



THURSDAY



\*AA8BW0N4\*

A10

08/07/2021

#17

COMPANIES HOUSE

## Contents

	Page
<i>Company information</i> .....	1
<i>Strategic Report</i> .....	2
<i>Directors' Report</i> .....	6
<i>Report on the audit of the Group financial statements</i> .....	8
<i>Consolidated Income Statement</i> .....	15
<i>Consolidated Statement of Comprehensive Income</i> .....	16
<i>Consolidated Balance Sheet</i> .....	17
<i>Consolidated Statement of Changes in Equity</i> .....	19
<i>Consolidated Cash Flow Statement</i> .....	21
<i>Notes to the financial statements for the year ended 31 August 2020</i> .....	22
1 <i>Accounting policies</i> .....	22
2 <i>Segmental analysis</i> .....	41
3 <i>Net revenue and Deferred revenue</i> .....	43
4 <i>Expenses and auditors' remuneration</i> .....	45
5 <i>Other (losses)/gains</i> .....	46
6 <i>Exceptional expenses</i> .....	46
7 <i>Staff numbers and costs</i> .....	47
8 <i>Key management personnel</i> .....	48
9 <i>Employee benefits</i> .....	49
10 <i>Finance income and expense</i> .....	60
11 <i>Income tax expense</i> .....	61
12 <i>Deferred tax assets and liabilities</i> .....	62
13 <i>Property, plant and equipment</i> .....	64
14 <i>Right of use assets</i> .....	65
15 <i>Commitments</i> .....	65
16 <i>Intangible assets</i> .....	66
17 <i>Investments</i> .....	71
18 <i>Business combinations</i> .....	73
19 <i>Financial instruments</i> .....	75
20 <i>Trade and other receivables</i> .....	86
21 <i>Cash and cash equivalents</i> .....	86
22 <i>Assets held for sale</i> .....	87
23 <i>Interest-bearing loans, borrowings and overdrafts</i> .....	87
24 <i>Lease liabilities</i> .....	89
25 <i>Trade and other payables</i> .....	91
26 <i>Provisions for other liabilities and charges</i> .....	92
27 <i>Contingencies</i> .....	92
28 <i>Capital and reserves</i> .....	93
29 <i>Related party transactions</i> .....	94
30 <i>Events after the balance sheet date</i> .....	96
31 <i>Ultimate parent undertaking and controlling party</i> .....	96
<i>Report on the audit of the Company financial statements</i> .....	97
<i>Company Balance Sheet</i> .....	101
<i>Company Statement of Changes in Equity</i> .....	102
<i>Notes to the Company financial statements</i> .....	103
<i>Appendix</i> .....	111

## **Company information**

*For the year ended 31 August 2020*

**Directors**

A Fitzmaurice  
A van Vilsteren  
I Dehal  
M Orrow-Whiting

**Company secretary**

7Side Secretarial Limited (appointed 15 November 2019)

**Registered number**

06590752 (England and Wales)

**Registered office**

4th Floor, Nova South  
160 Victoria Street  
London  
SW1E 5LB

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Herald Way  
East Midlands  
DE74 2UZ

## Strategic Report

For the year ended 31 August 2020

### Principal activities

The principal activities of the Company and its subsidiaries (together 'the Group') are the operations of Premium Schools worldwide. The main activity of the Company is that of an investment holding company.

### Overview

Nord Anglia Education London Holdings Limited Group ('NAELHL Group') are part of the world's leading global operator of premium international schools. At 31 August 2020 the Nord Anglia Education Group ('NAE') had over 63,700 full time equivalent students ('FTEs'), from kindergarten through the end of secondary school ("K-12"), at our 66 premium schools in China, Europe, the Middle East, India, Southeast Asia and the Americas. As of 30 April 2021, NAE had 73 schools, 70,019 FTEs and capacity of approximately 106,795 seats, representing a utilisation rate of 66%.

### Recent Developments

On 1 March 2021 we acquired Eton School in Mexico City. The school has more than 1,500 students from pre-school to grade 12.

On 31 March we acquired three of the UK's leading independent day and boarding schools from the Oxford International Education Group. The three new schools are Oxford International College, d'Overbroeck's and Oxford Sixth Form College, all of which are based in Oxford, England. In addition to the three schools, we also acquired Bucksmore Education from the Oxford International Education Group. Bucksmore provides award-winning academic short-term courses for students in the UK and USA.

COVID-19 continued to impact our school campus openings however, NAE was able to continue to offer Virtual Learning. Teachers, students and parents adapted as schools closed again or re-opened either in full or with a blended learning approach and the impact on student numbers was minimised.

### Results and dividends

Gross Profit for the financial year amounted to \$460 million, an increase of \$85.4 million. Gross profit margin increased from 37.5% in 2019 to 44.1% in 2020 reflecting the careful cost management in the Group as well as the resilience of the Group despite the challenges faced globally as a result of the pandemic. As schools closed because of the pandemic the Group was able to continue to offer Virtual Learning. Teachers, students and parents adapted as schools re-opened either in full or with a blended learning approach and the impact on student numbers was minimised.

The Group increased its focus on cost management in the second half of the year to ensure working capital was managed to reduce the impact of the pandemic on the business.

The loss for the financial year amounted to \$47.2 million (2019: loss of 100.3 million) which was primarily driven by the change in accounting treatment of leases which resulted in a net impact to the income statement of \$29.8 million.

The Company did not pay an interim dividend during the year (2019: nil). The Directors do not recommend the payment of a final dividend (2019: nil).

### Going concern

The Group has accumulated shareholders' funds of \$727.9 million as at 31 August 2020 (2019: \$493.7 million) which reflects the borrowing structure obtained following the Take-Private Transaction on 1 September 2017.

As at 31 August 2020, the Group had net cash (cash and cash equivalents less overdraft) of \$571.5 million (2019: \$269.5 million) which the Directors believe is sufficient to support operations for the foreseeable future. Further information on the Group's borrowings is given in Note 23. In addition, Note 19 of the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit, liquidity and market risk.

The Group continues to generate strong operating cash flows and benefits from favourable working capital movements through the receipt of tuition fees in advance of the school year. Current assets exceed current liabilities by \$15.4 million (2019: current liabilities exceeded current assets by \$227.2 million), the main driver of this is the equity raise in the year driving an increase in the cash balances. In addition, the Company has received confirmation that the NAE Group will continue to provide support to enable it and the Group to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. This enables the Company and the Group to utilise the undrawn banking facilities and liquidity of the NAE Group to support its ongoing operations and working capital requirements.

## Strategic Report (continued)

Having made enquiries, the Directors have reasonable expectations that the Group is well placed to manage its business risks and continue its operations for the foreseeable future, for at least 15 months from the date of the approval of the financial statements. The NAE Group's cash forecasts and projections, taking into account severe but plausible changes in performance, show that both the Group and the NAE Group have sufficient financial resources. Accordingly, the Directors have not identified any material uncertainties to the Group's ability to continue as a going concern and continue to adopt the going concern basis in preparing the financial statements.

### Section 172 Statement

Section 172(1) of the Companies Act 2006 requires the Directors to act in a way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders, having regard to (amongst other things) the following:

- The likely long term consequences of decisions;
- The interests of employees;
- The need to foster relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and the environment; and
- The desirability to maintain a reputation for high standards of business conduct.

### Our Stakeholders and the Group Board

The stakeholders of the Group are considered to include the people who work for us, the investors and shareholders who own us, the lenders who provide financing, the parents that send their children to our schools, the students themselves, our suppliers and those that live in the societies we operate.

The board of the Company's indirect shareholder Bach Holdings Limited which, together with its committees, shapes the policies and strategies for the Group as a whole (the "NAE Group Board"). The Board of the Company (and each of its subsidiaries), will consider, and if thought fit, approve key matters applicable to them in the context of the impact on the entity concerned. Two of the directors of the Company are also members of the NAE Group Board.

### Overview of the Group Board

The NAE Group Board recognises that building strong relationships with our stakeholders will help us to deliver the Group's strategy in line with its long-term values and operate the business in a sustainable way. The NAE Group Board therefore seeks to engage effectively with its stakeholders, including regular communications with its investors to understand their views; by building strong relationships with parents and regular communication with them and our other customers; and engaging actively with employees, who are considered central to the long-term success of the NAE Group, in order to consider their interests and understand their views.

The directors of the NAE Group Board as well as the directors of the Company are supported in the discharge of their duties by:

- An induction programme and ongoing training to provide an understanding of our business and financial performance;
- Management processes which ensure that proposals presented to Board and Committee meetings for decisions include information relevant to determine the action that would most likely promote the success of the company and engagement with stakeholders where relevant to support appropriate decision making; and
- Agenda planning for the Group Board and its Committee meetings to provide sufficient time for the consideration and discussion of key matters.

As part of their induction, the directors of the Group Board are briefed on their duties and they can access professional advice on these, either from individuals within the NAE Group, or if they judge it necessary, from an independent provider. It is important to recognise that in a large organisation such as ours, the directors of the NAE Group Board fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the NAE Group. In addition, there is an annual self-review by the directors which is shared with the NAE Group Board.

The NAE Group Board recognises that such delegation needs to be much more than simple financial authorities and our governance structure covers: the values and behaviours expected of our employees; the standards they must adhere to; how we engage with stakeholders; and how the NAE Group Board looks to ensure that we have a robust system of control and assurance processes.

The NAE Group Board regularly receives reports from management on issues concerning parents, the environment, employees, governments, and investors, which it takes into account in its discussions and in its decision-making process.

## Strategic Report (continued)

Examples of ways the Company Board has engaged with stakeholders and ratified the NAE Group Board decisions over the year are:

### Employees

The Chief Executive Officer and the Executive Team are actively involved in the engagement of employees through leadership calls, weekly communication updates and Townhalls. This year the Group ran an employee engagement survey and the results were discussed certain initiatives have been or will be implemented as a result.

### Investors

The Chief Executive Officer and the Chief Financial Officer (two of the directors of the Group) provide a quarterly update of the Group's results to our investors. In respect of the half-year and full year results, a call is also held providing the investors the opportunity to ask questions on the latest position of the NAE Group, of which the Group is a significant contributor. The NAE Group has a dedicated resource who is available to answer queries throughout the year.

### Parents

The relationship between the school and the parent community is strong with regular communication shared with the parents as well as updates provided on the websites. Principals are empowered to own the relationships in the local community and implement practices appropriate to the local community.

### Suppliers

We have a strong procurement process in place for all expenditure with any expenditure over USD100,000 requiring a full 'Request for Procurement' process involving a minimum of three separate vendors.

### Decision Making

We set out below some examples of how decisions taken by the Directors of the NAE Group Board in order to deliver the Group's strategy in line with its long-term values:

- The Group responded to the COVID-19 pandemic by initiating a 'COVID Committee' at the start of the crisis with the frequency adjusting as the need required. The 'COVID Committee' was empowered to make decisions around school opening plans including teacher repatriation, school fees as well as discounts.
- In January 2020, an Investment Committee was established to review and approve all significant capital expenditure. The Investment Committee is made up of the CEO, CFO, Chief Corporate Development Officer, Chief Operating Officer and Chief Commercial Officer. Whilst emerging opportunities during the year are considered, it is expected that key projects are included in the annual budget and approved at the start of the year. All approved investments are also subjected to a post investment analysis.

### Principal Risks and Uncertainties

The principal risk facing the business is around the recruitment of new students as a result of the global Covid-19 pandemic. Whilst the school campuses around the Group have been closed at various times over the last 12 months the schools have continued to provide a service via our virtual school offering, thus minimising the impact on our student numbers.

Regulatory requirements in a number of different jurisdictions around the world pose a potential risk to the Group however, continued internal monitoring and response to feedback from regulators mitigates the risk of non-compliance, and the Group has not encountered any detrimental impacts to the business as a result.

Management pro-actively manages the risks associated with liquidity in the Group. These are managed by ensuring effective financial policies and procedures are in place, working capital is monitored closely and the performance of the Group is measured against budgets and forecasts on a monthly basis and tracking of fee income is on a weekly basis.

### Future developments

The Company has continued its principal activity throughout the year and the Directors expect it to do so for the foreseeable future.

## Strategic Report (continued)

### Carbon Reporting

We report our carbon emissions following the Greenhouse Gas Protocol, which incorporates scope 2 market-based emission methodology. We report carbon dioxide emissions resulting from energy use in our buildings and employees' business travel.

In the year to 31 August 2020, we collected data on energy use and business travel for our UK based entities within the Group. We did not collect the information for the year ended 31 August 2019 as the head-office was not UK based until July 2019.

	2020
<b>Carbon dioxide emissions in tonnes</b>	
<b>Total</b>	<b>2,203</b>
From travel	914
From energy	1,289

<b>Carbon dioxide emissions in tonnes per FTE</b>	
<b>Total</b>	<b>12.3</b>
From travel	5.1
From energy	7.2

<b>Energy consumption in kWh</b>	
<b>Total</b>	<b>1,371,204</b>

Our carbon dioxide reporting year runs from September to August.

This report was approved and signed on behalf of the board on 27 May 2021 by:



**A van Vilsteren**  
Director

## **Directors' Report**

*For the year ended 31 August 2020*

The directors present their report and the audited financial statements of the Group for the year ended 31 August 2020.

### **Directors**

The directors who served during the year were:

A Fitzmaurice  
A v Vilsteren  
I Dehal  
M Orrow-Whiting

### **Qualifying third party indemnity provisions**

Throughout the year and up to the date of signing of the financial statements, a qualifying third party indemnity provision was in place for the directors of the Company. This covers liability for the actions of directors and officers of the Company and associated costs including legal costs.

### **Dividends**

Dividends are discussed in the Strategic Report.

### **Other information**

Financial risk management is discussed within Note 19 of the financial statements. An indication of likely future developments, going concern and post balance sheet events have been included in the Strategic Report.

## Directors' Report (continued)

*For the year ended 31 August 2020*

### Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

This report was approved and signed on behalf of the board on 27 May 2021 by:



A van Vilsteren  
Director

## ***Independent auditors' report to the members of Nord Anglia Education London Holdings Limited***

### **Report on the audit of the Group financial statements**

#### **Qualified opinion on state of affairs and disclaimer of opinion on loss for the year**

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for disclaimer of opinion on loss and cash flows and qualified opinion on state of affairs section below, Nord Anglia Education London Holdings Limited's group financial statements give a true and fair view of the state of the Group's affairs as at 31 August 2020.

Because of the significance of the matters described in the Basis for disclaimer of opinion/qualified opinion section below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Group's loss and cash flows for the year ended 31 August 2020. Accordingly, we do not express an opinion on:

- the Company's loss and cash flows for the year ended 31 August 2020;
- whether the financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- whether the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We were engaged to audit the financial statements, included within the Consolidated Financial Statements (the "Annual Report"), which comprise the Consolidated Balance Sheet as at 31 August 2020; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is International Accounting Standards in conformity with the requirements of the Companies Act 2006.

#### **Basis for disclaimer of opinion on loss and cash flows and qualified opinion on state of affairs**

As described in note 1 to the financial statements, the Company took the exemption under s401 of the Companies Act 2006 and did not produce consolidated financial statements in the prior year.

