Study Group Limited

(Formerly Bellerbys Educational Services Limited)

Annual report and financial statements for the year ended 31 December 2019

Registered number 02325576

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Directors and Corporate Information

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COMPANY REGISTERED NUMBER

Registered in England No. 02325576

Strategic report

The Directors present their strategic report of Study Group Limited ('the Company') for the year ended 31 December 2019. With effect from 2 January 2020 the Company changed its name and was formerly named Bellerbys Educational Services Limited. 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 subsidiary undertaking of SG Global Topco Limited. SG Global Topco Limited and its subsidiaries comprise 'the Group' or 'Study Group'.

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

The Company has two main student offerings or lines of business; University Partnerships and Bellerbys Colleges, which operate in two main geographic areas. The University Partnerships business entails providing foundation or International Year 1, and Pre-Masters programmes to international students on the campuses of our partner universities in the UK and Europe. The Bellerbys College business is operated in the UK. Both of these business lines fall into a single 'UK&EU' operating segment in line with the Group's operating segments.

The results for the year and financial position of the Company are as shown in the financial statements.

Revenue increased by £13.5 million to £151.5 million (2018: £138.0 million). This was largely driven by higher New Student Enrolment (NSE) numbers within key university partnerships. There was also a revenue benefit from a favourable centre mix, with more volume in higher priced centres.

The Company continued with its strategy of developing new and existing partnerships with its chosen university partners. During 2019, it renewed two university partnerships in Europe and signed two new UK university partners; Cardiff University (launched in 2020) and the University of Aberdeen (launched in 2019).

On 31 May 2019, the previous ultimate controlling party Providence Equity Partners VI International LP completed an agreement with Ardian LBO Fund VI B S.L.P to sell its majority stake in the Group. Ardian is now the Group's ultimate controlling party.

Key performance indicators
The financial and non-financial KPIs for the business are as follows. These KPIs are selected for monitoring the Company's medium term goal of continued revenue and EBITDA[1] growth. This is the first set of the Company's annual financial statements in which IFRS 16 Leases has been applied; as such comparative EBITDA[1] data has been adjusted to show results on a comparable basis.

	Year Ended 2019	Year Ended 2018	Year Ended 2018	**Year Ended 2018**	**Variance**
		As stated	Adjustment for IFRS16	**Adjusted**	
	£ million	£ million	£ million	**£ million**	%
Revenue	**151.5**	138.0	-	**138.0**	**9.8%**
Adjusted EBITDA[1]	**17.8**	15.5	7.8	**23.3**	**(23.6)%**
New Student Enrolment (NSE)	**7,296**	6,388	-	**6,388**	**14.2%**

[1] **Adjusted EBITDA** is defined as earnings before tax, interest, depreciation, amortisation and exceptional items. 2018 Adjusted EBITDA has been adjusted to present results as if IFRS 16 was applied in 2018.

The University Partnerships and High Schools are managed as one operating segment to reflect the way that the business is monitored and managed and hence are not reported on separately.

Revenue
Revenue in 2019 increased by 9.8% to £151.5 million (2018: £138.0 million), mainly as a result of higher student enrolments with key university partners. There was also a revenue benefit from a favourable centre mix, with more volume in higher priced centres

EBITDA[1]
Adjusted EBITDA declined 23.8% to £17.8 million (2018: £23.3 million). This decline was mainly as a result of an increase in administrative expenses of £5.7 million driven by an increase in functional and corporate costs, being largely central IT, finance, HR and head office cost recharges. This was partly due to a restructure of certain departments including recruitment which is now managed centrally and therefore included in functional costs in 2019, and also growth in other central functions to support growth in the business. These costs are managed and controlled centrally and charged to operating entities through management charges.

Strategic report *(continued)*

Key performance indicators *(continued)*

Exceptional and other items
Exceptional items are those which are material in size and are non-recurring in nature. Other items are not necessarily non-recurring in nature, but the Directors believe that it is helpful to show these amounts separately as they are not directly linked to the recurring trading operations of the business.

Total exceptional costs and other items increased in 2019 to £1.0 million cost (2018: £1.5 million credit). Exceptional costs and other items in the year include £0.5 million relating to a corporate strategy project, £0.6 million relating to discontinued operations of the Group and £0.4 million impairment of right-of-use assets and is offset by £1.0 million release of property provisions relating to onerous contracts.

Depreciation and amortisation
Depreciation and amortisation for the year to 31 December 2019 was £10.8 million (2018: £3.3 million). The increase over the prior year is broadly as a result of £6.6 million depreciation of right-of-use assets recognised following the adoption of IFRS16.

Interest payable and similar charges
Interest payable for the year to 31 December 2019 was £4.1 million (2018: £0.7 million). The increase over the prior year is broadly as a result of £4.0 million interest on lease liabilities recognised following the adoption of IFRS16.

Balance sheet position
Net assets were £60.3 million at 31 December 2019 (2018: £68.1 million). The main driver of the reduction in net assets is the payment of £10.0 million dividends in the year.

Cash flow
The Company generated a cash inflow of £35.3 million in the year (2018: £25.2 million outflow). An inflow of £57.6 million was generated from operating activities. This was offset by a £6.3 million outflow from investing activities which was mainly due to purchases of property, plant and equipment, a £10.0 million outflow for the payment of dividends and a £5.9 million outflow due to the repayment of the principal portion of net lease liabilities. Cash flow is managed at a Group level through the use of Group cash pooling facilities.

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

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

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

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

Strategic report *(continued)*

Going concern

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

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

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

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

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

Strategy

The Group remains committed to a strategy of continuing to strengthen its position as a leading provider of international education. The Group has identified four key areas of delivery to achieve its strategy:

Student Success: A key factor in the success of the Group's partnerships is continuing to drive successful student outcomes and high progression rates to the partner institutions.

Partner Success: Study Group aims to continuously improve the service it provides to all its stakeholders including its key partners. The Group also aims to achieve operational excellence in driving top grade compliance across the globe.

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

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

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

Strategic report *(continued)*

Outlook

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

Principal risks and uncertainties

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

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

The Group's Board is responsible for overseeing the framework. In addition, 2019 saw the Group establish an internal audit function.

Economic, market and trading risks

Industry and political risks

If foreign direct investment in emerging markets were to slow down or there were to be political uncertainty in source markets, demand for a foreign-educated, English-speaking workforce may decline. The Group's students join from over 140 countries worldwide, which provides a degree of mitigation against these risks.

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

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

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

Contract risks

University partners

The Company maintains relationships in the form of contractual agreements with numerous universities. It works closely with these university partners to ensure that we maintain a good relationship and are adhering to the terms of its contractual arrangements.

Agent relationships

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

Regulatory oversight

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

Financial position

The Group has a leverage covenant which must be met. The required leverage ratio gets lower over time and therefore in order to meet the covenant, the Group must deliver growth in adjusted EBITDA. The Group monitors its covenant requirements on a regular basis to ensure that it has time to take mitigating action in the event of a projected reduction in our leverage ratio. The impact that Covid-19 has had on the business and its financial position, and consequently on the Directors' going concern assessment is detailed in the Strategic Report on page 4.

