right-of-use asset relates to the Group's head office building located in London, Additions in the year related to the new lease agreement for the office, which was renewed during the year with a lease term ending in 2024.

The total cash outflow for the lease in the year amounted to £269.000 (2019: £212,000).

During the year there were no changes in lease payments that arose from Covid-19 rent concessions (2019: none).

The maturity analysis of lease liabilities is presented in Note 13.

Amounts recognised in the profit and loss

	2020	2019
	£'000	£'000
Depreciation expense on right-of-use assets	**240**	279
Interest expense on lease liabilities	**52**	4
	292	283

8. DEFERRED TAX ASSET

	2020	2019
	£'000	£'000
Balance at the beginning of the year	**1,304**	1,402
(Charge)/credit to the P&L:		
Unused tax losses	**156**	(120)
Fixed assets	**8**	2
Accruals and provisions	**1**	8
Cash flow hedge reserve losses (Note 17)	**-**	12
Balance at the end of the year	**1,469**	1,304

8. DEFERRED TAX ASSET (CONT'D)

	2020 £'000	2019 £'000
Deferred tax assets relate to the following:		
Tax losses carried forward	**1,450**	1,294
Fixed assets	**10**	2
Accruals and provisions	**9**	8
	1,469	1,304

In the March 2021 Budget, it was announced that the UK tax rate will go up from the current 19% to 25% from 1 April 2023. As substantive enactment is after the balance sheet date, the deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. If the new tax rate had been used, the impact on the above net deferred tax asset would have been no higher than a £ 464,000 increase.

The Company has unrecognised deferred tax assets relating to historical tax losses that are unlikely to reverse in the foreseeable future, these amount to £2,791,000 (2019: £2,497,000).

9. DEBTORS

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**1,781**	72,719
Other taxation	-	536
Prepayments and accrued income	**85**	194
Total debtors	**1,866**	73,449

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade and other payables	**13**	-
Other taxation	-	94
Accruals	-	737
Other current liabilities	**441**	-
Amounts owed to group undertakings	**78,244**	286,585
	78,698	287,416

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

	2020 £'000	2019 £'000
Amounts owed to group undertakings	**56,345**	-
	56,345	-

Long term intercompany loans have a term of 9 years ending 31 May 2028. Interest is charged at a fixed rate of interest at 8%.

12. PROVISIONS

	Contingent consideration	Property	Total
2020	**£'000**	**£'000**	**£'000**
Movement in provisions:			
As at 1 January 2020	-	45	**45**
Additional provision in the year	6,817	-	**6,817**
Utilisation of provision	(200)	-	**(200)**
Unwinding of Discount	956	2	**958**
As at 31 December 2020	**7,573**	**47**	**7,620**
Current	7,573	-	**7,573**
Non-Current	-	47	**47**
	7,573	**47**	**7,620**

	Contingent consideration	Property	Total
2019	£'000	£'000	£'000
Movement in provisions:			
As at 1 January 2019	-	45	45
As at 31 December 2019	-	45	45
Non-Current	-	45	45
	-	45	45

Contingent consideration relates to Insendi which was acquired by the Company in February 2020, payable based on various targets, of which £200,000 has been paid in the post-acquisition period to 31 December 2020.

Property provisions predominantly relate to dilapidation provisions on the leased property. Property provisions will unwind over the length of the lease, which expires in 2024.

13. LEASE LIABILITIES

	2020 £'000	2019 £'000
Maturity analysis:		
Year 1	**282**	-
Year 2	**269**	-
Year 3	**269**	-
Year 4	**269**	-
	1,089	-
Less: unearned interest	**(71)**	-
	1,018	-
Analysed as:		
Non-current	**767**	-
Current	**251**	-
	1,018	-

14. LEASE LIABILITIES (CONT'D)

The Company 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.

15. SHARE CAPITAL

	2020 Number of shares	2020 £	2019 Number of shares	2019 £
Ordinary shares authorised, allotted and issued of £1 each	3	3	3	3

16. 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

In the year and prior year the Company had 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 the renegotiate the agreements due to the impending repayment of the term loans on 31 May 2019.

17. CASH FLOW HEDGE RESERVE

	2020 £'000	2019 £'000
Balance at 1 January	-	50
Gain during the year of not-yet matured contracts	-	-
Write off of interest rate swap at maturity on 9 February 2019	-	(62)
Deferred tax asset on cash flow hedge reserve losses	-	12
Balance at 31 December	-	-

18. EMPLOYEES

	2020 £'000	2019 £'000
Staff costs during the year:		
Wages and salaries	598	1,218
Social security costs	66	248
Superannuation and other pension costs	25	41
	689	1,507

The average monthly number of employees during the year was as follows	**Number**	Number
Management	2	3

19. EMPLOYEES (CONT'D)

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 (2019: £nil). Total Directors' remuneration is disclosed in the consolidated Group accounts of SG Global Topco Limited.

20. 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 (Ardian), a Limited Partnership with a separate legal identity registered and resident 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.

21. 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.

22. EVENTS AFTER THE BALANCE SHEET DATE

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