In the current year the Company has prepared consolidated financial statements as required by the Companies Act 2006. As we did not audit the prior year Consolidated Balance Sheet, we have been unable to obtain sufficient appropriate audit evidence in respect of the opening balances as at 1 September 2019, and therefore are unable to determine whether adjustments might have been necessary in respect of the loss and cash flows for the year, which were reported in the Consolidated Income Statement and Consolidated Cash Flow Statement. The Consolidated Statement of Changes in Equity is also impacted by our disclaimer over the opinion on the loss for the year. In addition, our opinion on the state of affairs of the Group is qualified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

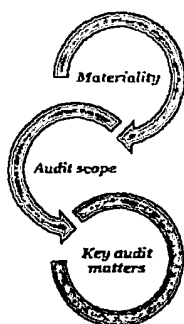
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law except that there was a limitation in respect of our work relating to the Consolidated Income Statement and Cash Flow Statement as explained in our Basis for disclaimer of opinion/qualified opinion section above. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion, but as explained above we were unable to obtain sufficient appropriate audit evidence in respect of the loss and cash flows for the year and have issued a disclaimer on those elements of the financial statements.

#### **Independence**

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Our audit approach

### Overview



- Overall Group materiality: \$11.4 million, based on 3.5% of Earnings Before Interest, Tax, Depreciation, Amortisation and Exceptional expenses.
- Local PwC component teams engaged to perform full scope audit procedures over twenty reporting units and the PwC Group audit team performed full scope audit procedures over a further two reporting units.
- Specified audit procedures were performed by component auditors over certain balances, including revenue, at two reporting units. The PwC Group audit team also performed audit procedures over specific balances within a further two reporting units.
- Central audit procedures performed by the Group audit team which included the audit of the recoverability of goodwill, the audit of the presentation and disclosure of exceptional items, the audit of the consolidated current and deferred income taxes, the audit of Group share based payment schemes, the audit of the UK defined benefit pension schemes and the audit of the Group consolidation.
- Recoverability of goodwill
- Implementation of IFRS 16 : Leases
- Impact of COVID-19

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of goodwill</b></p> <p>The Group has goodwill of \$948 million which is allocated to individual cash generating units ("CGUs"). Under IAS 36 Impairment of Assets, all CGUs containing goodwill must be tested for impairment at least annually. The determination of recoverable amount, being the higher of value in use and fair value less costs of disposal, requires estimations on the part of management in both identifying and then valuing the relevant Group's CGUs.</p> <p>We focused on this area as management judgement is required to establish the recoverable amount using value in use ("VIU") models and fair value less costs to sell ("FVLCTS") assessments. This includes judgement in the selection of assumptions used to estimate forecast future cash flows such as revenue growth rates (driven by both student numbers and price increases) and profit margins, and in the selection of appropriate discount and long-term growth rates used in the VIU models. It also requires judgment in relation to the earnings multiple applied to calculate FVLCTS. These items are subjective and susceptible to management bias and execution risk</p>	<p>As part of the planning stage of the audit, we assessed management's approach to performing the annual impairment test and the results of the initial exercise undertaken by management. We identified those CGUs where either management were proposing an impairment charge or where a reasonable change in key assumptions could result in an impairment charge for detailed audit testing.</p> <p>As part of our audit of management's impairment assessment and those CGUs where the recoverable amount was based on an underlying discounted cash flow model:</p> <ul style="list-style-type: none"> <li>- We obtained the impairment model prepared by management and tested the integrity and arithmetic accuracy of the model to ensure that it had been prepared in accordance with the guidance provided in IAS 36;</li> <li>- We performed analysis to identify those assumptions to which individual CGUs were sensitive and focussed our efforts on the relevant assumptions for each;</li> </ul>

and could lead to error both in determining whether an impairment charge is required and the amount of any impairment charge recorded. The forecasts used by management continue to show future growth in student numbers which could be impacted by the challenging economic conditions caused by COVID-19, which further increases the level of judgement inherent in the forecasts which underpin the impairment assessment.

Refer to the accounting policies and critical estimate in note 1 and note 16 Intangible Assets within the Consolidated Financial Statements.

- We used internal valuation experts to determine whether management's discount rates were within an acceptable range. The discount rate used for North American schools was outside of our acceptable range, resulting in a material difference. Following our review management re-assessed and updated their discount rate resulting in the recognition of an impairment charge;

- We used internal valuation experts to determine if long-term growth rates used in the VIU models were consistent with external sources of evidence. We challenged management on the growth rate assumed in the North America schools and this was subsequently updated in the final model;

- We challenged the basis of the short-term forecasts used in the models. This included, but was not limited to: agreeing forecasts to Board approved plans; assessing the revenue growth rates with reference to historical growth, reviewing actual performance of the CGU in FY20 and FY21 to date; verifying forecast margins with reference to historical performance; and reviewing management's historical forecasting accuracy.

As part of our audit of management's impairment assessment and those CGUs where the recoverable amount was determined based on a FVLCTS assessment:

- We obtained the FVLCTS assessment prepared by management and tested the technical and arithmetic accuracy to ensure that it had been prepared in accordance with the requirements of IAS 36; and

- We used our valuation experts to independently determine alternative earnings multiples for each relevant CGU and compared this with management's valuation. We did not note any material differences between the valuations.

We performed sensitivity analyses around the key assumptions for each of the valuation bases to ascertain the extent of change in those assumptions that, either individually or collectively, would result in further material impairment charges being recognised. We noted that the required level of change was beyond that which we would consider likely given the current market conditions and recent performance of the business.

Disclosures included within note 1 and 16 were assessed against the requirements of IAS 36 and deemed appropriate.

#### **Implementation of IFRS 16 : Leases**

At 1 September 2019, the Group adopted IFRS 16: Leases. This accounting standard required virtually all lease arrangements to be recognised in the Consolidated Balance Sheet and resulted in right-of-use assets of US\$1,123.4m and lease liabilities of US\$1,029.7m being recognised on adoption.

The right-of-use assets and lease liabilities are estimated based on using the incremental borrowing rate for the entity. Estimating the incremental borrowing rate involves judgement, by using an appropriate risk free rate and applying a credit spread from a comparable corporate bond. There is also judgement over the lease period that the balances are calculated where lease agreements contain options for the contract to be extended or terminated early.

There is also a risk that the lease liabilities or right-of-use asset balances do not include all of the lease arrangements that the Group is party to.

We recalculated the opening and closing right-of-use asset and lease liability for the total population of leases included in management's IFRS 16 lease model. For a sample of leases, we validated the inputs of the lease model to the underlying lease agreements. Where leases contained an option for early termination or extension, we considered how likely it was to be exercised, based on the nature of the assets and the lease terms. Our internal valuation experts compared the rate used to discount future lease payments against published treasury bonds and cross checked the credit spread against similar rated corporate bond yields and found that the rate was a reasonable approximation of the incremental borrowing rate of the lessee.

We tested management's reconciliation between the operating lease commitments at 31 August 2019 and the lease liability recognised on adoption disclosed in note 1 and compared lease expenses for the year ended 31 August 2019 to leases included in management's calculations for IFRS 16 adoption to validate that management's list of leases was complete.

Refer to the accounting policies and critical estimate in note 1, note 14 Right of use assets and note 24 Lease liabilities within the Consolidated Financial Statements.

We also considered the adequacy of the Group's disclosure of the impact on the adoption of IFRS 16 as set out in note 1 which we found to be appropriate.

As a result of our work, we did not identify any material differences in the adjustments recorded on the implementation of IFRS 16.

### **Impact of COVID-19**

The COVID-19 pandemic has provided the Group with unprecedented challenges, with all schools being closed and operating under a virtual learning environment for a part or all of term 3 in 2020. COVID-19 has had a pervasive impact across the Group and has required management to reconsider a number of accounting judgements and estimates. These included adjusting business plans

and models which underpin the annual assessments of impairment and going concern.

We have considered the pervasive impact of COVID-19 through the planning, risk assessment and execution phases of our audit with particular focus on the effect the pandemic has had on areas of key accounting judgement and estimation. A separate key audit matter covers our conclusions on the impairment of goodwill.

Refer to the going concern paragraph in note 1 within the Consolidated Financial Statements.

During the course of the year, management prepared a number of accounting papers, which considered the wider impact of COVID-19 on the Group's financial statements. We have reviewed these papers, considered the appropriateness of management's proposed treatments in line with published guidance and, where the impact is material, tested key assumptions to supporting documentation.

Where forecasted financial information is used as a basis for a significant accounting judgement, we have understood how management have modelled the impact of COVID-19 within its forecasts for 2021 and 2022. In performing this assessment, we have taken into account the impact that the first wave of the virus and the associated government restrictions had on the Group's results in the second half of 2020 and the subsequent impact this would have on the business in terms of student numbers and re-enrollments if further lockdowns and restrictions were to occur in subsequent periods.

In the case of going concern we have assessed management's base case and the severe but plausible downside scenario for a 15 month period to August 2022, which assumes that forecasted student numbers for 2022 will remain at the same level as that in 2021. We have then assessed management's headroom and covenant compliance tests throughout the remainder of 2021 and 2022 to confirm that in their severe scenario sufficient liquidity and covenant compliance remains. Our conclusions on going concern are included in the Conclusions relating to going concern section below.

Refer to our Key Audit matters above for details of how we have considered the impact of COVID-19 in our audit procedures over the impairment tests performed by management in respect to the carrying value of goodwill recognised in the Consolidated Financial Statements.

We have reviewed the disclosures included within the financial statement in respect to the impact of COVID-19 to ensure that the disclosures are consistent with published guidance and the presentation of additional costs incurred by the Group in responding to the pandemic is appropriate.

### **How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

The Group is split globally into four different regions which are as follows: Europe, The Americas, China International and South East Asia together with the Middle East and India (SEAMEI). There are 126 reporting units within the consolidation, which include the reporting sites and other consolidation units.

We did not identify any individually significant components within the Group, with the largest contribution to revenue being 7% from three reporting sites, and the average being 3%. We determined the most effective approach was to engage PwC local component teams to perform full scope procedures over twenty reporting units, with the Group audit team performing full scope audit work over a further two reporting units. In addition, specified audit procedures were performed over certain balances, including revenue and pensions, at two reporting units in India and Switzerland. The Group audit team also performed audit procedures over specific balances within a further two

reporting units. This approach ensures that appropriate audit coverage has been obtained over all financial statement line items.

Where work was performed by component auditors, we determined the appropriate level of supervision and review of the audit work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the Group financial statements as a whole. We issued written instructions to all component auditors and had regular communications with them throughout the audit cycle. This included a planning and clearance meeting with each component team, attending several local clearance meetings with management, as well as performing file reviews on twelve reporting units.

Based on the detailed audit work performed across the Group, we have gained coverage of 67% of total revenue and 69% of total assets.

#### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall group materiality</b>	<b>\$11.4 million.</b>
<b>How we determined it</b>	<b>3.5% of Earnings Before Interest, Tax, Depreciation, Amortisation and Exceptional expenses.</b>
<b>Rationale for benchmark applied</b>	<b>We consider this to be the primary benchmark used by key stakeholders to evaluate the position and performance of the Group.</b>

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was \$6.3 million and \$0.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the directors that we would report to them misstatements identified during our audit above \$0.5 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. Except for the possible effects of the matters referred to in the Basis for qualified/disclaimer of opinion section above, we have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

Notwithstanding our disclaimer of an opinion on the loss and cash flows for the year, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the loss and cash flows for the year, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit and performed subject to the pervasive limitation described above, we did not identify any material misstatements in the Strategic Report and Directors' Report.

---

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

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

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

##### *Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

---

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion/qualified opinion paragraph above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

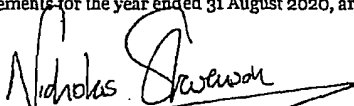
Under the Companies Act 2006 we are also required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Other matters

---

We have reported separately on the Company financial statements of Nord Anglia Education London Holdings Limited for the year ended 31 August 2020.

The financial statements for the year ended 31 August 2019, forming the corresponding figures of the financial statements for the year ended 31 August 2020, are unaudited.



Nicholas Stevenson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
27 May 2021

**Consolidated Income Statement**  
*for the year ended 31 August*

	<i>Note</i>	2020 \$m	Unaudited 2019 \$m
Net revenue <sup>1</sup>	3	1,042.9	998.1
Cost of sales		(582.9)	(623.5)
<b>Gross profit</b>		<b>460.0</b>	<b>374.6</b>
Selling, general and administrative expenses		(253.1)	(232.7)
Depreciation	4	(7.6)	(0.6)
Amortisation	4, 16	(19.0)	(17.0)
Impairment	4, 16, 22	(50.3)	(0.5)
Impairment losses on intercompany loans	29	-	(82.0)
Other (losses)/gains	5	(4.9)	0.5
Exceptional expenses	6	(11.5)	(15.1)
<b>Total expenses</b>		<b>(346.4)</b>	<b>(347.4)</b>
<b>Operating profit</b>		<b>113.6</b>	<b>27.2</b>
Finance income	10	8.8	13.4
Finance expense – loans and borrowings	10	(145.5)	(91.8)
<b>Net finance expense</b>		<b>(136.7)</b>	<b>(78.4)</b>
<b>(Loss)/profit before tax</b>		<b>(23.1)</b>	<b>(51.2)</b>
Income tax expense	11	(24.1)	(49.1)
<b>Loss for the year</b>		<b>(47.2)</b>	<b>(100.3)</b>
<b>Attributable to:</b>			
Owners of the parent		(49.6)	(103.5)
Non-controlling interest		2.4	3.2

<sup>1</sup> Revenue is presented net of COVID-19 support costs amounting to \$8.6 million (2019: nil). Refer to note 3 for further details.

<sup>2</sup> The Group has elected to apply the modified retrospective approach upon the adoption of IFRS 16 on 1 September 2019. As a result, prior year comparatives have not been restated.

**Consolidated Statement of Comprehensive Income**  
*for the year ended 31 August*

	<i>Note</i>	2020 \$m	Unaudited 2019 \$m
<b>Loss for the year</b>		<b>(47.2)</b>	<b>(100.3)</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that will not be reclassified to Income Statement in subsequent periods:</i>			
Actuarial losses	9	(1.7)	(5.9)
Tax credit on defined benefit pension plans	12	0.3	1.4
<i>Items that may be reclassified subsequently to Income Statement</i>			
Foreign exchange translation gains/(losses):			
- Net assets of foreign operations		29.4	(32.7)
<b>Total other comprehensive income/(loss) for the year, net of income tax</b>		<b>28.0</b>	<b>(37.2)</b>
<b>Total comprehensive loss for the year</b>		<b>(19.2)</b>	<b>(137.5)</b>
<b>Attributable to:</b>			
Owners of the parent		(21.6)	(140.7)
Non-controlling interest		2.4	3.2
<b>Total comprehensive loss for the year</b>		<b>(19.2)</b>	<b>(137.5)</b>

<sup>1</sup> The Group has elected to apply the modified retrospective approach upon the adoption of IFRS 16 on 1 September 2019. As a result, prior year comparatives have not been restated (see 'Leases – applicable 1 September 2019' within Note 1 – Accounting policies).

The notes on pages 22 to 96 and appendix on pages 111 to 116 form an integral part of these financial statements.