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

Strategic report *(continued)*

Foreign currency risk
It is our general practice to collect revenues and pay expenses in the local currency of each country in which we operate. Refer to the Directors' Report for discussion on the Group's foreign currency and liquidity risk.

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

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

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

Natural catastrophes
The global economy has been and remains affected by the Covid-19 pandemic. The Company's management are actively engaged on a daily basis in supporting current and future students, and are following public health guidance in each of the territories in which it operates. It is not currently possible to accurately determine how long the pandemic and associated disruption will continue, and therefore the consequent financial impact on the Company. Some students have delayed, in some cases, cancelled their studies as a result of the outbreak. The Company is keeping its resource levels and investments under close review in order to respond as flexibly as possible to the situation as it evolves. The Board is confident that its strong financial and market position, together with its proactive management of the impact of the outbreak, will ensure that the Company will manage through the situation and will emerge strongly. Directors' going concern assessment is detailed in the Strategic Report on page 4.

Strategic report *(continued)*

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

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

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

The Board has safeguards in place to ensure the long term implications of decisions are being considered. Regular five year planning allows the Company to preserve the value of the business over the long term and whilst there are internal boards that have delegated authority to review long term consequences, the Board conducts an appropriate level of due diligence where required. The GCRAB, as defined on page 5, maintains a monthly dashboard that indicates a rating for various sectors of the business. The impact of any non-standard matters such as the recent Coronavirus epidemic is also evaluated.

The development of the Group's strategy under the Board's direction (as stated on page 4) sets a target for the Group to become the leading provider of international education by driving success for the Group's students and partners. The Board ensures there is clear dialogue with stakeholders about the Group's vision through communications such as weekly newsletters, social media posts (Workplace) and presentations by members of the global executive and senior leadership teams. The Directors consider feedback from the stakeholders in reviewing progress of and aiding principal decisions in relation to future strategy.

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

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

The Directors have also recognised the threat to the Group's data and information systems created by remote working and have engaged additional IT support to provide enhanced safeguards in this area. The financial impact of the pandemic on the business and consequently on shareholders has been outlined in page 3 of the strategic report.

The Board recognises that whilst promoting the success of the Company for the benefit of the shareholders is paramount, the interests of other stakeholders including the workforce, students, agents and partners is also crucial. The Board continues to engage with the workforce and has taken into consideration their interests through annual policy reviews, engagement surveys, an online HR service portal and the introduction of self-service career development platforms. Refer to Employment Policies in the Directors' report on page 9 for details on how the Board of directors engage with employees and take into account their interest when making key business decisions. Students are encouraged to provide feedback to the Company and also have roll on sub-committees that ultimately feed up to the Board. Agents are surveyed for their feedback. The relationship with university partners are maintained through frequent steering/management meetings.

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

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

N.Williams

Nick Williams, *Director* 11 December 2020

Directors' report

Study Group Limited ('the Company') is a company registered in England and Wales with the Company number 02325576. The directors present their report and the audited financial statements the Company for the year ended 31 December 2019. During the year the Company changed its name from Bellerbys Educational Services Limited to Study Group Limited.

Principal activities
The principal activity of the Company in the year under review was that of a provider of international education preparing students for entry to university in the United Kingdom, Netherlands and Ireland. The Company also has a branch in Singapore which provides management services.

Ultimate parent company
In the view of the directors, from 31 May 2019 the ultimate parent undertaking and controlling party is Ardian LBO Fund VI B S.L.P., a company incorporated in France. Prior to this, the ultimate parent undertaking and ultimate holding company was Providence Equity Partners VI International LP, a company incorporated in the Cayman Islands.

Results and dividends
The Company profit for the year after taxation and before exceptional items amounted to £3.3 million (2018: £12.1 million). The Company profit for the year after taxation and including exceptional items amounted to £2.2 million (2018: £13.6 million). During the year a £10.0 million dividend (2018: £nil) was paid.

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

Directors
The persons who were directors at any time during or since the end of the financial year are listed below:

AJ Allden (appointed 1 April 2020)
GA Bull (resigned 1 April 2020)
K Burnett (appointed 1 April 2020)
MJ Cunnington (appointed 1 April 2020)
MJ Everett (resigned 2 October 2020)
RW Morgan (resigned 1 April 2020)
JH Pitman
N Williams (appointed 3 June 2019)

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

Financial instruments
The Company's financial instruments comprise borrowings, cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The Company's financial liabilities comprise amounts owed to Group undertakings, trade creditors and other creditors, the main purpose of which is to raise finance for the Company's operations. The Company also has financial assets comprising cash, trade and other debtors.

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

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have been reviewed and remain unchanged.

Interest rate risk
The Company is exposed to interest rate risk through its overdraft facility as part of a Group wide cash pooling arrangement through HSBC. This is mitigated by minimising the amount of cash held or overdrawn in each company.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. This risk is mitigated by students generally paying tuition fees prior to course commencement.

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group actively monitors compliance with its covenant relating to the term loans. Refer to the Going Concern section of the Strategic report on page 4 for further details.

Directors' report *(continued)*

Foreign currency risk
The Company undertakes transactions denominated in foreign currencies, hence experiences translational and transactional exchange rate exposures. Transactions denominated in foreign currencies relate to revenue and operational costs of the Company's International Study Centres based in Europe, and operational costs of the Company's branch based in Singapore. The risk is mitigated by revenues being billed in the currency where the services/operating costs are delivered/incurred. During the year, the Company did not actively hedge foreign currency exposure but it continues to monitor whether a hedging strategy would be beneficial.

Employment policies
The Group's employment policies are regularly reviewed and updated to ensure that they remain effective. The policies are designed to promote a collaborative working environment, free from discrimination which supports the recruitment and retention of effective employees. Study Group promotes equal opportunity and the avoidance of discrimination, by treating individuals equally and with fairness at all times when making employment decisions. The Group achieves this by reaching objective solutions based on merit, and ensuring that any unjustifiable barriers are removed. Staff are encouraged to raise any matters that are important to them within the workplace, in order to ensure that they are provided with appropriate levels of support.

It is the policy of the Group to follow equal opportunity employment practices and these include the full consideration of employment prospects for the disabled. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes.

The Group places importance on the contributions to be made by all employees to the progress of the Group and aims to keep them informed by the use of formal and informal communications as well as the Group's intranet site, email, employee forums and newsletters. Via these mediums, employees are made aware of the financial and economic factors affecting the performance of the Company, as well as encouraging our individuals to fulfil their potential and to build positive working relationships within a flourishing and dynamic environment. The Group also incentivises certain role's performance through various bonus and other reward systems relevant to their level and role. All balanced views are welcomed, and it routinely celebrates diversity across our global workforce, students and partners.

Political contributions
The Company has not made any political donations or incurred any political expenditure during the year.

Business relationships
The Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others as discussed in the s172 report on page 7.

Going concern
Going concern is assessed at a consolidated Group level for SG Global Topco Limited subsidiaries. The financial statements for the Company have been prepared on the going concern basis, with strong net assets of £60.3 million. The impact that Covid-19 has had on the business and consequently on the Directors' going concern assessment is detailed in the Strategic Report on page 4. Whilst there is considered to be a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern due to a forecast financial covenant breach as outlined on page 4, the Directors consider that any financial covenant breach in the next 12 months from the date of these financial statements is highly unlikely due to an agreement reached with the Group's lenders that includes the setting aside of this covenant for a period that extends beyond the next 12 months, subject to final legal documentation. The Directors therefore continue to adopt the going concern basis in the financial statements and have concluded that they have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future.

Events after the balance sheet date
Events between the balance sheet date and the date the financial statements were issued are disclosed in Note 30.

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

N. Williams

Nick Williams
Director
11 December 2020

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

N. Williams

Nick Williams
Director
11 December 2020

Independent auditor's report to the members of Study Group Limited
Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Study Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

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

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

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

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

We have nothing to report in respect of these matters.

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

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

Independent auditor's report to the members of Study Group Limited
Report on the audit of the financial statements *(continued)*

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

Opinions on other matters prescribed by the Office for Students (OfS) "Regulatory Advice 9: Accounts Direction"
No funds have been provided to the company by the OfS and Research England. In our opinion, in all material respects:

- the requirements of the OfS's accounts direction applicable to companies that are not in receipt of funds by the OfS and Research England have been met.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Helen Burridge

Helen Burridge (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
15 December 2020

Statement of comprehensive income
for the year ended 31 December 2019

	Note	**Before Exceptional and Other Items 2019 £000**	**Exceptional and Other Items (note 7) 2019 £000**	**Total 2019 £000**	Before Exceptional and Other Items 2018 £000	Exceptional and Other Items (note 7) 2018 £000	Total 2018 £000
Revenue	*2*	**151,483**	**-**	**151,483**	137,998	-	137,998
Cost of sales		**(76,042)**	**-**	**(76,042)**	(70,010)	-	(70,010)
Gross profit		**75,441**	**-**	**75,441**	67,988	-	67,988
Administrative expenses		**(57,686)**	**(593)**	**(58,279)**	(52,485)	1,516	(50,969)
Earnings before depreciation, amortisation, net financing costs and taxation (EBITDA)		**17,755**	**(593)**	**17,162**	15,503	1,516	17,019
Impairment		**-**	**(440)**	**(440)**	-	-	-
Depreciation and amortisation		**(10,833)**	**-**	**(10,833)**	(3,260)	-	(3,260)
Operating profit	*4*	**6,922**	**(1,033)**	**5,889**	12,243	1,516	13,759
Interest receivable and similar income	*8*	**211**	**-**	**211**	1	-	1
Interest payable and similar charges	*9*	**(4,068)**	**-**	**(4,068)**	(725)	-	(725)
Profit on ordinary activities before taxation		**3,065**	**(1,033)**	**2,032**	11,519	1,516	13,035
Tax on profit on ordinary activities	*10*	**189**	**-**	**189**	599	-	599
Profit for the financial year		**3,254**	**(1,033)**	**2,221**	12,118	1,516	13,634
Total comprehensive income for the financial year		**3,254**	**(1,033)**	**2,221**	12,118	1,516	13,634

All of the activities are continuing. The Company incurred no other comprehensive income or expense in the year.

The accompanying notes on pages 17 to 42 form an integral part of these financial statements.

Statement of financial position

As at 31 December 2019

	Notes	2019 £000	2018 As restated* £000	2017 As restated* £000
Non-Current Assets				
Intangible assets	*11*	**1,645**	2,746	3,659
Property, plant and equipment	*12*	**15,575**	14,119	12,662
Right-of-use assets	*13*	**81,043**	-	-
Finance lease receivables	*14*	**3,417**	-	-
Deferred tax assets	*15*	**2,264**	1,983	1,239
		103,944	18,848	17,560
Current assets				
Inventories	*16*	**17**	36	32
Trade and other receivables	*17*	**146,115**	170,587	187,196
Cash and cash equivalents		**36,723**	1,345	27,000
Finance lease receivables	*14*	**251**	-	-
		183,106	171,968	214,228
Total assets		**287,050**	190,816	231,788
Current liabilities				
Deferred income		**86,655**	71,883	66,513
Trade and other payables	*18*	**48,808**	41,496	98,828
Current tax liabilities		**1,016**	849	872
Provisions	*19*	**114**	1,803	2,695
Obligations under lease liabilities	*20*	**7,951**	-	-
		144,544	116,031	168,908
Net current assets		**38,562**	55,937	74,680
Non-Current liabilities				
Provisions	*19*	**2,947**	6,647	8,376
Obligations under lease liabilities	*20*	**79,245**	-	-
		82,192	6,647	8,376
Total liabilities		**226,736**	122,678	177,284
Net assets		**60,314**	68,138	54,504
Equity				
Share capital	*22*	**2,040**	2,040	2,040
Retained earnings		**58,274**	66,098	52,464
Total equity		**60,314**	68,138	54,504

* Please refer to note 1.3 for details of prior year restatements.
The accompanying notes form an integral part of these financial statements.
These financial statements of Study Group Limited, Registered no. 0232557, on pages 17 to 42 were approved by the Board of Directors and signed on its behalf by:

N. Williams

Nick Williams Director, 11 December 2020

Statement of changes in equity
for the year ended 31 December 2019

2019	**Ordinary share capital £000**	**Retained earnings £000**	**Total equity £000**
Balance at 1 January 2019	2,040	66,098	68,138
Adoption of IFRS 16	-	(45)	(45)
Balance at 1 January 2019 as restated	2,040	66,053	68,093
Profit and other comprehensive income for the year	-	2,221	2,221
Dividend paid	-	(10,000)	(10,000)
Balance at 31 December 2019	2,040	58,274	60,314

2018	**Ordinary share capital £000**	**Retained earnings £000**	**Total equity £000**
Balance at 1 January 2018	2,040	52,464	54,504
Profit and other comprehensive income for the year	-	13,634	13,634
Balance at 31 December 2018	2,040	66,098	68,138

The accompanying notes on pages 17 to 42 form an integral part of these financial statements.