**Consolidated Balance Sheet**  
*as at 31 August*

	<i>Note</i>	<b>31 August 2020 \$m</b>	<b>Unaudited 31 August 2019 \$m</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	334.7	414.6
Right of use assets	14	1,112.3	-
Intangible assets	16	1,274.3	1,310.8
Investments	17	3.0	3.0
Trade and other receivables	20	126.1	161.3
Deferred lease expense		-	18.5
Deferred tax assets	12	23.2	41.5
		<b>2,873.6</b>	<b>1,949.7</b>
<b>Current assets</b>			
Current tax assets		13.4	6.8
Inventories		3.2	3.0
Trade and other receivables	20	549.5	482.9
Deferred lease expense		-	0.7
Cash and cash equivalents	21	613.2	388.4
		<b>1,179.3</b>	<b>881.8</b>
<b>Assets held for sale</b>	22	<b>7.8</b>	<b>8.5</b>
		<b>1,187.1</b>	<b>890.3</b>
<b>Total assets</b>		<b>4,060.7</b>	<b>2,840.0</b>

<sup>1</sup> The Group has elected to apply the modified retrospective approach upon the adoption of IFRS 16 on 1 September 2019. As a result, prior year comparatives have not been restated.

The notes on pages 22 to 96 and appendix on pages 111 to 116 form an integral part of these financial statements.

## Consolidated Balance Sheet (continued)

as at 31 August

	Note	31 August 2020 \$m	Unaudited 31 August 2019 \$m
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	23	405.1	402.9
Derivative financial instruments	19	21.4	23.6
Lease liabilities	24	1,019.3	69.2
Trade and other payables	25	550.7	573.1
Deferred revenue	3	44.5	37.7
Deferred gain		12.3	11.5
Retirement benefit obligations	9	34.1	31.8
Provisions for other liabilities and charges	26	2.3	0.7
Deferred tax liabilities	12	71.4	78.3
		<b>2,161.1</b>	<b>1,228.8</b>
<b>Current liabilities</b>			
Trade and other payables	25	333.0	271.9
Derivative financial instruments	19	0.2	0.2
Interest-bearing loans, borrowings and overdrafts	23	53.6	119.0
Lease liabilities	24	125.6	1.5
Deferred revenue	3	616.3	684.2
Deferred gain		0.2	0.2
Provisions for other liabilities and charges	26	3.4	-
Current tax liabilities		39.4	40.5
		<b>1,171.7</b>	<b>1,117.5</b>
<b>Total liabilities</b>		<b>3,332.8</b>	<b>2,346.3</b>
<b>Equity</b>			
Share capital	28	515.9	267.5
Currency translation reserve		(178.8)	(208.2)
Retained earnings		390.1	433.0
<b>Capital and reserves attributable to the owners of the Company</b>		<b>727.2</b>	<b>492.3</b>
Non-controlling interest		0.7	1.4
<b>Total equity</b>		<b>727.9</b>	<b>493.7</b>
<b>Total equity and liabilities</b>		<b>4,060.7</b>	<b>2,840.0</b>

<sup>1</sup> The Group has elected to apply the modified retrospective approach upon the adoption of IFRS 16 on 1 September 2019. As a result, prior year comparatives have not been restated.

These financial statements set out on pages 15 to 96 and appendix on pages 111 to 116 were approved by the Board of Directors on 27 May 2021 and were signed on its behalf by:



A van Vilsteren  
Director

Company number: 06590752

The notes on pages 22 to 96 and appendix on pages 111 to 116 form an integral part of these financial statements.

**Consolidated Statement of Changes in Equity**  
*for the year ended 31 August 2019 (Unaudited)*

	Note	Share capital \$m	Share premium \$m	Currency translation reserve \$m	Retained earnings \$m	Total parent equity \$m	Non-controlling interest \$m	Total equity \$m
Balance at 31 August 2018 as originally presented		67.5	778.9	(175.5)	(206.9)	464.0	(0.4)	463.6
Change in accounting policy (IFRS 15)		-	-	-	(34.3)	(34.3)	-	(34.3)
Restated total equity as at 1 September 2018		67.5	778.9	(175.5)	(241.2)	429.7	(0.4)	429.3
<b>Comprehensive (loss)/income for the year</b>								
(Loss)/profit for the year		-	-	-	(103.5)	(103.5)	3.2	(100.3)
<b>Other comprehensive (loss)/income for the year</b>								
Actuarial loss on defined benefit pension schemes	9	-	-	-	(5.9)	(5.9)	-	(5.9)
Tax on defined benefit pension plans	11,12	-	-	-	1.4	1.4	-	1.4
Currency translation differences		-	-	(32.7)	-	(32.7)	-	(32.7)
Total other comprehensive loss for the year		-	-	(32.7)	(4.5)	(37.2)	-	(37.2)
Total comprehensive (loss)/income for the year		-	-	(32.7)	(108.0)	(140.7)	3.2	(137.5)
<b>Transactions with owners, recorded directly in equity</b>								
Issuance of new ordinary shares and preference shares	28	200.0	-	-	-	200.0	-	200.0
Capital reduction	28	-	(778.9)	-	778.9	-	-	-
Vesting of SMEP	9	-	-	-	3.3	3.3	-	3.3
Dividend paid		-	-	-	-	-	(1.4)	(1.4)
Total contributions by and distributions to owners		200.0	(778.9)	-	782.2	203.3	(1.4)	201.9
<b>Balance at 31 August 2019</b>		<b>267.5</b>	<b>-</b>	<b>(208.2)</b>	<b>433.0</b>	<b>492.3</b>	<b>1.4</b>	<b>493.7</b>

<sup>1</sup> The Group has elected to apply the modified retrospective approach upon the adoption of IFRS 16 on 1 September 2019. As a result, prior year comparatives have not been restated.

The notes on pages 22 to 96 and appendix on pages 111 to 116 form an integral part of these financial statements.

**Consolidated Statement of Changes in Equity (continued)**  
*for the year ended 31 August 2020*

	Note	Share capital \$m	Share premium \$m	Currency translation reserve \$m	Retained earnings \$m	Total parent equity \$m	Non-controlling interest \$m	Total equity \$m
Balance at 1 September 2019		267.5	-	(208.2)	433.0	492.3	1.4	493.7
<b>Comprehensive (loss)/income for the year</b>								
(Loss)/profit for the year		-	-	-	(49.6)	(49.6)	2.4	(47.2)
<b>Other comprehensive (loss)/income for the year</b>								
Actuarial loss on defined benefit pension schemes	9	-	-	-	(1.7)	(1.7)	-	(1.7)
Tax on defined benefit pension plans	11,12	-	-	-	0.3	0.3	-	0.3
Currency translation differences		-	-	29.4	-	29.4	-	29.4
Total other comprehensive income/(loss) for the year		-	-	29.4	(1.4)	28.0	-	28.0
Total comprehensive income/(loss) for the year		-	-	29.4	(51.0)	(21.6)	2.4	(19.2)
<b>Transactions with owners, recorded directly in equity</b>								
Issuance of new ordinary shares and preference shares	28	248.4	-	-	-	248.4	0.1	248.5
Vesting of SMEP	9	-	-	-	8.1	8.1	-	8.1
Dividend paid		-	-	-	-	-	(3.2)	(3.2)
Total contributions by and distributions to owners		248.4	-	-	8.1	256.5	(3.1)	253.4
Balance at 31 August 2020		515.9	-	(178.8)	390.1	727.2	0.7	727.9

The notes on pages 22 to 96 and appendix on pages 111 to 116 form an integral part of these financial statements.

## Consolidated Cash Flow Statement

for the year ended 31 August

	Note	2020 \$m	Unaudited 2019 \$m
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year before taxation		(23.1)	(51.2)
<i>Adjustments for:</i>			
Depreciation and amortisation	4, 13, 14, 16	151.4	66.7
Impairment of intangible assets and assets held for sale	4, 16, 22	50.3	0.5
Fair value movements in derivatives and receivables impairment expense		11.2	80.9
Difference between pension contribution paid and reported in the Consolidated Income Statement		(3.1)	5.3
(Gain)/loss on disposal/write-off of property, plant and equipment and intangible assets		(0.2)	0.2
Net finance expense	10	136.7	78.4
Share-based payment expenses	9	8.1	4.0
Settlement of share options		-	(3.1)
		<b>331.3</b>	<b>181.7</b>
Increase in trade and other receivables, inventories and deferred lease expense		(81.1)	(36.6)
(Decrease)/increase in trade and other payables, deferred revenue, deferred gain and provisions		(9.7)	8.6
Cash generated from operations		<b>240.5</b>	<b>153.7</b>
Interest paid		(105.4)	(44.9)
Tax paid		(21.9)	(46.7)
<b>Net cash generated from operating activities</b>		<b>113.2</b>	<b>62.1</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		0.1	0.4
Purchase of intangible assets		(9.6)	(5.3)
Acquisition of subsidiary, net of cash acquired	18	-	(190.2)
Acquisition of property, plant and equipment		(27.5)	(44.8)
Interest received		1.5	3.0
<b>Net cash used in investing activities</b>		<b>(35.5)</b>	<b>(236.9)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from the issuance of ordinary shares		248.4	200.0
Proceeds from settlement of swap contracts		-	3.5
Net proceeds from borrowings		11.9	-
Principal elements of lease payments		(39.9)	-
Transactions with non-controlling interest		(3.2)	(1.4)
<b>Net cash generated from financing activities</b>		<b>217.2</b>	<b>202.1</b>
Net increase in cash and cash equivalents		<b>294.9</b>	<b>27.3</b>
Cash and cash equivalents at the beginning of the year		<b>269.5</b>	<b>252.1</b>
Effect of exchange rate fluctuations on cash held		<b>7.1</b>	<b>(9.9)</b>
<b>Cash and cash equivalents at the end of the year (including overdrafts)</b>		<b>571.5</b>	<b>269.5</b>
Bank overdrafts	23	<b>41.7</b>	<b>118.9</b>
<b>Cash and cash equivalents at the end of the year (excluding overdrafts)</b>	21	<b>613.2</b>	<b>388.4</b>

<sup>1</sup> The Group has elected to apply the modified retrospective approach upon the adoption of IFRS 16 on 1 September 2019. As a result, prior year comparatives have not been restated

The notes on pages 22 to 96 and appendix on pages 111 to 116 form an integral part of these financial statements.

## Notes to the financial statements for the year ended 31 August 2020

### 1 Accounting policies

#### General information

Nord Anglia Education London Holdings Limited ("the Company") was incorporated on 13 May 2008 and is domiciled in England and Wales as a private company limited by shares. The address of its registered office is 4<sup>th</sup> floor, Nova South, 160 Victoria Street, Westminster, London, United Kingdom, SW1E 5LB.

The main activities of the Company and its subsidiaries (together "the Group") are the operation of Premium Schools worldwide. The main activity of the Company is that of an investment holding and financing company.

#### Basis of preparation

The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements are presented in US dollar, generally rounded to the nearest 100,000. They are prepared on the historical cost basis, except for certain financial instruments (including derivatives instruments) and pension assets that have been measured at fair value.

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

The Company took the exemption under s401 of the Companies Act 2006 when it was not entitled to do so and did not produce consolidated financial statements in the prior year. As such, the comparative information for the year ended 31 August 2019 presented in these consolidated financial statements has not been audited and has been highlighted as 'unaudited' throughout the financial statements. As the closing consolidated balance sheet as at 31 August 2019 has not been audited, the auditors have been unable to form an unqualified opinion on either the Group's loss, cash flows or state of affairs as at and for the year ended 31 August 2020. However, in the current year the Company has prepared consolidated financial statements as required by the Companies Act 2006.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except as indicated for the adoption of IFRS 16 'Leases' and IFRIC 23 'Uncertainty over Income Tax Treatments in the current year'.

#### Going concern

The Group has accumulated shareholders' funds of \$727.9 million as at 31 August 2020 (2019: \$493.7 million) which reflects the borrowing structure obtained following the Take-Private Transaction on 1 September 2017.

As at 31 August 2020, the Group had net cash (cash and cash equivalents less overdraft) of \$571.5 million (2019: \$269.5 million) which the Directors believe is sufficient to support operations for the foreseeable future. Further information on the Group's borrowings is given in Note 23. In addition, Note 19 of the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit, liquidity and market risk.

The Group continues to generate strong operating cash flows and benefits from favourable working capital movements through the receipt of tuition fees in advance of the school year. Current assets exceed current liabilities by \$15.4 million (2019: current liabilities exceeded current assets by \$227.2 million), the main driver of this is the equity raise in the year driving an increase in the cash balances. In addition, the Company has received confirmation that the NAE Group will continue to provide support to enable it and the Group to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. This enables the Company and the Group to utilise the undrawn banking facilities and liquidity of the NAE Group to support its ongoing operations and working capital requirements.

Having made enquiries, the Directors have reasonable expectations that the Group is well placed to manage its business risks and continue its operations for the foreseeable future, for at least 15 months from the date of the approval of the financial statements. The NAE Group's cash forecasts and projections, taking into account severe but plausible changes in performance, show that both the Group and the NAE Group have sufficient financial resources. Accordingly, the Directors have not identified any material uncertainties to the Group's ability to continue as a going concern and continue to adopt the going concern basis in preparing the financial statements.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### New and amended standards adopted by the Group

The Group has applied the following standards for the first time for their annual reporting period commencing 1 September 2019:

IFRS 16 – Leases (page 32)

The adoption of this new standard *did not* have any impact on the amounts recognised in prior periods, as the Group has adopted the standard using a modified retrospective approach where the cumulative effect of initially applying it is recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated.

#### Future accounting developments

The Group considers that there are no relevant standards or relevant interpretations mandatory for the current accounting period that have not been applied.

Future standards and interpretations that are issued, but not yet effective or early adopted, are:

- Definition of Material – Amendments to IAS 1 and IAS 8; effective 1 January 2020;
- Definition of a Business – Amendments to IFRS 3; effective 1 January 2020;
- Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39; effective 1 January 2020;
- Revised Conceptual Framework for Financial Reporting; effective 1 January 2020;
- Covid-19-related Rent Concessions – Amendments to IFRS 16; effective 1 June 2020;
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 7, IFRS 4 and IFRS 16; effective 1 January 2021;
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1; effective 1 January 2022 (possibly 1 January 2023);
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16; effective 1 January 2022;
- Reference to the Conceptual Framework – Amendments to IFRS 3; effective 1 January 2022;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37; effective 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2022; effective 1 January 2022.

#### Basis of consolidation

The consolidated financial statements consist of the financial statements of the Group. In situations where the Group has a less than 100% interest, the Group considers further factors such as voting rights and exposure to variable returns and the linkage between power and returns in order to determine whether it controls the subsidiary.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet and Consolidated Statement of Changes in Equity.

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated fully from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied. This is considered to be when control of the goods or services underlying the performance obligation is transferred to the students. For the Group, the primary services provided to the students are curriculum delivery, extra-curricular activities, enrolment and ancillary services, as the Group is primarily engaged in the provision of premium schooling, from kindergarten through to secondary school (K-12).

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the student simultaneously receives and consumes the benefits provided by the Group as the Group performs;
- the Group creates and enhances an asset that the student controls as the Group performs; or
- the Group creates an asset with no alternative use to the Group and they have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the student obtains control of the distinct good or service.

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major service lines:

- The provision of tuition, examinations, resourcing, technical support, student activities and Virtual Education Services (VES), which are collectively deemed to be a single distinct service and performance obligation. These are collectively referred to as "curriculum fees" and are recognised over time. Curriculum fees are presented net of curriculum fee discounts, and the net amount represents the consideration to which the Group expects to be entitled. Curriculum fees are also presented net of COVID-19 Support Costs, which are discounts/credit notes provided to existing students that can be utilised in the following academic year.
- The provision of boarding, private tuition, transport, catering etc, which are a series of distinct performance obligations linked to the delivery of the curriculum. These are referred to as "extra-curricular fees" and are recognised both over time and at a point in time.
- Registration, capital enrolment, enrolment, capital assessment etc, collectively referred to as "enrolment fees" are a series of distinct performance obligations, which are satisfied over time.
- Management and royalty charges from other entities across the Nord Anglia Education Management Limited Group. Revenue from management charges are recognised at a point in time, as and when the charges are incurred, and royalty charges are recognised over time, reflecting other Group entities' right to access the NAE brand throughout the financial year.
- Other revenue, comprising of ancillary services indirectly related to the provision of curriculum delivery.