Cash flow statement

for the year ended 31 December 2019

	Notes	**2019** **£000**	2018 As restated* £000
Operating activities			
Cash inflow/(outflow) generated from operations (below)		**61,606**	(21,221)
Interest received	*8*	**48**	1
Interest paid and financing costs	*9*	**(14)**	(38)
Interest element of lease payments	*9*	**(3,976)**	-
Tax paid		**(104)**	(103)
Net cash inflow/(outflow) generated from operating activities		**57,560**	(21,361)
Investing activities			
Purchase of intangible assets	*11*	**(438)**	(990)
Purchase of property, plant and equipment	*12*	**(6,347)**	(3,648)
Interest income on net lease investments	*8*	**163**	-
Repayment of the principal portion of net lease investments		**301**	-
Proceeds from disposal of intangible assets		**-**	832
Net outflow from investing activities		**(6,321)**	(3,806)
Financing activities			
Repayment of principal portion of net lease liabilities		**(7,239)**	-
Cash inflow from impaired lease assets		**1,341**	-
Equity dividends paid	*23*	**(10,000)**	-
Net outflow from financing activities		**(15,898)**	-
Net increase/(decrease) in cash and cash equivalents		**35,341**	(25,167)
Cash and cash equivalents at the beginning of the financial year		**1,345**	27,000
Effect of exchange rate movements		**37**	(488)
Cash and cash equivalents at 31 December		**36,723**	1,345

Cash inflow/(outflow) generated from operating activities			
Profit on ordinary activities before taxation		**2,032**	13,035
Adjustment for:			
Interest expense	*9*	**4,068**	725
Amortisation and depreciation	*4*	**10,833**	3,260
Unrealised FX gain		**(355)**	(170)
Reversal of impairment of fixed assets	*4*	**440**	-
Loss on disposal of tangible assets		**183**	2
Interest income	*8*	**(211)**	(1)
Decrease/(increase) in inventories	*16*	**19**	(4)
Decrease/(increase) in trade and other receivables	*17*	**22,421**	(8,513)
Increase in deferred income	*18*	**14,772**	5,370
Decrease in provisions	*19*	**(658)**	(3,308)
Increase/(decrease) in trade and other payables	*18*	**8,062**	(31,617)
Cash inflow/(outflow) generated from operations		**61,606**	(21,221)

* Please refer to note 1.3 for details of prior year restatements.
The accompanying notes on pages 17 to 42 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies

1.1 General Information

Study Group Limited was incorporated on 6 December 1988 and is a company incorporated, domiciled and registered in the United Kingdom. The Company is limited by shares. The registered number is 02325576 and the registered address is Brighton Study Centre, 1 Billinton Way, Brighton, BN1 4LF, UK. With effect from 2 January 2020 the Company changed its name from Bellerbys Educational Services Limited to Study Group Limited. The financial statements were authorised for issue by the Board of Directors on 11 December 2020.

Accounting policies for the year ended 31 December 2019

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

1.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006 applicable to companies reporting under IFRS and IFRIC interpretations.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.20. This is the first set of the Company's annual financial statements in which IFRS 16 Leases has been applied. The impact of these new accounting standards is discussed within Note 1.8.

The Company's parent undertaking, SG Global Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of SG Global Topco Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU, are available to the public and may be obtained from 1 Billinton Way, Brighton, BN1 4LF, UK.

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

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

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

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

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1.2 Basis of preparation (continued)

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

1.3 Prior year adjustment

Under IFRS 15, trade receivable should only be recognised when the amounts are receivable before the year end. The prior years' comparatives have therefore been restated to net down trade receivables and deferred revenue for amounts not yet due from students by £47.0 million. In addition, as there is no obligation to pay the agent for commission until the student commences their study, any commissions billed in respect of students not yet started before the year end should be net off against the corresponding prepaid commission balance. In the prior year comparatives, the prepaid commission was incorrectly netted off against deferred revenue. The deferred revenue and commission payable in prior year were therefore understated/overstated, and this has been corrected by reducing trade payables and increasing deferred revenue by £8.9 million. Lastly, in prior year, for students who had commenced their courses, prepaid commission of £6.6 million was net off against deferred revenue in the financial statements while it should have been recognised as a contract asset under IFRS 15. Therefore, the prepaid commission costs in relation to students who have started the course prior to 31 December 2018 have been restated by £6.6 million with a corresponding increase in deferred revenue. The total impact on net assets of the three prior year errors above is £nil. The impact on the prior years' comparatives is as follows:

	2018 (As restated) £000	2018 Adjustments £000	2018 £000	**2017 (As restated) £000**	2017 Adjustments £000	2017 £000
Statement of financial position:						
Non-current assets – trade and other receivables	-	(7,211)	7,211	-	(6,057)	6,057
Current assets – trade and other receivables	**24,746**	(39,768)	64,514	**14,619**	(35,845)	50,464
Current assets - prepayments	**11,837**	6,574	5,263	**10,299**	6,486	3,813
Current liabilities – trade and other payables	**(10,522)**	8,855	(19,377)	**(6,997)**	6,257	(13,254)
Current liabilities – deferred revenues	**(71,883)**	17,307	(89,190)	**(66,513)**	18,642	(85,155)
Non-current liabilities – deferred revenues	**-**	14,243	(14,243)	-	10,517	(10,517)
Cash flow statement:						
Increase in trade and other receivables	**(8,513)**	4,989	(13,502)			
Increase in deferred revenues/accruals	**5,370**	(2,391)	7,761			
Decrease in trade and other payables	**(31,617)**	(2,598)	(29,019)			

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1.5 Non-derivative financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

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

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

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

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

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1.6 Property, plant and equipment

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

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

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings — 50 years
- leasehold property improvements — over life of lease
- computer equipment — 3 years
- motor vehicles — 4 years
- fixtures and fittings — 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

Accounting policies *(continued)*

1.7 Intangible assets

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:

Course Development	3 years
Software Development	3-5 years
Centre Contracts	Life of contract

1.8 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 Group 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.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

1.8 Leases (continued)

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 Company as lessee (continued)
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 transfers 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.

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 Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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 Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

1.9 Inventories

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*.

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 of the Group at rates that reflect current market assessments of the time value of money.

Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting or exiting the contractual obligations exceed the economic benefits expected to be received under the contract.

1.11 Taxation

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.

1.12 Cash and Cash Equivalents

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

1.13 Employee benefits

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

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.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

1.15 Turnover

Revenue is recognised as follows:

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

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

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

- Other revenue - Other revenue is recognised in line with IFRS 15 and when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity.

1.16 Student Acquisition costs

Commission and bonuses paid to third party agents, where the Company has a right to claw back the payments in the event the student leaves before completion of their course, are deferred on the balance sheet and recognised over the same period as the related student revenue. Payments made where the Company has no recourse to claw them back are expensed as they are earned by the third party.

1.17 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss.

1.18 Exceptional and Other items

Due to their material nature, certain exceptional and non-trading items have been classified separately in order to draw them to the attention of the reader. Significant non-recurring items of income and expenditure are disclosed as exceptional items to help provide an understanding of the Company's underlying performance. Exceptional items comprise, inter alia, impairment charges, restructuring costs, costs associated with material financing or acquisition transactions, and provisions for onerous contracts. Other non-trading items include shareholder fees and unrealised gains and losses on structural intragroup foreign exchange balances and derivative instruments.

1.19 Financial Risk Management

The Company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, market interest rates, credit risk and its liquidity position. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company which is outlined in the Directors' report. The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to be approximate to their book values.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

1.20 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Key sources of estimation uncertainty

Intangibles
Annually the Company assesses whether there are impairment indicators for intangible assets, in accordance with the accounting policy stated in Notes 1.7.

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

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

1.21 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.

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.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

1.21 Adoption of new and revised standards (continued)

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 applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has adjusted the right-of-use assets at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Company has elected not to recognise right-of-use assets and lease liabilities for which the lease term ends within 12 months of the date of initial application.
- 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.

Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Company has reclassified certain of its sub-lease agreements as finance leases. As required by IFRS 9, where applicable an allowance for expected credit losses will be recognised on the finance lease receivables.

Financial impact of the initial application of IFRS 16

The weighted average lessees' incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 4.48%.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

1.21 Adoption of new and revised standards (continued)

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at 1 January 2019	**£000**
Operating lease commitments at 31 December 2018 (note 24)	**114,166**
Commitments in respect of land and buildings at 31 December 2018 (note 25)	**3,156**
Commitments at 31 December 2018 overstated due to incorrect lease term used in calculation	**(1,086)**
Service charge included in commitments at 31 December 2018	**(396)**
Short-term leases and leases of low-value assets	**(2,523)**
Indexation increases not included in operating lease commitments at 31 December 2018	**2,423**
Lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	**9,364**
Other variances	**152**
Included in prepayments at 31 December 2018	**(1,832)**
Effect of discounting the above amounts	**(32,567)**
Lease liabilities recognised at 1 January 2019	**90,857**

The Company has recognised £88.6 million of right-of-use assets and £90.9 million of lease liabilities to IFRS 16. The difference of £2.3 million is recognised in other assets, relating to adjustments for accruals and prepayments.

1.22 Revisions to IFRS not applicable in 2019

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

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

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

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

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

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

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

Amendments to IAS 1 and IAS 8 Definition of material
The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

1.22 Revisions to IFRS not applicable in 2019 (continued)

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

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

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

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

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

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

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

2 Turnover

All turnover relates to the provision of educational services and arises in the UK and Europe.

3 Segmental analysis

During 2018, the Group’s High Schools and UK & Europe Pathways businesses became more aligned in the courses offered, which led to the two business lines being monitored and managed as one operating segment. As a result the Company’s results all relate to one operating segment and no segmental analysis is included. This is in line with the internal reporting of the Group’s performance to the Chief Operating Decision Maker, (‘CODM’) identified as the Group’s CEO, Emma Lancaster.

4 Operating profit

Included in the statement of comprehensive income are the following:

	2019	2018
	£000	£000
Depreciation of tangible assets	**3,004**	2,189
Depreciation of right-of-use-assets	**6,584**	-
Amortisation of intangible assets	**1,245**	1,071
Impairment of right-of-use assets	**440**	-
Allowance for bad debt	**533**	184

Auditor’s remuneration:
Fees payable to the Company’s auditor Deloitte LLP for the audit of the Company’s annual financial statements were £127,000 (2018: £97,000). In 2018 these fees were borne by a fellow Group company and payable to the Company’s previous auditors. Amounts receivable by the Company’s auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company’s financial statements, were £nil.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

5 Staff numbers and costs

The monthly average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Teaching	**912**	839
Administration	**359**	313
	1,271	1,152

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**35,352**	31,471
Social security costs	**2,819**	2,459
Contributions to defined contribution plans	**1,407**	1,117
	39,578	35,047

Additional disclosure required by Office for Students:

The Company is registered with the Office for Students ('OfS') in regards to its University Pathways (International Study Centres) offering. As part of the ongoing requirements of registration the following disclosures are required in respect of the head of provider.

The total remuneration package received by the head of provider was as follows:

	2019	2018
	£000	£000
Salary	**227**	222
Pension	**49**	47
Bonus	**93**	105

The head of provider is remunerated through another Group company and in addition to services provided in relation to the International Study Centres subject to OfS registration their services also include those in relation to other lines of business and Group companies. Due to the subjectivity involved it is impossible to accurately allocate their costs relating to the International Study Centres. The head of provider's remuneration package is based on a number of factors. As well as a portfolio of 19 different Study Centres in the UK, Netherlands and the Republic of Ireland, they are also the primary head of business development building and maintaining relationships with partner universities and potential partners in the UK and Europe. They also play a key role in working closely with Government, Industry and Commercial leaders, helping to shape the future of Higher Education in the UK and Europe for International students. The head of provider is a member of the Global Executive Team ("GET") of Study Group globally, which sets the strategy and direction of the company over the medium and long term. The remuneration includes compensation typical of that for an equivalent senior role in the private sector in which Study Group operates. The Group operates a remuneration committee which reviews and approves compensation levels for senior members of staff.

The head of the provider's basic salary is 8.3 times the mean pay of staff, where the mean pay is calculated on an absolute headcount basis for the salaries paid by the Company to its staff. The head of the provider's total remuneration is 11.8 times the mean total remuneration of staff, where the mean total remuneration is calculated on an absolute headcount basis for the total remuneration by the Company of its staff. It is not possible for the Company to report on a median pay basis by reference to full time equivalent pay, as the Company does not record information at this level of detail.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

5 Staff numbers and costs *(continued)*

The number of staff with a basic salary of over £100,000 per annum was as follows:

	2019	2018
	£000	£000
£105,000 - £109,999	**2**	1
£110,000 - £114,999	**-**	1
£135,000 - £139,999	**-**	1
£140,000 - £144,999	**1**	-
£145,000 - £149,999	**-**	2
£150,000 - £154,999	**1**	-
£155,000 - £159,999	**2**	-
£275,000 - £279,999	**-**	1
£350,000 - £354,999	**1**	-

The total amount of compensation paid for loss of office was as follows:

	2019	2018
	£000	£000
Total amount paid across the Company in respect of compensation for loss of office	**178**	70
Number of employees to which this relates	**25**	10

None of the amounts paid in respect of compensation for loss of office relate to the head of provider.

Numbers stated in respect of staff with a basic salary over £100,000 and amounts paid across the Company in respect of compensation for loss of office covers all staff employed by the Company, which includes other lines of business in addition to the International Study Centres subject to OfS registration.

6 Directors' remuneration

The Directors of the Company, as members of the GET, are considered to be key management personnel. The GET is responsible for the day to day management of the Group's affairs and its members 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 £488,000 allocated cost in relation to services provided in the governance of the Company, and highest paid director remuneration of £196,308 with company pension contributions of £28,423). Total directors' remuneration and key management compensation is disclosed in the consolidated Group accounts of SG Global Topco Limited.

Key management compensation:

Key management are defined as the members of the GET. The GET are remunerated through a number of Group companies. Due to the number of appointments and the subjectivity involved it is impossible to accurately allocate their costs relating to Study Group Limited.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

7 Exceptional and other items included within operating profit

	Exceptional items		Other items		Total	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Costs relating to discontinued operations of the Group	622	-	-	-	622	-
Restructuring costs	64	72	71	-	135	72
Property provisions	(980)	(1,588)	-	-	(980)	(1,588)
Right-of-use property asset impairment	440	-	-	-	440	-
Shareholder and management fees	-	-	148	-	148	-
Strategic investments	-	-	623	-	623	-
Other	-	-	45	-	45	-
Total exceptional cost	**146**	(1,516)	**887**	**-**	**1,033**	(1,516)

Exceptional items are those which are material in size or are non-recurring in nature. Other items are not necessarily non-recurring in nature, but the directors believe that it is helpful to show these amounts separately as they are not directly linked to the recurring trading operations of the business.