Remaining unsatisfied performance obligations relate to future services paid in advance and material rights awarded, for example arising on scholarships and sibling discounts.

#### School fee income

Curriculum, extra-curricular and enrolment fees are typically billed in advance, either annually where it relates to enrolment or termly in the case of tuition and related fees. In some instances, fees are also billed monthly in advance. In most cases, invoices are payable within 30 days.

The transaction price of curriculum, extra-curricular and enrolment fees are based on contract price less any applicable discounts. Discounts are typically agreed upfront and generally include annual discounts, staff discounts, referral discounts, principal discounts and financial aid.

A number of schools offer multiple payment plans for students, with associated financing charges. The arrangements themselves do not indicate a significant financing component as the time period between receipt of consideration and delivery of those services is less than one year, applying the practical expedient available under IFRS 15.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Revenue recognition (continued)

Material rights are valued based on the expected level of discount awarded, adjusted for the time value of money. This includes an assessment of the likely uptake per year based on student attrition rates. Revenue is allocated between school fee income and material rights based on the relative standalone selling prices at that point, with the material right deferred until it is utilised.

Deferred revenue from material rights becomes revenue on the utilisation of that right throughout the student's education. It is amortised on a straight-line basis over the average student tenure (which varies by region) and included as part of the contract liability.

Material rights arising from discounts offered on the following academic year's fees to existing students, have their associated deferred revenue released over the period that the discount relates to (in most cases, the first term of the following academic year).

Certain ancillary services are not directly linked to the underlying curriculum and as such are recognised as revenue when the service is delivered to the student as this is viewed to be the point at which control passes. These are paid in advance.

At a majority of the Group's schools, standard terms and conditions require a full term's notice of withdrawal for a refund of prepaid school fee income.

#### Deposits

Refundable deposits relate to fees that may result in a return of funds/monies to a customer. These are reported as a financial liability until they are either returned to the customer or the term/condition under which it can be refunded has expired or is no longer valid. At this point, the fee is either earned and the revenue is recognised, or the fees have been refunded and the liability is relieved.

Non-refundable deposits relate to fees that have no terms or conditions attached which would result in any monies ever being returned to the customer. The revenue is earned and recognised to the extent that the services have been fulfilled, with any excess deferred and recognised as revenue over the Group's average student tenure.

#### Refunds

Where the student has a right to a return of prepaid curriculum fees within a given period, the school is obliged to refund the purchase price. A refund liability for the expected refunds to students is recognised as an adjustment to revenue within deferred revenue. This is calculated using the historical level of refunds provided to students.

#### Expenses

##### Cost of sales

Cost of sales consist principally of salary and benefits for school principals, teaching staff and lecturers employed in our Premium Schools and Learning Services businesses, plus the costs of teaching materials as well as expenses for the provision of school lunches, bus services and athletics programmes. Depreciation charges arising from tangible assets owned by Premium Schools are also included in the Cost of sales. For the Learning Services businesses the costs are recognised as incurred. For the Premium Schools business, salary and benefits for school principals and teaching staff are recognised as incurred, being the 10 months, over which teaching services are provided and as such they follow the same recognition period as the relevant fee income.

##### Selling, general and administrative expenses

Selling, general and administrative expenses consist of several cost categories including salary and benefits for the senior management team and other personnel engaged in finance, human resources, education policy and quality, legal compliance, information systems and infrastructure and other functions at our corporate headquarters. In addition, this category of expense encompasses salary and benefits for regional personnel supporting operations in China, Europe, India, Southeast Asia, Middle East and The Americas. Finally, this category also includes business travel costs, advertising and promotion expenses, conference costs, general liability insurance premiums, communication costs, bad debt expense, training costs and others.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Foreign exchange

The Company has a US dollar functional currency and the Group adopts a US dollar presentational currency. The Group has significant and expanding international operations trading in non-US dollar currencies and the functional currency of each subsidiary is dependent on that subsidiary's operating environment. Movements in global exchange rates can cause currency exposures to the Group's consolidated US dollar financial results. Trade is conducted in local currencies and, where appropriate, borrowings are matched in that currency to mitigate the risk of exposure of the Group's assets and liabilities to exchange rate movements.

Transactions in foreign currencies are translated at the exchange rate on the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the reporting date. All differences are taken to the Consolidated Income Statement. The Group includes foreign currency exchange gains and losses relating to external debts within Finance Expense, while those relating to intercompany and other operational activities are included within Other Gains/(Losses).

The assets and liabilities of overseas subsidiaries denominated in foreign currencies are translated into US dollar at exchange rates prevailing at the date of the Consolidated Balance Sheet; profits and losses are translated at average exchange rates for the relevant accounting periods. Exchange differences arising are recognised in the Consolidated Statement of Comprehensive Income and are included in the Group's Currency Translation Reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Where intercompany loans that are considered to be permanent in nature are in place between two entities with different functional currencies, these loans are considered to be part of the Group's net investment in each entity. In these cases, the impact of any retranslation during the year is included directly in the Group's Currency Translation Reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### Post-employment and similar obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

#### Pension obligations

The liability or asset recognised in the Consolidated Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in Finance Expense in the Consolidated Income Statement.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in Other Comprehensive Income. They are included in Retained Earnings in the Consolidated Balance Sheet and Consolidated Statement of Changes in Equity.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the Consolidated Income Statement as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Equity in Other Comprehensive Income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

#### Share-based payments

The Group operates both an equity-settled share-based compensation plan and a cash-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted and estimation of the number of options that expect to vest.

Fair value is calculated using the Monte Carlo method, the details of which are disclosed in Note 9 Employee benefits.

#### Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include the following:

- corporate restructure costs;
- acquisition costs;
- integration costs;
- sale and leaseback costs;
- write-off of property, plant, equipment;
- associated legal fees of the above items; and
- incremental costs due to the global COVID-19 pandemic.

#### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are measured subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in Shareholders' Equity, net of income tax effects.

Borrowings are removed from the Consolidated Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated Income Statement as Other Income or a Finance Expense.

Where the terms of a financial liability are re-negotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the Consolidated Income Statement, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Income Statement.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### *Borrowings (continued)*

Bank overdrafts are classified as current liabilities in Interest-Bearing Loans, Borrowings and Overdrafts (refer to Note 23 Interest-bearing loans, borrowings and overdrafts).

#### **Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

#### **Taxation**

The tax expense included in the Consolidated Income Statement consists of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year. Tax expense is calculated using tax rates enacted or substantively enacted by the reporting date. Tax expense is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised in the Consolidated Statement of Comprehensive Income or directly in the Consolidated Statement of Changes in Equity, in which case it is recognised in the Consolidated Statement of Comprehensive Income or directly in the Consolidated Statement of Changes in Equity, respectively.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Provisions are made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries when it is expected that this will be repatriated to the shareholder. In addition, the timing of the remittance must be able to be controlled and there must be no intention to remit.

The temporary differences associated with investments in subsidiaries, joint ventures and associates, for which a deferred tax liability has not been recognised, aggregate to \$564.0 million (2019: \$268.0 million). No deferred tax liability has been recognised on the potential withholding tax due on the remittance of undistributed profits as the Group is able to control the timing of such remittances and it is probable that consent will not be given in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set-off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

#### **Dividends**

Dividends are recorded in the financial statements in the period in which they are approved by the Group's shareholders.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Business combinations and goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises of:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis. Non-controlling interests in the acquired entity that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or the present ownership interests' proportionate share in the recognised amounts of the acquired entity's net identifiable assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as a financial liability. Amounts classified as a financial liability are re-measured subsequently to fair value with changes in fair value recognised in the Consolidated Income Statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the Consolidated Income Statement.

At the acquisition date of a subsidiary, goodwill acquired is recognised as an asset and is allocated to each of the cash-generating units ("CGUs") expected to benefit from the business combination's synergies. Goodwill by CGU is allocated into the premium school level and is monitored and tested for impairment at this level by management. Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment.

On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Acquired intangible assets

Separately acquired intangible assets such as brands/trademarks, customer relationships, contracts and software are measured initially at cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangibles with finite useful lives are carried at cost and are amortised on a straight-line basis over their estimated useful lives as follows:

Customer relationships	6 to 15 years straight line
Brands	50 years or indefinite life
Curriculum products & Intellectual property	3 years straight line
Computer software	3 years straight line

#### Brand name

Legally protected or otherwise separable brand names acquired as part of a business combination are capitalised at fair value on acquisition. For some of the brand names in Western Europe, Management's expectation is to retain brand names within the business for an indefinite life due to the nature and premium associated with the brand names that the Group has acquired and as such they are not amortised and are therefore subject to an annual impairment review (see Note 16 Intangible assets).

Brand names with finite useful lives are carried at cost and are amortised on a straight-line basis over their estimated useful lives of 50 years.

#### Assets held for sale

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

Depreciation is not charged against property, plant and equipment classified as held for sale.

#### Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment in value. 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. Depreciation is provided at rates calculated to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives. Estimated useful lives and depreciation rates are as follows:

Freehold and long leasehold buildings	25 to 50 years straight line
Short leasehold land and buildings	The unexpired term of the lease on a straight-line basis
Computer equipment	3 to 6 years straight line
Motor vehicles	4 to 5 years straight line
Fixtures and fittings	3 to 7 years straight line

Expenditure on assets in the course of construction is capitalised within property, plant and equipment as incurred and when development is completed, it is transferred to the appropriate asset category and depreciated.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Impairment of non-financial assets

Goodwill is allocated initially to a CGU and tested for impairment at this level. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each CGU to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised. Any impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed.

For all other non-financial assets (including other Intangible Assets and Property, Plant and Equipment), the Group performs impairment testing where there are indicators of impairment. If such an indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of the recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately as a credit to the Consolidated Income Statement. This does not apply to impairment losses of goodwill, which cannot be reversed.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Leases – applicable 1 September 2019

The Group adopted IFRS 16 “Leases” in the current period, with effect from 1 September 2019, using the modified retrospective approach to transition. Prior to this date, the Group applied IAS 17, the previous accounting standard for leases.

Under IFRS 16, the Group recognises a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, as is the case in the vast majority of the leasing activities of the Group, the lessee's incremental borrowing rate is used, which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index/rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less at commencement date. Low value assets are assets with a value of less than \$5,000 when new, typically small items of IT equipment, office equipment and office furniture.

The adoption of IFRS 16 has had a material impact on the Group's consolidated financial statements, with \$1.1 billion of right-of-use assets and \$1.0 billion lease liabilities being recognised on transition. The weighted average incremental borrowing rate applied to the lease liabilities at 1 September 2019 was 6.6%.

As at 31 August 2020, the right-of-use assets were \$1.1 billion and the lease liabilities were \$1.1 billion.

The Group's lease portfolio consists of approximately 350 leases, principally for school buildings and staff accommodation.

On transition the Group elected not to reassess whether a contract is, or contains, a lease, instead relying on the assessment already made in applying International Accounting Standard ('IAS') 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. In addition, the Group applied the following available practical expedients permitted by the standard:

- the exclusion of leases relating to low value assets (less than \$5,000 when new);
- the exclusion of short-term leases, being those with a lease term of 12 months or less;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- reliance on its assessment of whether leases are onerous immediately prior to the date of transition;
- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the exclusion of initial direct costs from the measurement of the ROU asset at the date of initial application.

The impact of the adoption of IFRS 16 on the opening balance sheet as at 1 September 2019 is shown in the table below:

	Unaudited As at 31 August 2019	Impact of IFRS 16	Restated 1 September 2019
	\$m	\$m	\$m
Right-of-use assets	-	1,123.4	1,123.4
Prepayments	30.8	(24.1)	6.7
Deferred lease expense	19.2	(19.2)	-
Accrued expenses	(98.7)	16.1	(82.6)
Trade and other payables	(845.0)	4.6	(840.4)
Lease liabilities	(70.7) <sup>1</sup>	(1,029.7)	(1,100.4)
Equity	(572.8)	-	(572.8)

<sup>1</sup>This balance relates to Finance Leases which existed under IAS 17 prior to transition to IFRS 16 on 1 September 2019.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Leases – applicable 1 September 2019 (continued)

The lease liabilities as at the transition date of 1 September 2019 are reconciled to the operating lease commitments reported at 31 August 2019 as follows:

	\$m
Operating lease commitments disclosed as at 31 August 2019	1,967.3
Finance leases which existed under IAS 17 as at 31 August 2019	70.7
Leases committed not yet started	(111.9)
Contracts with reassessed terms under IFRS 16	(29.0)
Adjustments from different treatment of extension and termination options	50.7
Short term and low value leases recognised on a straight-line basis as an expense	(8.7)
<b>Subtotal</b>	<b>1,939.1</b>
Effect of discounting using the lessee's incremental borrowing rate at 1 September 2019	(909.4)
<b>Lease liability recognised as at 1 September 2019</b>	<b>1,029.7</b>
Ageing of lease liabilities recognised:	
Current lease liabilities	105.0
Non-current lease liabilities	924.7
<b>Lease liability recognised as at 1 September 2019</b>	<b>1,029.7</b>

Under IFRS 16, the operating lease expense previously recorded in operating costs has been replaced by a depreciation charge, which is lower than the operating lease expense recognised under IAS 17, and a separate interest expense, recorded in Finance Expense. The comparative information presented for the year ended 31 August 2019 has not been restated and therefore continues to be shown under IAS 17.

#### Leases – comparative period

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance expense. The corresponding rental obligations, net of finance charges, are included in Finance Lease Liabilities (current and non-current). The interest element of the finance cost is charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

#### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. When measuring expected credit losses, the Group considers the risk of probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and possibility that no credit loss occurs. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Consolidated Income Statement. When a receivable is uncollectible, it is written-off against the allowance account for receivables.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand, term and call deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are classified as current liabilities in Interest-bearing loans, borrowings and overdrafts (refer to Note 23).

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

#### Financial assets

##### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For assets measured at fair value, gains and losses can be recorded either in profit or loss (FVPL) or in Other Comprehensive Income (FVOCI).

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not held at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Financial instruments (continued)

##### (iv) Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount can be estimated reliably.

Provisions for dilapidation costs are recognised on a lease-by-lease basis.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Where the Group expects amounts to be received in relation to a provision, the reimbursement is recognised as a separate asset when its receipt is considered virtually certain.

#### Loss contingencies

The Group is subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to the business, including those related to regulation, litigation, business transactions and employee-related matters and taxes. When a claim or potential claim is identified, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, a liability for the loss is recorded in the Consolidated Balance Sheet. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the claim is disclosed if the likelihood of a potential loss is reasonably possible and the amount of the potential loss could be material. For matters where no loss contingency is recorded, legal fees are expensed as incurred.

#### Share capital

Share capital issued by the Group is recorded at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Equity instruments

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging of a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### Critical accounting estimates

The preparation of the consolidated Group financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Critical estimates and assumptions that are applied in the preparation of the consolidated financial statements include:

##### *Goodwill allocation and impairment testing*

Goodwill arising on consolidation represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date.