- Costs relating to discontinued operations of the Group relate to the write off of aged balance sheet balances totalling £0.2 million relating to the disposal of Embassy Educational Services, a fellow subsidiary of the Group, and allowance for bad debt totalling £0.4 million relating to services provided to the purchaser of Embassy Educational Services
- Reversal of provisions made in prior periods in relation to onerous property contracts for loss-making sites in Leicester, Oxford and London totalling £1.0 million credit. This adjustment arose as a result of a change in assumptions used in the provision calculation
- Right-of-use asset impairment in relation to the loss-making property contracts in London and Oxford. This adjustment arose a result of the reassessment of the impairment at 31 December 2019 under IAS 36.

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

- Strategic investments of £0.5 million in the year related to implementation of the Group's strategy and £0.1 million related to new centre launch costs
- Restructuring costs in the year consist of senior management recruitment fees totalling £0.1 million. These costs arose as a result of the change in the ownership of the Group and have therefore been classified as 'Other items' for the purpose of disclosing them separately from and understanding the underlying trading result
- Shareholder and management fees including £0.1 million of senior management long-term incentive plan scheme costs.

8 Interest receivable and similar income

	2019	2018
	£000	£000
Bank interest and other interest receivable	**48**	1
Finance lease receivables	**163**	-
	211	1

9 Interest payable and similar charges

	2019	2018
	£000	£000
Other interest payable	**13**	38
Unwinding of discount and effect of changes in discount rate on provisions (note 19)	**79**	687
Interest on lease liabilities	**3,976**	-
Total interest payable and similar income	**4,068**	725

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

10 Taxation

Recognised in the profit and loss account

	2019 £000	2019 £000	2018 £000	2018 £000
UK corporation tax				
Current tax on income for the year	-		-	
Adjustments in respect of prior periods	-		-	
Foreign tax		-		-
Current tax on income for the year	119		215	
Adjustments in respect of prior periods	(27)		(70)	
		92		145
Total current tax		92		145
Deferred tax (see note 15)				
Accelerated capital allowances	(281)		(744)	
Total deferred tax		(281)		(744)
Tax on profit on ordinary activities		(189)		(599)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit before taxation	2,032	13,035
Tax using the UK corporation tax rate of 19% (2018: 19%)	386	2,477
Effect of tax rates in foreign jurisdictions	(26)	(20)
Items not taxable or deductible	817	789
Tax losses not recognised/paid	(1,058)	(3,033)
Timing differences	(281)	(744)
Over provided in prior years	(27)	(68)
Total tax credit	(189)	(599)

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

11 Intangible assets

2019	**Course development £000**	**Software costs £000**	**Centre contracts £000**	**Total £000**
Cost				
Balance at 1 January 2019	581	3,207	939	4,727
Additions	34	161	243	438
Disposals	-	-	(146)	(146)
Transfer to tangible assets	-	-	(148)	(148)
Balance at 31 December 2019	615	3,368	888	4,871
Amortisation				
Balance at 1 January 2019	138	1,689	154	1,981
Amortisation for the year	138	1,024	83	1,245
Balance at 31 December 2019	276	2,713	237	3,226
Net book value				
At 31 December 2018	443	1,518	785	2,746
At 31 December 2019	**339**	**655**	**651**	**1,645**

2018	**Course development £000**	**Software costs £000**	**Centre contracts £000**	**Total £000**
Cost				
Balance at 1 January 2018	286	3,559	724	4,569
Additions	295	480	215	990
Disposals	-	(832)	-	(832)
Balance at 31 December 2018	581	3,207	939	4,727
Amortisation				
Balance at 1 January 2018	31	795	84	910
Amortisation for the year	107	894	70	1,071
Balance at 31 December 2018	138	1,689	154	1,981
Net book value				
At 31 December 2017	255	2,764	640	3,659
At 31 December 2018	**443**	**1,518**	**785**	**2,746**

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

Amortisation is included within ‘depreciation and amortisation’ in the statement of comprehensive income.

Intangible fixed assets are reviewed for impairment once indicators of impairment are identified. Based on the review performed, no additional impairment has been recorded in 2019.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

12 Property, plant and equipment

2019	**Land and buildings £000**	**Leasehold property improvements £000**	**Motor vehicles £000**	**Computer equipment £000**	**Fixtures & fittings £000**	**Asset retirement obligation £000**	**Total £000**
Cost							
Balance at 1 January 2019	5,164	8,915	3	3,841	8,769	2,802	29,494
Transfer on adoption of IFRS 16	-	-	-	-	-	(2,802)	(2,802)
Additions	-	3,814	-	2,229	304	-	6,347
Disposals	-	(25)	-	(145)	(154)	-	(324)
Transfer from intangible assets	-	148	-	-	-	-	148
Balance at 31 December 2019	5,164	12,852	3	5,925	8,919	-	32,863
Depreciation							
Balance at 1 January 2019	1,405	4,352	3	2,568	6,243	804	15,375
Transfer on adoption of IFRS 16	-	-	-	-	-	(804)	(804)
Depreciation charge for the year	98	1,058	-	785	1,063	-	3,004
Depreciation on disposals	-	-	-	(145)	(142)	-	(287)
Balance at 31 December 2019	1,503	5,410	3	3,208	7,164	-	17,288
Net book value							
At 31 December 2018	3,759	4,563	-	1,273	2,526	1,998	14,119
At 31 December 2019	**3,661**	**7,442**	**-**	**2,717**	**1,755**	**-**	**15,575**

Land and buildings includes freehold land of £250,000 (2018: £250,000) which is not depreciated.

2018	**Land and buildings £000**	**Leasehold property improvements £000**	**Motor vehicles £000**	**Computer equipment £000**	**Fixtures & fittings £000**	**Asset retirement obligation £000**	**Total £000**
Cost							
Balance at 1 January 2018	5,164	7,070	3	3,217	7,678	2,732	25,864
Additions	-	1,845	-	624	1,091	88	3,648
Disposals	-	-	-	-	-	(18)	(18)
Balance at 31 December 2018	5,164	8,915	3	3,841	8,769	2,802	29,494
Depreciation							
Balance at 1 January 2018	1,307	4,036	3	2,035	5,205	616	13,202
Depreciation charge for the year	98	316	-	533	1,038	204	2,189
Depreciation on disposals	-	-	-	-	-	(16)	(16)
Balance at 31 December 2018	1,405	4,352	3	2,568	6,243	804	15,375
Net book value							
At 31 December 2017	3,857	3,034	-	1,182	2,473	2,116	12,662
At 31 December 2018	**3,759**	**4,563**	**-**	**1,273**	**2,526**	**1,998**	**14,119**

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

12 Property, plant and equipment *(continued)*

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

Tangible fixed assets are reviewed for impairment once indicators of impairment are identified. Based on the review performed, no additional impairment has been recorded in 2019.

13 Right-of-use assets

2019	**Land and buildings £000**	**Motor vehicles £000**	**Total £000**
Cost			
Balance at 1 January 2019	-	-	-
Adoption of IFRS 16	88,624	19	88,643
Transfer of asset retirement obligations on adoption of IFRS 16	1,998	-	1,998
Additions	951	-	951
Disposals	-	(1)	(1)
Revaluation	2,225	-	2,225
Balance at 31 December 2019	93,798	18	93,816
Amortisation			
Balance at 1 January 2019	-	-	-
Transfer of onerous lease provision on adoption of IFRS16	4,809	-	4,809
Depreciation for the year	6,573	11	6,584
Disposals	-	(1)	(1)
Impairment	1,381	-	1,381
Balance at 31 December 2019	12,763	10	12,773
Net book value			
At 31 December 2018	-	-	-
At 31 December 2019	**81,035**	**8**	**81,043**

The majority of the Company's right-of-use assets relate to property in relation to student accommodation, schools, classrooms and office buildings, predominately located in the UK (£78.2 million). The maturity analysis of lease liabilities is presented in note 20.
Land and buildings additions in the year largely relate to the offices in Singapore (£0.7 million).

Right-of-use assets relating to lease contracts for sites which are closed or discontinued are considered standalone CGUs as they generate cash inflows independent from the rest of the group. Such right-of-use assets have been tested for impairment and have been written down to their value-in-use in accordance with IAS 36. A net impairment charge of £0.4m has been recognised in the year reflecting the change in assumptions between the adoption of IFRS 16 and the year end.

Amounts recognised in the profit and loss

	2019 £000	2018 £000
Depreciation expense on right-of-use assets	**6,584**	-
Interest expense on lease liabilities	**3,976**	-
Expense relating to short term leases	**6,045**	-
Expense relating to leases of low value assets	**51**	-
Interest income from sub-leasing right-of-use assets	**(163)**	-

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

13. Right-of-use assets (continued)

At 31 December 2019 the Company is committed to £1.9 million for short-term leases (note 25).

The majority of the UK property leases contain rent review clauses within the lease contract, the majority of which are subject to indexation increases. Indexation price increases in 2019 were 2.5% on average and the impact of expected future rent increases is not considered to present a significant liquidity risk to the Company.

The total cash outflow for lease liabilities in the year amounted to £11.2 million.

14 Finance lease receivables

Maturity of lease payments receivable:

	2019	2018
	£000	£000
Amount receivable under finance leases		
Year 1	**405**	-
Year 2	**405**	-
Year 3	**405**	-
Year 4	**405**	-
Year 5	**405**	-
Onwards	**2,634**	-
Undiscounted lease payments receivable	**4,659**	-
Less: unearned finance income	**(991)**	-
	3,668	-
Maturity analysis		
Undiscounted lease payments receivable		
Current	**405**	-
Non-current	**4,254**	-
	4,659	-
Net investment in leases receivable		
Current	**251**	-
Non-current	**3,417**	-
	3,668	-

The finance lease receivable is in relation to a property at a discontinued site in the UK which is being sublet.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

15 Deferred tax assets

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

	2019	2018
	£000	£000
Balance at 1 January	**1,983**	1,239
Credit to Statement of comprehensive income:		
Fixed assets	**281**	744
Balance at 31 December	**2,264**	1,983

	2019	2018
	£000	£000
Deferred tax assets relate to the following:		
Fixed assets	**2,264**	1,983
Presented in the Statement of financial position as follows:		
Deferred tax assets	**2,264**	1,983

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

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

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax asset would have been £266,398 higher.

16 Inventories

	2019	2018
	£000	£000
Catering stock	**17**	36

The value of stock passing through the Cost of Sales amounted to £1,291,341 (2018: £1,370,541).

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

17 Trade and other receivables

	2019	2018 (As restated)
	£000	£000
Current		
Trade receivables	**20,779**	25,760
Loss allowance	**(1,137)**	(1,014)
Trade receivables - net	**19,642**	24,746
Other debtors	**1,069**	1,618
Prepayments	**12,973**	11,837
Accrued income	**2,054**	1,955
Amounts owed by Group undertakings	**6,942**	27,211
Amounts owed by holding undertakings	**103,435**	103,220
	146,115	170,587

	2019	2019 (As restated)
	£000	£000
The following table shows the movement in the loss allowance that has been recognised for trade receivables:		
Balance as at 1 January 2019	**1,014**	840
Loss allowance recognised on receivables	**148**	174
Loss allowance reversed	**(25)**	-
Balance at 31 December 2019	**1,137**	1,014

	2019	2018 (As restated)
	£000	£000
Ageing of trade receivables net of loss allowance:		
Current	**12,695**	15,897
30-60 Days	**3,355**	697
60-90 Days	**1,351**	1,747
90-120 Days	**1,192**	2.053
120+ Days	**1,049**	4,352
Total	**19,642**	24,746

	2019	2018 (As restated)
	£000	£000
Ageing of loss allowance:		
120+ Days	**1,137**	1,014

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The net charge relating to the increase in the loss allowance has been included in 'administrative expenses' in the statement of comprehensive income.

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

Amounts owed by parent and fellow Group undertakings are unsecured, non-interest bearing and repayable on demand.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

18 Trade and other payables

	2019	2018 (As restated)
	£000	£000
Current		
Trade creditors	**8,291**	10,522
Other creditors	**12,457**	8,875
Accruals	**18,516**	15,288
Amounts owed to Group undertakings	**6,683**	5,268
Amounts owed to holding undertakings	**2,861**	1,543
	48,808	41,496

Amounts owed to parent and fellow Group undertakings are unsecured, non-interest bearing and repayable on demand.

19 Provisions

	Property		**Onerous lease**		**Employee benefit**		**Total**	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Balance at 1 January	**2,900**	2,732	**5,550**	8,339	**-**	-	**8,450**	11,071
Transfer on adoption of IFRS16	**-**	-	**(4,809)**	-	**-**	-	**(4,809)**	-
	2,900	2,732	**741**	8,339	**-**	-	**3,641**	11,071
Provisions (released)/made during the year	**(50)**	146	**(579)**	(1,368)	**132**	-	**(497)**	(1,222)
Provisions utilised	**-**	(7)	**(162)**	(2,079)	**-**	-	**(162)**	(2,086)
Unwinding of discount and changes in the discount rate	**79**	29	**-**	658	**-**	-	**79**	687
Balance at 31 December	**2,929**	2,900	**-**	5,550	**132**	-	**3,061**	8,450
Current	**114**	459	**-**	1,344	**-**	-	**114**	1,803
Non-current	**2,815**	2,441	**-**	4,206	**132**	-	**2,947**	6,647
	2,929	2,900	**-**	5,550	**132**	-	**3,061**	8,450

Property provisions relate to dilapidation provisions on leased properties. Property provisions will unwind over the length of the respective leases, which expire across a variety of dates, ranging from one to twenty five years. Employee benefit provisions relate to long term incentive plan benefits for directors. The onerous lease provisions related to a number of sites with onerous contracts which are expected to be loss making. On adoption of IFRS16 the Company has adjusted the right-of-use assets at the date of initial application by the amount of provision for onerous leases as an alternative to performing an impairment review (note 13).