Goodwill acquired in a business combination is allocated, at the date of acquisition, to the CGU that benefitted from that business combination. The Directors consider that a CGU is generally an individual school or contract. For the purposes of testing for impairment to goodwill annually, each CGU is tested individually. For the purpose of disclosure, CGUs are aggregated together to groupings with similar risk characteristics.

Goodwill is recognised as an asset. It is not subject to annual amortisation but is assessed for impairment at least annually or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the goodwill are calculated on a discounted cash flow basis by applying appropriate long-term growth rates and discount rates, based on historical trends adjusted for Management's estimates of future prospects, to the CGUs on an individual basis. As the recoverable amount is the higher of the value-in-use (VIU) and fair value less costs to sell (FVLCTS), other key estimates include future EBITDA and the EBITDA multiples applied to calculate the FVLCTS. Both the calculated recoverable value of goodwill and any impairment adjustment could vary significantly if different long-term growth rates and full-time equivalent students ("FTEs") numbers were applied. The Group defines an FTE as a student who is enrolled to attend school for the full school day, five days a week. For example, a student who enrolls for three days a week equals 0.6 FTEs and a student who enrolls for five mornings a week equals 0.5 FTEs.

Additional information is disclosed in Note 16 Intangible assets.

##### *Acquired intangible assets & tangible assets*

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if those assets are identifiable and their fair value can be measured reliably.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level and are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Critical accounting estimates (continued)

life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The initial identification of intangible assets requires considerable judgment in respect of the classification of the assets and in the assessment of their life. In addition, when assessing the values of the intangible assets, Management is required to exercise judgment in determining the future profitability and cash flows of those assets, royalty rates, life of customer base and the appropriate weighted average cost of capital. The subsequent impairment reviews equally require continuing assessment of the above factors as well as continuous assessment of the assets' lives. Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Income Statement when the asset is derecognised.

Tangible assets acquired as part of an acquisition of a business are considered for a fair value adjustment from their underlying book value, which may be appropriate if it can be measured reliably. The estimates used to establish the fair value of acquired tangible assets requires considerable judgment to determine the appropriate valuation basis to adopt and the assumptions therein. The Group has applied the "market approach" basis in order to estimate the fair market value of the significant acquired properties in the year.

Tangible assets are depreciated over the useful economic life and assessed for impairment whenever there is an indication that the tangible asset may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates. The assessment of economic lives is a key estimate.

#### Leases

In determining the lease liability and right-of-use asset, a number of critical estimates and judgements are involved, including but not limited to, determining the appropriate discount rate to calculate the lease liability and the lease term where contracts include extension and/or termination options. Extension and termination options are included in a number of property leases across the Group to facilitate operational flexibility, particularly with staff accommodation leases. The majority of termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. Periods of extension are only included in the lease term if it is reasonably certain that the lease will be extended. Periods after the date of a termination option are only included in the lease term if it is reasonably certain that the lease will not be terminated. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the Group.

For the discount rates, IFRS 16 states that the interest rate implicit in the lease should be used, i.e. the rate of interest that causes the present value of lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct cost of the lessor. If this rate cannot be readily determined, the lessee should instead use its incremental borrowing rate (IBR). The IBR is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

The implicit rate in the lease would require the Group to have access to its lessors' sensitive information in relation to the pricing of contracts and returns being made, which it does not. Therefore, the Group uses IBRs as the discount rate across all their leases.

The IBR is calculated based on (i) the sum of the risk-free rate of the country in which the school operates and (ii) the credit spread derived from comparable bonds with companies operating in educational services industry and with similar credit rating as NAE.

#### Fair value measurement

The Group measures financial instruments such as derivatives, at fair values at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where the fair values are disclosed, are summarised in the following notes:

- |                                                                            |                |
|----------------------------------------------------------------------------|----------------|
| • Disclosures for valuation methods, significant estimates and assumptions | Note 1, 18, 19 |
| • Quantitative disclosures of fair value measurement hierarchy             | Note 19        |
| • Financial instruments (including those carried at amortised cost)        | Note 19        |

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Critical accounting estimates (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### Pension obligations

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Exchange Fund Notes that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 9 Employee benefits.

#### Share based payments

The Group operates both a cash-settled share-based compensation plan and an equity-settled senior management compensation plan.

The fair value of the employee services received under share-based payment plans is recognised as an expense in the Consolidated Income Statement. Fair value is calculated by using the Monte-Carlo and discounted cash flow methods for share option schemes. The amount charged over the vesting period is determined by reference to the fair value of share incentives excluding the impact of any non-market vesting conditions. Non-market vesting conditions are considered within the assumptions to estimate the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the Consolidated Income Statement over the remaining vesting period with corresponding adjustments made to the share compensation liability and equity reserve, respectively.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Critical accounting estimates (continued)

The application of both the Monte-Carlo method and discounted cash flow method require the application of a number of judgments including volatility, share price, early exercise provision, post-vesting withdrawal rates, discount rate, risk free interest rate, and expected life to exercise. Accordingly, the recognition of the fair value expense of the employee services received under share-based payment plans could vary if significantly different assumptions were applied to the valuation models.

#### Critical accounting judgements

##### *Control and consolidation*

The results of certain companies are consolidated by the Group even though the Group holds less than a majority equity interest in these companies. The Group gained control by utilising a legal structure or through contractual arrangements which allowed it to exercise its voting rights (power), receive substantially all of the economic interest returns generated by the schools (exposure to variable returns) and exercise effective financial and operational control over the activities that most significantly affect the economic performance of the schools (ability to use power to affect the amount of variable returns).

##### *Functional currency*

In assessing the functional currencies of the Group's subsidiaries, Management exercises judgement in relation to whether the subsidiaries are to be treated as an extension of the reporting entity or whether they operate with a significant degree of autonomy. For those subsidiaries that are not deemed to have local autonomy they follow the functional currency of the parent Company or that of another company they are operating on behalf of. For those subsidiaries that are deemed to have local activity/autonomy, the second stage of the assessment is to review factors that impact the functional currency at the local level such as the currency that mainly influences the sales price for its goods and services and the labour materials and other costs of providing goods and services.

##### *Retranslation of intercompany loans:*

The Group holds a number of intercompany loans that are considered to be long-term in nature and part of the overall funding of the Group. Where these loans exist between two Group entities with differing functional currencies, the Group's Consolidated Income Statement is impacted by the retranslation of the loan as the entries do not eliminate on consolidation.

Guidance presented in IAS 21 states that, when an intercompany loan is considered to be part of the Group's net investment in a foreign operation, such exchange differences should be recognised initially in other comprehensive income and be reclassified from equity to profit or loss on disposal of the net investment. The classification of the loan is reassessed on an ongoing basis, with any adjustment made prospectively from the date of designation.

##### *Taxation*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. The Group has \$72.8 million of recognised deferred tax assets, including \$18.1 million of tax losses carried forward and other recognised timing differences of \$54.7 million. The deferred tax asset on recognised tax losses relate to jurisdictions where there is no time expiration. The Group also has \$290.9 million of unrecognised tax losses carried forward. These losses relate to subsidiaries that have a history of losses, which do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by \$48.7 million net based on the statutory tax rate of each respective country and company where the Directors do not recognise a deferred tax asset. This would lead to a total deferred tax asset of \$121.5 million. Further details on deferred taxes are disclosed in Note 12 Deferred tax assets and liabilities.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 1 Accounting policies (continued)

#### Critical accounting judgements (continued)

The Group is subject to income taxes in numerous jurisdictions but also enjoys tax concessions and benefits for schools in jurisdictions including Hong Kong, Thailand and Mexico. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group believes that it has provided for all probable and estimable tax liabilities and thus therefore does not expect any liability arising from audits to have a material impact on the Group's results of operations, liquidity, capital resources or financial position.

The Group is subject to tax regulations across multiple territories. The Group monitors proposed legislative changes to tax regulations in relevant territories but does not recognise the tax impact of proposed changes until they are legally effective, and an obligation exists. Final regulations relating to the contingent liability of \$16.8 million disclosed at 31 August 2019 were issued on 27 August 2020 in the territory concerned. The tax impact of the final regulations has been recognised in the consolidated financial statements.

There are undistributed earnings in multiple territories, some of which are subject to withholding tax. If paid out as dividends, these would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised on such undistributed earnings as the parent entity is able to control the timing of the distributions from the subsidiaries and it is not expected to distribute these profits in the foreseeable future.

#### Provisions

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows in respect to certain legal claims and disputes brought against the Group. While the outcome of legal cases is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 August 2020. Where an individual provision is material, the fact that a provision has been made is stated and quantified, except to the extent that doing so would be seriously prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 2 Segmental analysis

The Group's reporting segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Executive Committee ("EXCO") as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM considers the principal activities of the Group to be:

- Premium Schools and associated activities in:  
China International – People's Republic of China and Hong Kong SAR;  
Europe – Switzerland, Slovakia, Hungary, Czech Republic, Spain, Poland, the Netherlands, Ireland, Russia, Uzbekistan;  
Southeast Asia, Middle East and India ("SEAMEI") – Cambodia, Malaysia, Myanmar, Philippines, United Arab Emirates, India; and  
The Americas – United States of America, Mexico, Panama, Brazil and Ecuador.
- Unallocated – being the unallocated operations, related to Central & Regional head office costs and the Learning Services division.

The CODM uses Revenue and Adjusted EBITDA, which represents earnings before interest, tax, depreciation, amortisation, impairment, exceptional and other management exceptional items, exchange gain/(loss), other gain/(loss), and gain/(loss) on disposal of property, plant and equipment and intangible assets, as reviewed at monthly EXCO meetings, as the key measures of the segments' results as they reflect the segments' underlying trading performance for the financial year under evaluation. Revenue and Adjusted EBITDA are consistent measures within the Group. Segment Adjusted EBITDA is an adjusted measure of operating profit and measures the performance of each segment.

The segment results, the reconciliation of the segment measures to the respective statutory items included in the Consolidated Income Statement, the segment assets and other segment information are as follows:

#### Year ended 31 August 2020

	China International \$m	Europe \$m	SEAMEI \$m	The Americas \$m	Total reportable segments \$m	Un- allocated \$m	Total \$m
Revenue	195.8	297.4	167.5	320.2	980.9	62.0	1,042.9
Adjusted EBITDA	46.8	51.7	19.2	43.9	161.6	94.3	255.9
Adjusted EBITDA margin	23.9%	17.4%	11.5%	13.7%	16.5%	152.1%	24.5%

#### Year ended 31 August 2019 (Unaudited)

	China International \$m	Europe \$m	SEAMEI \$m	The Americas \$m	Total reportable segments \$m	Un- allocated \$m	Total \$m
Revenue	213.9	305.0	150.6	305.3	974.8	23.3	998.1
Adjusted EBITDA	57.5	55.7	24.2	57.5	194.9	29.5	224.4
Adjusted EBITDA margin	26.9%	18.3%	16.1%	18.8%	20.0%	126.6%	22.5%

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 2 Segmental analysis (continued)

#### Reconciliation of Adjusted EBITDA to loss after tax

	Note	2020 \$m	Unaudited 2019 \$m
<b>Adjusted EBITDA</b>		<b>255.9</b>	<b>224.4</b>
Adjustments:			
Exceptional items	6	(11.5)	(15.1)
Other management exceptional items*		75.5	(33.2)
Other (losses)/gains	5	(4.9)	0.5
Loss on disposal of property, plant and equipment and intangible assets		0.2	(0.2)
Depreciation	13, 14	(132.3)	(49.7)
Amortisation	16	(19.0)	(17.0)
Impairment	16, 22	(50.3)	(0.5)
Impairment losses on intercompany loans	29	-	(82.0)
<b>Operating profit</b>		<b>113.6</b>	<b>27.2</b>
Finance income	10	8.8	13.4
Finance expense – loans and borrowings	10, 23, 24	(145.5)	(91.8)
<b>Loss before tax</b>		<b>(23.1)</b>	<b>(51.2)</b>
Income tax expense	11	(24.1)	(49.1)
<b>Loss for the year</b>		<b>(47.2)</b>	<b>(100.3)</b>

\* Other management exceptional items are costs or credits which fall outside the definition of being exceptional for IFRS reporting but it is the view of the CODM that these costs should be highlighted so that the underlying profit of the Group can be fully evaluated.

In 2020, this amount includes a share-based payment charge of \$8.2 million (Refer to Note 9 Employee benefits and Note 7 Staff numbers and costs), management fees of \$7.5 million, \$1.2 million of pre-opening costs, non-recurring employee recruitment, relocation and severance costs of \$4.2 million and non-cash portion of straight-line rent charges of \$4.5 million. The remaining adjustments largely consist of frozen GAAP add-backs in relation to IFRS 15 and IFRS 16.

In 2019, this amount includes a share-based payment charge of \$4.0 million (Refer to Note 9 Employee benefits and Note 7 Staff numbers and costs), management fees of \$7.5 million, \$3.9 million of pre-opening costs, non-recurring employee recruitment, relocation and severance costs of \$2.4 million and non-cash portion of straight-line rent charges of \$1.3 million. Other amounts include a frozen GAAP add-back in relation to IFRS15.

#### Year ended 31 August 2020

Property, plant and equipment	China International \$m	Europe \$m	SEAMEI \$m	The Americas \$m	Total reportable segments \$m	Un- allocated \$m	Total \$m
Capital expenditure (excluding acquisitions through business combinations)	10.7	7.3	3.6	7.5	29.1	0.5	29.6
Net book value	47.9	134.5	78.7	71.8	332.9	1.8	334.7

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 2 Segmental analysis (continued)

Year ended 31 August 2019 (Unaudited)

Property, plant and equipment	China International \$m	Europe \$m	SEAMEI \$m	The Americas \$m	Total reportable segments \$m	Un-allocated \$m	Total \$m
Capital expenditure (excluding acquisitions through business combinations)	8.5	18.2	5.8	12.5	45.0	2.2	47.2
Net book value	56.7	176.3	101.9	77.8	412.7	1.9	414.6

### 3 Net revenue and Deferred revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time across the following major service lines (net of discounts):

	2020 \$m	Unaudited 2019 \$m
Gross curriculum fee revenue	854.2	799.0
Less: COVID-19 support costs <sup>1</sup>	(8.6)	-
Net curriculum fee revenue	845.6	799.0
Extra-curricular fee revenues	99.6	124.3
Enrolment fee revenues	24.2	18.6
Other ancillary services	73.5	56.2
	1,042.9	998.1

<sup>1</sup> During the year, schools provided COVID relief to existing students in the form of credit notes to be utilised during the 2021 academic year, thus creating an additional performance obligation. The total consideration due under these contracts has been reallocated against the performance obligations on a standalone basis, and revenue has been adjusted by \$5.0 million to reflect the amount of consideration pertaining to those performance obligations not yet satisfied at 31 August 2020. Also included in the above are COVID-specific credit notes awarded and utilised by students during term 3 of the 2020 academic year amounting to \$3.6 million.