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

20 Lease liabilities

Maturity of lease liabilities:

	2019	2018
	£000	£000
Maturity analysis		
Year 1	**11,707**	-
Year 2	**10,485**	-
Year 3	**9,851**	-
Year 4	**9,636**	-
Year 5	**9,462**	-
Onwards	**65,491**	-
Undiscounted lease payments	**116,632**	-
Less: unearned interest	**(29,436)**	-
	87,196	-

	2019	2018
Maturity analysis	**£000**	£000
Undiscounted lease payment		
Current	**7,951**	-
Non-current	**79,245**	-
	87,196	-

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.

21 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £1,407,486 (2018: £1,116,539).

22 Capital and reserves

Share capital

	2019	2018
	£000	£000
Authorised, allotted, called up and fully paid		
2,000,122 (2018: 2,000,122) Ordinary shares of £1 each	**2,000**	2,000
40,000 (2018: 40,000) Preference shares of £1 each	**40**	40
	2,040	2,040

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The preference shares have a preference over the ordinary shares in the event of a winding up of the Company up to the nominal value of the shares. In all other respects the shares rank pari passu.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

23 Dividends paid and proposed

	2019	2018
	£000	£000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Interim for 2019: £5.00p per share	**10,000**	-
Dividends paid	**10,000**	-

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019	2018
	£000	£000
Less than one year	**1,879**	10,759
Between one and five years	**-**	39,443
More than five years	**-**	63,964
	1,879	114,166

On adoption of IFRS16 all leases were assessed and capitalised as right-of-use assets where required by the standard (notes 1, 13, 20). During the prior year £10,983,403 was recognised as an expense in the profit and loss account in respect of operating leases.

Some properties are let under operating leases with the Company as a lessor. The future minimum lease payments under non-cancellable leases are as follows:

	2019	2018
	£000	£000
Less than one year	**360**	752
Between one and five years	**1,305**	3,010
More than five years	**-**	3,216
	1,665	6,978

On adoption of IFRS16 all leases were reassessed and reclassified as finance leases where required by the standard (notes 1, 14). During the year £360,000 (2018: £376,216) was recognised as rental income by the Company.

25 Commitments

The Company had the following commitments in respect of land and buildings which are payable as follows:

	2019	2018
	£000	£000
Less than one year	**-**	2,549
Between one and five years	**-**	607
	-	3,156

On adoption of IFRS16 all leases were reassessed and capitalised as right-of-use assets where appropriate (notes 1, 13, 20).

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

26 Contingent liabilities

The Company is, from time to time, party to legal proceedings and claims, which arise in the ordinary course of business. The Directors do not expect there to be a material cash outflow on any items known at the period end.

No other contingent liabilities noted.

27 Financial commitments

The Company's assets have been pledged as security for borrowings undertaking by a fellow Group company SG Global Midco Limited. As at 31 December 2019, the borrowings of this company amounted to £221.5 million (2018: £218.2m pledged as security for borrowings undertaken by fellow Group company EDU UK Intermediate Ltd).

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

28 Related Parties

Trading transactions

During the year the Company entered into transactions with related parties who were members of the Group:

	Sales to		**Administrative expenses incurred from**		**Amounts owed by/(owed to) related parties**	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Bellerbys UK Limited (formerly Study Group Ltd)	**-**	-	**-**	-	**(3)**	(3)
EDU Holdings SPV Pty Ltd (Australia)	**-**	-	**-**	-	**-**	16,812
EDU UK Management Services Ltd	**-**	-	**888**	622	**96,132**	58,551
EDU UK Topco Ltd	**-**	-	**-**	-	**-**	26,535
SG Global Bidco Limited	**-**	-	**4,949**	-	**7,303**	-
SG Properties Limited	**-**	-	**-**	-	**29**	-
SG Study Group Malaysia SDN. BND.	**3**	-	**233**	254	**(622)**	(345)
SGI Consulting Services Nigeria	**-**	-	**140**	109	**(736)**	(579)
SGIL Study Group India Private Limited	**-**	-	**373**	3	**(699)**	83
Study Group Australia Pty Ltd	**9,349**	6,122	**1,388**	63	**2,873**	3,816
Study Group Canada Higher Education Inc	**398**	139	**208**	-	**221**	138
Study Group Distance Learning Ltd	**-**	-	**-**	-	**-**	1,598
Study Group do Brazil Agenciamentoe Participacoes	**-**	-	**587**	14	**(1,145)**	(524)
Study Group Finance Pty Ltd	**-**	-	**3,047**	2,781	**(3,478)**	(3,356)
Study Group Holdings UK Ltd	**-**	-	**-**	-	**(27)**	(1,543)
Study Group NZ Ltd	**467**	280	**119**	-	**322**	593
Study Group UK Ltd	**4,709**	157	**32,889**	26,317	**(2,834)**	18,134
Study Group USA Higher Education LLC	**2,133**	387	**289**	-	**995**	536
Study Group USA Inc.	**-**	-	**454**	126	**-**	(170)
Xueji Education Information (Beijing) Ltd	**42**	-	**4,517**	1,677	**2,502**	3,634
Xueji Education Information Consulting (Guangzhou) Ltd	**1**	-	**-**	286	**-**	(291)

Transactions that took place between companies within the Group were for transfer pricing and management charges.

Consideration was in the form of intercompany loans.

During the year the Company did not enter into transactions with related parties who were not members of the Group.

Notes to the financial statements for the year ended 31 December 2019 *(continued)*

29 Ultimate parent company and parent company of larger group

The immediate parent undertaking is Study Group UK Limited, registered office Brighton Study Centre, 1 Billinton Way, Brighton, BN1 4LF, UK.

From 31 May 2019 the ultimate parent undertaking and controlling party is Ardian LBO Fund VI B S.L.P, a company incorporated in France. Prior to this the ultimate parent undertaking and controlling party was Providence Equity Partners VI International LP, registered office CR19197, Cayman Islands, PO Box 309, Ugland House, Grand Cayman KY1-3104, Cayman Islands.

The largest group in which the results of the Company are consolidated is that headed by SG Global Topco Limited. The smallest group in which the results of the Company are consolidated is that headed by SG Global Topco Limited. Copies of the publicly available financial statements of SG Global Topco Limited are available from the registered office Brighton Study Centre, 1 Billinton Way, Brighton, BN1 4LF, UK.

30 Events after the balance sheet date

The impact that Covid-19 has had on the business and consequently on the Directors' going concern assessment is detailed in the Strategic Report on page 4.