The Group's revenue by geographic location was as follows:

	2020 \$m	Unaudited 2019 \$m
USA	257.4	257.2
Other Americas	71.3	46.8
China	199.5	216.7
Switzerland	156.8	160.2
Other Europe and UK	190.4	168.4
SEAMEI	167.5	148.8
	1,042.9	998.1

The revenue by geographic location shows countries which contribute significant amounts to overall revenue.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 3 Net revenue and Deferred revenue (continued)

The Group's deferred revenue balances are classified as follows:

	2020 \$m	Unaudited 2019 \$m
Current liabilities	616.3	684.2
Non-current liabilities	44.5	37.7
	<b>660.8</b>	<b>721.9</b>

Within deferred revenue and other payables, the Group has recognised the following revenue-related contract liabilities:

	2020 \$m	Unaudited 2019 \$m
<b>Current liabilities</b>		
Contract liability – expected refunds	12.3	1.6
Contract liability – material rights – COVID-19 support costs	5.0	-
Contract liability – material rights – Sibling discounts	2.3	3.0
Contract liability – material rights – Scholarship awards	1.6	0.8
	<b>21.2</b>	<b>5.4</b>
<b>Non-current liabilities</b>		
Contract liability – material rights – Sibling discounts	8.6	7.5
Contract liability – material rights – Scholarship awards	2.5	1.0
	<b>11.1</b>	<b>8.5</b>
<b>Balance at 31 August</b>	<b>32.3</b>	<b>13.9</b>

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Material rights		Expected refunds	
	2020 \$m	Unaudited 2019 \$m	2020 \$m	Unaudited 2019 \$m
Balance at the beginning of the year	(12.3)	-	(1.6)	-
IFRS 15 transition adjustment	-	(12.8)	-	(1.9)
<b>Adjusted balance at beginning of the year</b>	<b>(12.3)</b>	<b>(12.8)</b>	<b>-</b>	<b>(1.9)</b>
Originated	(10.0)	(3.0)	(12.3)	(1.6)
Reversed/settled	-	-	1.6	1.9
Utilised/expired	2.3	3.5	-	-
<b>Balance at the end of the year</b>	<b>(20.0)</b>	<b>(12.3)</b>	<b>(12.3)</b>	<b>(1.6)</b>

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 3 Net revenue and Deferred revenue (continued)

Material rights in respect of sibling discounts and scholarship awards become revenue on the utilisation of that right throughout the student's education. They are amortised on a straight-line basis over the average student tenure (which varies by region). Material rights in respect of COVID-19 support costs becomes revenue on the utilisation of the credit note over the period in which the credit is being applied to.

Refunds are recognised as revenue, on a basis consistent with the delivery of the curriculum once the conditions for refund have expired. Included in the balance at 31 August 2020 is an amount of \$4.1 million (2019: \$nil) which is expected to be refunded by certain schools to students who have signed-up to the Fee Refund Insurance Scheme.

The amounts disclosed above do not include variable consideration which is constrained.

All other contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### 4 Expenses and auditors' remuneration

Included in the Consolidated Income Statement are the following:

	Note	2020 \$m	Unaudited 2019 \$m
Staff costs	7	(435.8)	(420.5)
Net gain/(loss) on disposal of property, plant and equipment and intangible assets		0.2	(0.2)
Operating lease rentals:			
Land and buildings		-	(126.5)
Other		-	(1.7)
Expense relating to short term leases and low value assets		(8.7)	-
Expense relating to variable lease payments not included in lease liabilities		(1.7)	-
Inventory write-down		(2.5)	(2.6)
Depreciation in cost of sales	13, 14	(124.8)	(49.1)
Depreciation in selling, general and administrative expenses	13, 14	(7.6)	(0.6)
Amortisation of intangible assets	16	(19.0)	(17.0)
Impairment of assets held for sale	22	(0.7)	(0.5)
Impairment of intangible assets	16	(49.6)	-
Impairment of intercompany loans	29	-	(82.0)

Auditors' remuneration:

	2020 \$m	Unaudited 2019 \$m
Fees payable to Company's auditors for the audit of parent Company and consolidated financial statements	0.1	-

Disclosure below based on fees payable in respect of services to the Company and its subsidiaries

Fees payable to Group's auditors and their subsidiaries in respect of:

The audit of subsidiaries performed in connection with the consolidated financial statements

0.7 0.7

The audit of subsidiaries performed in connection with the local statutory financial statements

0.3 0.4

Tax advisory

0.2 0.5

All other services<sup>1</sup>

0.2 1.0

<sup>1</sup> Represents fees paid for advisory services in relation to corporate development activities.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 5 Other (losses)/gains

		2020 \$m	Unaudited 2019 \$m
(a) Fair value gains	19a	1.1	3.0
(b) Foreign exchange losses, net		(6.9)	(2.5)
(c) Remeasurement gains		0.9	-
		<u>(4.9)</u>	<u>0.5</u>

(a) Gains relate to fair value adjustments of \$nil (2019: \$3.8 million gain) on cross currency interest rate swaps and a \$2.2 million gain (2019: \$0.8 million loss) on embedded lease derivatives. Partially offsetting these is a \$1.1 million increase in the contingent consideration liability (2019: \$nil). Refer to Note 19a Fair values of financial instruments.

(b) Represents the revaluation of intercompany balances denominated in a currency other than the functional currency of each subsidiary and foreign exchange gains and losses on the revaluation of monetary assets and liabilities.

(c) Represents remeasurements of the ROU assets and finance lease liabilities during the year.

### 6 Exceptional expenses

	2020 \$m	Unaudited 2019 \$m
<b>Exceptional administrative expenses</b>		
(a) Corporate restructure	0.9	0.6
(b) Acquisitions	-	2.4
(c) Integration	1.0	1.5
(d) Litigations	3.8	0.4
(e) Head office relocation	(1.6)	10.6
(f) COVID-19	7.1	-
(g) Other	0.3	(0.4)
	<u>11.5</u>	<u>15.1</u>

#### (a) Corporate restructure costs

Corporate restructure costs incurred in the year ended 31 August 2020 relate to the completion of the liquidation of one of the Group's non-operating subsidiaries.

#### (b) Acquisition costs

There were no completed acquisitions in the year ended 31 August 2020. Costs incurred reflect future potential acquisitions, and a residual amount incurred from previous year acquisitions.

#### (c) Integration costs

Integration costs incurred in the year ended 31 August 2020 relate to continued integration of schools previously acquired.

#### (d) Litigation

Comprises legal costs relating to litigation within the wider group from when it went private on 1 September 2017.

#### (e) Head office relocation

Relates to the relocation of the Group's central office from Hong Kong to London, which happened in 2019. The credit figure is due to, the remaining unutilised accrual being reversed, superseding the expense incurred during the year.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 6 Exceptional expenses (continued)

#### (f) COVID-19

These are costs relating specifically to the global pandemic, which would otherwise not have been incurred. These costs include, but are not limited to, teacher travel, relocation and accommodation costs and additional cleaning resources.

#### (g) Other

These costs have been incurred for various projects throughout the year, of which the largest portion relates to the various IT projects throughout the year which do not meet the criteria for capitalisation.

### 7 Staff numbers and costs

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

	2020	Unaudited 2019
	Number	Number
Senior leadership team	83	89
Central/regional support	4,031	3,805
Teaching staff	4,697	4,190
	<hr/>	<hr/>
	8,811	8,084
	<hr/>	<hr/>

The aggregate employee benefit expense of the persons employed by the Group (including Directors) was as follows:

	2020	Unaudited 2019
	\$m	\$m
Wages and salaries	386.1	373.6
Social security costs	39.9	38.4
Other pension costs	9.8	8.5
	<hr/>	<hr/>
	435.8	420.5
	<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 8 Key management personnel

		2020	Unaudited 2019
	Note	\$m	\$m
Fees, salaries and other short-term employment benefits		12.1	12.2
Share based payments – settlement	9	0.2	1.1
Share based payments – vesting	9	10.0	3.7
Other benefits		2.1	1.6
		<u>24.4</u>	<u>18.6</u>

Included in staff costs are the emoluments of the key management personnel comprising the Directors and senior managers who received emoluments, as noted above. Emoluments for one key management personnel are borne outside of the consolidated group through a fellow subsidiary of Nord Anglia Education London Holdings Limited.

Other benefits in 2020 included termination payments of \$0.3 million (2019: \$0.6 million) and relocation/disruption allowances of \$nil (2019: \$0.4 million) paid due to the Head Office relocation. The remaining amount relates to other post-employment benefits.

### Directors' emoluments

	2020	Unaudited 2019
	\$m	\$m
Aggregate emoluments	2.9	1.3
Social security costs	0.4	0.2
Company contributions to defined contribution scheme	0.1	0.1
	<u>3.4</u>	<u>1.6</u>

The highest paid director's aggregate emoluments in respect of qualifying services were:

	2020	Unaudited 2019
	\$m	\$m
Remuneration	1.6	1.2
Social security costs	0.2	0.2
Company contributions to defined contribution scheme	-	0.1

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits

#### Pension plans

The Group operates a variety of post-employment benefit arrangements, covering both funded defined contribution and funded and unfunded defined benefit schemes. The most significant of these are the funded defined benefit pension schemes for the Group's employees in the UK, Switzerland, and Ecuador.

#### Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was \$3.4 million (2019: \$4.7 million), recognised in the Consolidated Income Statement.

#### Defined benefit plans

##### *United Kingdom*

The Group operates three defined benefit pension schemes in the UK (together are referred to as the "UK schemes"). In each case the assets of the UK schemes are held as a segregated fund and administered by Trustees.

A defined benefit scheme was established for Lifetime Careers employees (employed by a Group subsidiary) - ("Lifetime"). Contributions are determined by independent professionally qualified actuaries on the basis of triennial valuations. JLT Benefit Solutions Limited, an independent actuary, carried out the latest full triennial actuarial assessment of the scheme as at 31 August 2017, using the projected unit method. The actuarial valuation as at 31 August 2017 has been updated to 31 August 2020.

Both the Nord Anglia Joint Pension Scheme ("Joint") and The Wyburn School Limited Pension and Life Assurance Scheme (1985) ("Wyburn") are closed schemes and are valued under the projected unit method. The most recent formal actuarial valuation for both of the schemes were performed at 31 August 2020 using the aggregate method which assess the adequacy of the fund to meet the minimum funding requirement and calculates contributions on the level of pensionable payroll to provide the retirement benefits for the members.

The plans are subject to the funding legislation, which came into force on 30 December 2005, as outlined in the Pensions Act 2004.

The UK pension plans are regulated by The Pensions Regulator (TPR), which is the public body that protects workplace pensions in the UK. They work with employers and those running pensions so that people can save safely for their retirement.

The level of retirement benefit within the schemes is principally based on salary earned in the last few years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

#### *Closure of schemes*

At 31 August 2011, all three schemes were closed to future accruals and active members became deferred pension members. Whilst the Group will continue to make future employer contributions to the schemes, member contributions will no longer be made. The Company has agreed with the Trustees of the scheme that it will aim to eliminate the pension plan deficit over a period of four years and one month from 1 September 2019, by payment of annual contributions of £3,251,000 increasing at 3.0% per annum in respect of the deficit. Additionally, the Company has agreed with the Trustees to meet the expenses of the plan and pay amounts into the plan equal to the levies to the Pension Protection Fund.

#### *Other*

The most significant other schemes are the funded defined benefit schemes which operate in Switzerland, together referred to as the Swiss schemes, and in Ecuador.

The Swiss schemes are based on a 'three pillars' regime guaranteed by articles 111-114, 116 and 117 of the Swiss Federal Constitution, namely:

- The state pension system (governed by the Federal Act on Old-Age and Services' Insurance, The Federal Act on Disability Insurance, and their ordinances);
- The occupational pension system (governed by the Federal Act on Occupational Retirement, The Survivors and Disability Pensions Plans, The Federal Act on Vesting in Pension Plans; and their ordinances);
- The individual pension plan system (governed by the Federal Act on Insurance Contracts).

An independent actuary, using the projected unit method, carried out the latest actuarial assessment of the Swiss schemes as at 31 August 2020.

Swiss pension fund law is governed by the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans. It ensures the application of consistent supervisory practices within the occupational benefits system and oversees the eight regional authorities responsible for direct supervision.

The supreme body of the provident institution ensures the general management of the scheme, ensures the execution of its legal tasks and determines its strategic objectives and principles as well as the means enabling them to be implemented. It defines the organisation of the provident institution, ensures its financial stability and oversees its management.

Occupational pension or provident fund in favour of the personnel is financed by the employer and the employees. It grants benefits which, combined with old age and survivors' insurance and disability insurance, should allow the insured to adequately maintain one's standard of living prior to retirement or in case of disability, or in case of death, to ensure a minimum level of subsistence for survivors.

In August 2019, the Group acquired two schools in Ecuador, which led to the addition of another defined benefit scheme. The Ecuador scheme is the life pension that employees, who have provided their services continuously or uninterrupted for twenty-five years or more, are entitled to receive from their employer in accordance with the current Ecuador Labour Code. An independent actuary, using the projected unit method, carried out the latest actuarial assessment of the Ecuador scheme as at 31 August 2020.

In addition, there is a defined benefit scheme in the Netherlands arising on acquisition in 2018, which in aggregate is immaterial to the Group results.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

Through its defined benefit pension plans, the Group is exposed to actuarial risks such as investment risk, interest rate risk, mortality risk, and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase in plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future P&L accounts. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The valuations used for IAS 19 Revised Employee Benefits (IAS 19R) have been based on the most recent actuarial valuations and updated to take account of the requirements of IAS 19R in order to assess the liabilities of the scheme as at 31 August 2020. The details of the IAS 19R valuations are set out in the following tables:

#### Principal assumptions

The major assumptions, on a weighted average basis, used by the actuaries were as follows:

	UK schemes		Swiss schemes		Ecuador scheme	
	Unaudited		Unaudited		Unaudited	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%
Discount rate	1.8	1.8	0.20	0.20	3.78	n/a
Price inflation	3.2	3.3	0.50-1.00	0.50-1.00	1.31	n/a
Rate of increase in salaries	n/a	n/a	0.50-1.00	0.50-1.00	1.31	n/a
Rate of increase in pension payments	3.2	3.3	0.00	0.00	0.00	n/a

#### Mortality assumptions

The assumptions relating to longevity underlying the UK and Swiss pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The following table illustrates the expectation of life of an average member retiring at age 65 at the reporting date.

		UK schemes		Swiss schemes		Ecuador scheme	
		Unaudited		Unaudited		Unaudited	
		2020	2019	2020	2019	2020	2019
		years	years	years	years	years	years
Retiring at reporting date	Male	22.6-27.2	22.4-27.0	21.8-22.7	22.6	11.7	n/a
at age 65	Female	24.5-29.3	24.3-29.0	23.7-24.8	24.7	14.3	n/a
Retiring 20 years after the	Male	23.9-28.8	23.4-28.2	23.3-24.5	24.0-24.7	26.4	n/a
end of the reporting year	Female	26.0-30.9	25.5-30.3	25.2-26.5	26.1-26.8	30.7	n/a

#### Sensitivity of the defined benefit obligations to changes in the principal assumptions

The below sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The impact to the defined benefit obligations at 31 August would be as follows:

	UK schemes		Swiss schemes		Ecuador scheme	
	Unaudited		Unaudited		Unaudited	
	2020	2019	2020	2019	2020	2019
	% change	% change	% change	% change	% change	% change
Discount rate increase of 0.25% p.a.	(5.8%)	(5.8%)	(3.2%)	(3.2%)	(2.0%)	n/a
Discount rate decrease of 0.25% p.a.	5.8%	5.8%	3.4%	2.9%	2.0%	n/a
Inflation increase of 0.25% p.a.	6.2%	6.2%	0.9%	0.6%	2.0%	n/a
Inflation decrease of 0.25% p.a.	(6.2%)	(6.2%)	(0.9%)	(0.7%)	(2.0%)	n/a
Increase in life expectancy of 1 year	4.3%	3.8%	1.9%	1.5%	3.0%	n/a
Decrease in life expectancy of 1 year	(4.3%)	(3.8%)	(1.8%)	(1.9%)	(3.0%)	n/a

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

#### Return on scheme assets

The fair value of the assets in the defined benefit pension schemes are as follows:

	UK schemes		Swiss schemes		Ecuador scheme	
	2020	Unaudited 2019	2020	Unaudited 2019	2020	Unaudited 2019
	\$m	\$m	\$m	\$m	\$m	\$m
Equities	2.9	2.3	29.0	25.2	-	-
Diversified growth assets	7.0	5.4	7.4	6.7	-	-
Corporate bonds	41.7	35.1	18.6	16.6	-	-
Cash	0.8	0.7	0.7	1.1	-	-
With profit funds	1.6	1.2	11.8	10.8	-	-
Liability driven investments	15.3	19.2	-	-	-	-
Insurance assets	-	-	29.5	24.5	-	-
	69.3	63.9	97.0	84.9	-	-
Actual return on plan assets	(1.0)	9.7	0.3	3.7	-	-

#### Movement in pension assets during the financial year

Changes in the fair value of defined benefit pension assets are as follows:

	UK schemes		Swiss schemes		Ecuador scheme	
	2020	Unaudited 2019	2020	Unaudited 2019	2020	Unaudited 2019
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Fair value:</b>						
Balance at the beginning of the year	63.9	50.8	84.9	79.4	-	-
Interest income	1.2	1.4	0.2	0.7	-	-
Administrative expenses	-	-	(0.3)	(0.6)	-	-
Return on plan assets greater than discount rate	(2.1)	9.2	0.3	3.7	-	-
Contributions by employer	4.3	4.3	5.0	4.6	-	-
Contributions by members	-	-	3.7	3.4	-	-
Benefits paid	(1.4)	(1.8)	(4.8)	(4.8)	-	-
Foreign currency translation	3.4	-	8.0	(1.5)	-	-
Balance at the end of the year	69.3	63.9	97.0	84.9	-	-

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

#### Movement in pension obligation during the financial year

Changes in the present value of the defined benefit pension liability are as follows:

	UK schemes		Swiss schemes		Ecuador scheme	
	2020	Unaudited 2019	2020	Unaudited 2019	2020	Unaudited 2019
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Present value:</b>						
Balance at the beginning of the year	(73.6)	(63.5)	(106.9)	(97.0)	(2.6) <sup>1</sup>	-
Current service cost	-	-	(5.5)	(4.5)	(0.3)	-
Past service cost	-	-	-	1.4	-	-
Interest expense	(1.4)	(1.6)	(0.2)	(0.8)	(0.1)	-
Actuarial gains/(losses)	1.1	(10.3)	(1.4)	(8.6)	0.4	-
Contributions by members	-	-	(3.7)	(3.4)	-	-
Benefits paid	1.4	1.8	4.8	4.8	-	-
Foreign currency translation	(3.4)	-	(9.0)	1.2	-	-
<b>Balance at the end of the year</b>	<b>(75.9)</b>	<b>(73.6)</b>	<b>(121.9)</b>	<b>(106.9)</b>	<b>(2.6)</b>	<b>-</b>
<b>Closing net pension deficit at 31 August</b>	<b>(6.6)</b>	<b>(9.7)</b>	<b>(24.9)</b>	<b>(22.0)</b>	<b>(2.6)</b>	<b>-</b>

<sup>1</sup>Recognised on acquisition

#### Movement in net pension asset/(liability) during the financial year

Changes in the net defined benefit pension liability are as follows:

	UK schemes		Swiss schemes		Ecuador scheme	
	2020	Unaudited 2019	2020	Unaudited 2019	2020	Unaudited 2019
	\$m	\$m	\$m	\$m	\$m	\$m
Balance at the beginning of the year	(9.7)	(12.7)	(22.0)	(17.6)	(2.6) <sup>1</sup>	-
Current service cost	-	-	(5.5)	(4.5)	(0.3)	-
Past service cost	-	-	-	1.4	-	-
Administrative expenses	-	-	(0.3)	(0.6)	-	-
Interest expense	(0.2)	(0.2)	-	(0.1)	(0.1)	-
Contributions by employer	4.3	4.3	5.0	4.6	-	-
Contributions by members	-	-	-	-	-	-
Actuarial (losses)/gains	(1.0)	(1.1)	(1.1)	(4.9)	0.4	-
Foreign currency translation	-	-	(1.0)	(0.3)	-	-
<b>Balance at the end of the year</b>	<b>(6.6)</b>	<b>(9.7)</b>	<b>(24.9)</b>	<b>(22.0)</b>	<b>(2.6)</b>	<b>-</b>

<sup>1</sup>Recognised on acquisition

#### Historical movement in net pension deficit

The historical movement in defined benefit pension schemes' assets and liabilities are as follows:

	2020	Unaudited 2019	Unaudited 2018	Unaudited 2017	Unaudited 2016
	\$m	\$m	\$m	\$m	\$m
Closing fair value of defined benefit pension assets	166.3	148.9	130.2	137.2	124.7
Closing present value of liability	(200.4)	(180.7)	(160.5)	(169.7)	(173.5)
<b>Pension deficit</b>	<b>(34.1)</b>	<b>(31.8)</b>	<b>(30.3)</b>	<b>(32.5)</b>	<b>(48.8)</b>

The deficit in the Netherlands pension scheme amounted to \$0.1 million (2019: \$0.1 million).

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

The amounts that have been charged to the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year ended 31 August 2020 are set out below:

	UK schemes		Swiss schemes		Ecuador scheme	
	Unaudited		Unaudited		Unaudited	
	2020	2019	2020	2019	2020	2019
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Analysis of the amount charged to Operating profit:</b>						
Current service cost	-	-	(5.5)	(4.5)	(0.3)	-
Past service cost	-	-	-	1.4	-	-
Administrative expenses	-	-	(0.3)	(0.6)	-	-
<b>Analysis of the amount credited/(charged) to Finance income/(expense):</b>						
Interest on defined benefit pension assets	1.2	1.4	0.2	0.7	-	-
Interest on defined benefit pension obligation	(1.4)	(1.6)	(0.2)	(0.8)	(0.1)	-
Net pension finance expense	(0.2)	(0.2)	-	(0.1)	(0.1)	-
<b>Total charged to the Consolidated Income Statement</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(5.8)</b>	<b>(3.8)</b>	<b>(0.4)</b>	<b>-</b>
Re-measurement (losses)/gains:						
- Actuarial changes arising from changes in demographic assumptions	(0.9)	0.5	0.8	0.8	-	-
- Actuarial changes arising from changes in financial assumptions	0.6	(10.7)	-	(8.8)	0.2	-
- Experience adjustments	1.4	-	(2.2)	(0.6)	0.2	-
	1.1	(10.2)	(1.4)	(8.6)	0.4	-
Return on plan asset excluding interest income	(2.1)	9.2	0.3	3.7	-	-
<b>Total (losses)/gains recognised in the Consolidated Statement of Comprehensive Income</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>(4.9)</b>	<b>0.4</b>	<b>-</b>
Deferred tax liability	0.2	-	0.1	1.4	-	-
<b>Total (losses)/gains recognised in the Consolidated Statement of Comprehensive Income</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(3.5)</b>	<b>0.4</b>	<b>-</b>

The cumulative loss/(gain) recognised through the Consolidated Statement of Comprehensive Income since the date of transition to IFRS (1 September 2009) are UK: \$19.2 million (2019: \$18.2 million); and since the date of acquisition – Switzerland: \$4.7 million (2019: \$3.8 million) and Ecuador: \$(0.4) million.

#### Expected contributions

A funding plan in respect of the Lifetime scheme has been agreed with the trustees for the period from September 2018 to 2023. An amount of \$4.6 million was paid in September 2020 (October 2019: \$4.1 million).

The Group expects to make normal cash contributions of approximately \$9.9 million (2019: \$8.7 million) to defined benefit schemes in the financial year ending 31 August 2021.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

#### Share-based payments

##### *Senior Management Equity Plan ("SMEP")*

A new SMEP was granted to participants in April 2019. The allocation of the SMEP was designed to incentivise senior management tasked with the responsibility of delivering the long-term objectives of the company. Under the SMEP, Partnership interests are granted by Bach Management L.P (a parent of Nord Anglia Education London Holdings Limited.) to senior management. Each Unit entitles the holder to distributions of the company upon the consummation of an exit event.

The partnership interests are divided into A, C, D and Preferred Units. The subscription price and economic rights of each class are as follows:

Class	Subscription price per unit	Economic rights
Preferred Units	\$1.0	Preferred unit-holders receive the total cumulative capital contributions together with accrued interest on that amount at 10.0% per annum.
A, C & D	\$1.0 to \$121.0	A, C and D unit-holders receive a percentage of the residual equity value of the company, after all liabilities of the company are paid and the preferred unit-holders receive their distributions. C units also contain an equity ratchet mechanism designed to provide holders of these units with a larger share of proceeds as the sponsor equity investment return increases.
Sweet Equity	n/a	Certain participants in the SMEP are granted with an allocation of "Sweet Equity", as an alternative to being issued with physical Partnership Units. An individual's allocation is not pre-set and will only be determined at the point of exit based on the number of Management Participants in the Sweet Equity pool. The total Sweet Equity pool is set at a maximum of 8.5% of the 10,000 C Units authorised for issue. A single unit of Sweet Equity grants the holder the same economic rights as that of someone holding a single C unit.

The Partnership Units were granted with time-based vesting conditions. All units are issued up-front upon the receipt of the subscription price but will be forfeited if the vesting condition is not satisfied.

In accordance with the requirements of IFRS 2, Management has classified the SMEP as an equity-settled scheme from the perspective of Nord Anglia Education London Holdings Limited.

The assessed fair value on grant date for a single partnership unit is as follows:

Grant date	Fair value				
	Preferred Units	Ordinary A Units	Ordinary C Units	Ordinary D Units	Sweet Equity
27 August 2020	\$0.33	\$1.24	-	-	-
5 September 2019	\$0.59	\$9.66	-	-	-
5 April 2019	\$0.55	\$4.91	\$1,011.42	\$298.17	\$1,011.42

The fair value of each class of Partnership Unit on the grant date is independently determined using the Monte Carlo method. The key assumptions utilised in the model are as follows:

	2020	Unaudited 2019
Expected volatility	37.5% to 39.0%	37.5%
Dividend yield	0.0%	0.0%
Risk-free rate <sup>1</sup>	0.19% to 2.3%	2.3%
Exercise price per unit	Equivalent to subscription price paid	Equivalent to subscription price paid
Risk-adjusted discount rate for equity valuation <sup>2</sup>	n/a	14.5%
Expected life to exercise	3.01 to 4.41 years	4.41 years
Early exercise provision	nil	Nil
Post-vesting withdrawal rate	0.0%	0.0%
Vesting conditions	Time-based	Time-based

<sup>1</sup> The risk-free rate is derived from the yield of zero-coupon US Government Bonds with a remaining term equal to the expected life of the award.

<sup>2</sup> The equity valuation at 31 August 2020 is based on an enterprise value, after deducting net debt. The enterprise value in turn is based on the application of a long-term EBITDA multiple to the consolidated Adjusted EBITDA of Nord Anglia Education Management Limited.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

#### Share-based payments (continued)

The table below summarises the Partnership Units and Sweet Equity granted under the plan:

	Preferred Units (thousands)	Class A Units (thousands)	Class C Units (thousands)	Class D Units (thousands)	Sweet Equity (thousands)	Total (thousands)
At 1 September 2019	48,637.3	491.3	5.1	1.0	0.4	49,135.1
Settled	-	-	-	-	-	-
Granted	2,546.6	25.7	-	-	-	2,572.3
Cancelled	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
At 31 August 2020	51,183.9	517.0	5.1	1.0	0.4	51,707.4
At 1 September 2018	-	-	-	-	-	-
Settled	-	-	-	-	-	-
Granted	48,637.3	491.3	5.1	1.0	0.4	49,135.1
Cancelled	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
At 31 August 2019 (Unaudited)	48,637.3	491.3	5.1	1.0	0.4	49,135.1

The Partnership Units and Sweet Equity have an expiry date equivalent to the estimated exit event date. No units expired during the year.

In respect of the Partnership Units and Sweet Equity allocation, the total vesting charge for the year was \$8.1 million (2019: \$3.3 million).

#### 2014 Equity Incentive Award Plan

Under the 2014 Equity Incentive Award Plan, non-qualified share options ("NSOs") and performance stock units ("PSUs") (together, the "awards") were granted to Directors and selected employees by Nord Anglia Education Inc. (the immediate parent of Nord Anglia Education London Holdings Limited). Following modifications during 2018, NSOs and PSUs were reclassified as cash-settled awards and the ultimate settlement obligation for the awards was transferred to Nord Anglia Education Management Limited (common parent of Nord Anglia Education Inc. and Nord Anglia Education London Holdings Limited). Because the ultimate settlement obligation for the awards resides with Nord Anglia Education Management Limited, and in the absence of any formal recharge arrangements, the awards are treated as equity-settled from the perspective of Nord Anglia Education London Holdings Limited.

The assessed fair value at 31 August 2020 for a single NSO was \$2.71 per option (2019: \$7.29 - \$8.38). The Monte Carlo method has been used to independently determine the fair value at 31 August 2020. The key assumptions utilised in model are as follows:

	2020	Unaudited 2019
Class A share price	\$1.00	\$1.00
Volatility	39.0%	37.5%
Dividend yield	0.0%	0.0%
Risk free rate <sup>1</sup>	0.15%	1.4%
Shares covered by a single NSO	32.5 Class A and preference shares	32.5 Class A and preference shares
Exercise price per NSO	\$18.0 to \$23.8	\$18.0 to \$23.8
Risk-adjusted discount rate for equity valuation <sup>3</sup>	n/a	14.5%
Expected life to exercise	0.0 years	0.2 years
Early exercise provision <sup>2</sup>	See below	See below
Post-vesting withdrawal rate	0.0%	0.0%
Vesting conditions	Time-based	Time-based

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

#### Share-based payments (continued)

<sup>1</sup> The risk-free rate is derived from the yield of zero-coupon US Government Bonds with a remaining term equal to the expected life of the award.

<sup>2</sup> It is assumed an NSO will be exercised immediately upon vesting.

<sup>3</sup> The equity valuation at 31 August 2020 is based on an enterprise value, after deducting net debt. The enterprise value in turn is based on the application of a long-term EBITDA multiple to the consolidated Adjusted EBITDA of Nord Anglia Education Management Limited.

The table below summarises the NSOs granted under the plan:

	Weighted-average exercise price per NSO \$	NSOs 2020 ('000s)	Unaudited Weighted-average exercise price per NSO \$	Unaudited NSOs 2019 ('000s)
At beginning of the year	20.95	159.3	20.97	529.1
Settled <sup>1</sup>	20.81	(18.0)	20.74	(58.8)
Granted	-	-	-	-
Cancelled	21.25	(3.7)	20.80	(32.7)
Exercised <sup>2</sup>	-	-	21.04	(278.3)
At end of the year	20.97	137.6	20.97	159.3
Vested and exercisable at end of the year	20.80	113.4	20.48	86.7

<sup>1</sup> In August 2020, Nord Anglia Education Management Limited issued leavers with loan notes in exchange for the repurchase of previously issued Class A shares, Preference shares and vested but unexercised NSOs. The loan notes are only redeemable upon the occurrence of a change in control event and accrue interest at a rate of 1% per annum from the date of issue. In February 2019, the Board approved a one-off cash payment for the net-settlement of outstanding vested and unvested NSOs. The gross settlement price was \$32.50 per NSO and resulted in a one-off acceleration of vesting charge of \$0.1 million.

<sup>2</sup> In April 2019, the Board approved the acceleration of vesting and exercise of certain outstanding vested and unvested NSOs. The vesting date was accelerated to 5 April 2019, and the NSOs were simultaneously net-exercised on this date. The acceleration of vesting resulted in a one-off charge of \$0.2 million. The weighted average share price on the date of exercise was \$1.00.

No NSOs expired during the period covered by the above tables. NSOs outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price per NSO (\$)	NSOs 2020 ('000s)	Unaudited NSOs 2019 ('000s)
30 May 2014	30 May 2024	18.00	8.0	10.1
14 July 2014	30 May 2024	19.58	0.3	0.3
9 January 2015	8 January 2025	19.57	18.3	23.0
24 September 2015	24 September 2025	20.87	35.1	39.8
30 October 2015	30 October 2025	19.60	3.2	3.2
22 September 2016	22 September 2026	21.76	72.7	80.7
7 October 2016	7 October 2026	22.00	-	-
17 November 2016	17 November 2026	24.18	-	0.5
21 November 2016	21 November 2026	23.75	-	-
1 January 2017	1 January 2027	23.32	-	1.7
			137.6	159.3
Weighted average remaining contractual life of options outstanding at end of the year			5.3 years	6.4 years

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

#### Share-based payments (continued)

At 31 August 2020, all PSUs were vested and exercised. As such, no valuation was required in respect of PSU awards at 31 August 2020 (2019: the assessed fair value of a single PSU was \$23.80). The fair value of a single PSU at 31 August 2019 was independently determined using the Monte Carlo method. The key assumptions utilised in the model are as follows:

	2020	Unaudited 2019
Class A share price	n/a	\$1.00
Volatility	n/a	37.5%
Dividend yield	n/a	0.0%
Risk free rate <sup>1</sup>	n/a	1.4%
Shares covered by a single PSU	n/a	32.5 Class A and preference shares
Exercise price per PSU	n/a	n/a
Risk-adjusted discount rate for equity valuation	n/a	14.5%
Expected life to exercise	n/a	n/a
Early exercise provision <sup>2</sup>	n/a	See below
Post-vesting withdrawal rate	n/a	0.0%
Vesting conditions	n/a	Time-based

<sup>1</sup> The risk-free rate is derived from the yield of zero-coupon US Government Bonds with a remaining term equal to the expected life of the award.

<sup>2</sup> It is assumed a PSU will be exercised immediately upon vesting.

The table below summarises the PSUs granted under the plan:

	Weighted-average exercise price per PSU \$	PSUs 2020 ('000s)	Unaudited Weighted-average exercise price per PSU \$	Unaudited PSUs 2019 ('000s)
At the beginning of the year	n/a	42.9	n/a	548.8
Cash-settled <sup>1</sup>	n/a	-	n/a	(74.2)
Granted	n/a	-	n/a	-
Cancelled	n/a	(5.2)	n/a	(8.3)
Exercised <sup>2</sup>	n/a	(37.7)	n/a	(423.4)
At the end of the year	n/a	-	n/a	42.9
Vested and exercisable at end of the year	n/a	-	n/a	42.9

<sup>1</sup> On 1 September 2019, all outstanding PSUs were vested and exercised into Class A and Preference shares in Nord Anglia Education Management Limited. The weighted average share price on the date of exercise was \$1.00. In February 2019, the Board approved a one-off cash payment for the settlement of outstanding vested and unvested PSUs. The settlement price was \$32.50 per PSU and resulted in a one-off acceleration of vesting charge of \$0.1 million.

<sup>2</sup> In April 2019, the Board approved the acceleration of vesting and exercise of certain outstanding vested and unvested PSUs. The vesting date was accelerated to 5<sup>th</sup> April, and the PSUs were also exercised on this date into Class A and Preference shares. The acceleration of vesting resulted in a one-off charge of \$0.3 million. The weighted average share price on the date of exercise was \$1.00.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 9 Employee benefits (continued)

#### Share-based payments (continued)

PSUs outstanding at the end of the year have the following expiry date and grant prices:

Grant date	Expiry date	Exercise price (\$)	PSUs 2020 ('000s)	Unaudited
				PSUs 2019 ('000s)
24 September 2015	n/a	n/a	-	3.0
30 October 2015	n/a	n/a	-	2.3
22 September 2016	n/a	n/a	-	36.9
7 October 2016	n/a	n/a	-	-
17 November 2016	n/a	n/a	-	-
21 November 2016	n/a	n/a	-	0.2
1 January 2017	n/a	n/a	-	0.5
			<hr/>	<hr/>
			-	42.9
			<hr/>	<hr/>
Weighted average remaining contractual life of options outstanding at end of period			n/a	n/a

In respect of PSUs, the total vesting and fair value adjustment for the year was \$nil (2019: \$0.8 million).

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 10 Finance income and expense

*Recognised in the Consolidated Income Statement:*

		2020	Unaudited 2019
	Note	\$m	\$m
Bank interest		2.1	3.0
Intercompany loans	29	6.7	10.0
Other interest		-	0.4
<b>Total finance income</b>		<b>8.8</b>	<b>13.4</b>
<i>Total interest expense on financial liabilities measured at amortised cost:</i>			
Term loans		38.9	43.5
Intercompany loans	29	36.4	39.7
Other interest charges		1.5	4.1
Defined benefit pension plan obligation	9	0.3	0.3
Deferred consideration		0.2	0.3
Contingent consideration	19a	1.1	-
Lease liabilities	24	67.1	3.9
<b>Total finance expense</b>		<b>145.5</b>	<b>91.8</b>
<b>Net finance expense</b>		<b>136.7</b>	<b>78.4</b>

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 11 Income tax expense

Recognised in the Consolidated Income Statement:

	2020 \$m	Unaudited 2019 \$m
<b>Current tax expense</b>		
UK current tax charge	4.7	-
Overseas current tax charge	20.5	41.3
Adjustment in relation to prior periods	(12.7)	2.1
	<hr/>	<hr/>
Current tax expense	12.5	43.4
	<hr/>	<hr/>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	0.7	0.3
Adjustment in relation to prior periods	10.9	5.4
	<hr/>	<hr/>
Deferred tax expense	11.6	5.7
	<hr/>	<hr/>
<b>Total tax expense</b>	<b>24.1</b>	<b>49.1</b>
	<hr/>	<hr/>

### Reconciliation of effective tax rate

The tax assessed for the period differs from the standard rate of Corporation tax in China of 25.0% (2019: 25.0%) per the explanation below:

	2020 \$m	Unaudited 2019 \$m
Loss before tax	(23.1)	(51.2)
	<hr/>	<hr/>
Tax using a tax rate of 25.0% (2019: 25.0%)	(5.8)	(12.8)
Effect of tax rates in foreign jurisdictions	(3.2)	(1.5)
Non-deductible expenses	28.1	33.3
Withholding tax paid or payable on overseas dividends and other income for which no relief is available	3.2	7.7
Losses for which no deferred tax asset was recognised	6.4	15.1
Recognition of temporary differences not recognised previously	(0.4)	1.8
Change in tax rates in foreign jurisdiction	(0.4)	(1.1)
Utilisation of losses brought forward not recognised	(2.0)	(0.9)
Adjustment in relation to prior periods	(1.8)	7.5
	<hr/>	<hr/>
Total tax expense	24.1	49.1
	<hr/>	<hr/>
Tax credited to other comprehensive income <sup>1</sup>	0.3	1.4
	<hr/>	<hr/>

<sup>1</sup> Included within 'Actuarial losses on defined benefit pension schemes'.

The Group has used the statutory tax rate for China, being 25.0%, rather than that for the United Kingdom, being 19.0%, as the Group believes this provides a more meaningful comparison, and the majority of the Group's taxable profits are earned in China, and the majority of the Group's taxes are paid in China.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 12 Deferred tax assets and liabilities

The analysis of deferred tax assets and deferred tax liabilities is as follows (for the purposes of this disclosure note, assets and liabilities have been shown as gross):

	31 August 2020 \$m	Unaudited 31 August 2019 \$m
<b>Deferred tax assets</b>		
To be recovered after more than 12 months	22.0	41.2
To be recovered within 12 months	1.2	0.3
	<b>23.2</b>	<b>41.5</b>
<b>Deferred tax liabilities</b>		
To be settled after more than 12 months	(66.7)	(77.6)
To be settled within 12 months	(4.7)	(0.7)
	<b>(71.4)</b>	<b>(78.3)</b>
<b>Deferred tax liabilities (net)</b>	<b>(48.2)</b>	<b>(36.8)</b>

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>	
	31 August 2020 \$m	Unaudited 31 August 2019 \$m	31 August 2020 \$m	Unaudited 31 August 2019 \$m
Property, plant and equipment	1.1	1.1	(9.7)	(17.0)
Intangible assets	-	-	(83.9)	(80.5)
Employee benefits – pension	1.7	1.7	(0.6)	(0.1)
Tax value of loss carry-forwards	18.1	16.7	-	-
Provisions and accruals	46.0	38.4	(23.4)	1.1
Derivatives	5.9	5.7	(3.4)	(3.9)
	<b>72.8</b>	<b>63.6</b>	<b>(121.0)</b>	<b>(100.4)</b>
Tax assets / (liabilities)	<b>72.8</b>	<b>63.6</b>	<b>(121.0)</b>	<b>(100.4)</b>
Offset of assets/liabilities	(49.6)	(22.1)	49.6	22.1
	<b>23.2</b>	<b>41.5</b>	<b>(71.4)</b>	<b>(78.3)</b>
Net assets/(liabilities)	<b>23.2</b>	<b>41.5</b>	<b>(71.4)</b>	<b>(78.3)</b>
Net tax liabilities	-	-	<b>(48.2)</b>	<b>(36.8)</b>

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 12 Deferred tax assets and liabilities (continued)

Movement in deferred tax is as follows:

	1 September 2019 \$m	Recognised in the Consolidated Income Statement \$m	Recognised in the Consolidated Statement of Comprehensive Income \$m	Recognised in Retained Earnings \$m	Foreign exchange movements \$m	Acquired in business combinations \$m	31 August 2020 \$m
Property, plant and equipment	(15.9)	7.4	-	-	(0.1)	-	(8.6)
Intangible assets	(80.5)	(2.6)	-	-	(0.8)	-	(83.9)
Employee benefits - pension	1.6	(0.7)	0.3	-	(0.1)	-	1.1
Tax value of loss carry-forwards	16.7	1.1	-	-	0.3	-	18.1
Provisions and accruals	39.5	(17.5)	-	-	0.6	-	22.6
Derivatives	1.8	0.7	-	-	-	-	2.5
	(36.8)	(11.6)	0.3	-	(0.1)	-	(48.2)

	Unaudited 1 September 2018 \$m	Unaudited Recognised in the Consolidated Income Statement \$m	Unaudited Recognised in the Consolidated Statement of Comprehensive Income \$m	Unaudited Recognised in Retained Earnings \$m	Unaudited Foreign exchange movements \$m	Unaudited Acquired in business combinations \$m	Unaudited 31 August 2019 \$m
Property, plant and equipment	(10.1)	3.4	-	-	0.2	(9.4)	(15.9)
Intangible assets	(63.8)	3.6	-	-	0.5	(20.8)	(80.5)
Employee benefits - pension	2.9	(2.8)	1.4	-	0.1	-	1.6
Tax value of loss carry-forwards	23.7	(7.0)	-	-	(0.4)	-	16.7
Provisions and accruals	36.9	(3.2)	-	6.2	-	-	39.5
Derivatives	1.5	0.3	-	-	-	-	1.8
	(8.9)	(5.7)	1.4	6.2	0.4	(30.2)	(36.8)

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 13 Property, plant and equipment

	Land and Buildings \$m	Fixtures and fittings \$m	Computer equipment \$m	Motor vehicles \$m	Assets under construction \$m	Total \$m
<b>Cost</b>						
Balance at 1 September 2019	424.8	96.3	66.5	6.7	7.4	601.7
Additions	14.0	5.0	5.2	0.3	5.1	29.6
Disposals and adjustments <sup>2</sup>	(90.1)	4.8	1.1	3.3	(0.2)	(81.1)
Transfers	3.7	0.6	-	-	(4.7)	(0.4)
Effect of movements in foreign exchange	6.7	2.3	1.2	0.4	0.7	11.3
<b>Balance at 31 August 2020</b>	<b>359.1</b>	<b>109.0</b>	<b>74.0</b>	<b>10.7</b>	<b>8.3</b>	<b>561.1</b>
Balance at 1 September 2018	345.9	83.7	57.3	4.8	8.9	500.6
Acquisitions through business combinations	64.1	2.1	0.8	1.2	2.8	71.0
Additions	15.1	12.1	10.4	1.0	8.6	47.2
Disposals and adjustments	(1.0)	(0.9)	(1.0)	(0.2)	(0.1)	(3.2)
Transfers	11.2	1.0	0.5	-	(12.7)	-
Effect of movements in foreign exchange	(10.5)	(1.7)	(1.5)	(0.1)	(0.1)	(13.9)
<b>Balance at 31 August 2019 (Unaudited)</b>	<b>424.8</b>	<b>96.3</b>	<b>66.5</b>	<b>6.7</b>	<b>7.4</b>	<b>601.7</b>
<b>Accumulated depreciation and impairment</b>						
Balance at 1 September 2019	82.4	56.1	44.7	3.9	-	187.1
Depreciation charge for the year	24.4	14.3	10.4	0.9	-	50.0
Disposals and adjustments <sup>2</sup>	(25.0)	2.7	0.6	3.2	-	(18.5)
Effect of movements in foreign exchange	3.9	2.1	1.4	0.4	-	7.8
<b>Balance at 31 August 2020</b>	<b>85.7</b>	<b>75.2</b>	<b>57.1</b>	<b>8.4</b>	<b>-</b>	<b>226.4</b>
Balance at 1 September 2018	62.6	44.3	35.4	3.2	-	145.5
Depreciation charge for the year	23.8	13.8	11.3	0.8	-	49.7
Disposals and adjustments	(0.7)	(0.8)	(0.8)	(0.2)	-	(2.5)
Effect of movements in foreign exchange	(3.3)	(1.2)	(1.2)	0.1	-	(5.6)
<b>Balance at 31 August 2019 (Unaudited)</b>	<b>82.4</b>	<b>56.1</b>	<b>44.7</b>	<b>3.9</b>	<b>-</b>	<b>187.1</b>
<b>At 31 August 2020</b>	<b>273.4</b>	<b>33.8</b>	<b>16.9</b>	<b>2.3</b>	<b>8.3</b>	<b>334.7</b>
<b>At 31 August 2019</b>	<b>342.4</b>	<b>40.2</b>	<b>21.8</b>	<b>2.8</b>	<b>7.4</b>	<b>414.6</b>

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 13 Property, plant and equipment (continued)

<sup>1</sup>Land and buildings comprise freehold properties and leasehold improvements. At 31 August 2020 the cost and accumulated depreciation associated with freehold properties amounted to \$104.7 million (2019: \$104.7 million) and \$7.9 million (2019: \$6.9 million), respectively. The net book value of freehold properties at 31 August 2020 was \$96.8 million (2019: \$97.8 million). Included within freehold properties is non-depreciable land amounting to \$12.4 million (2019: \$12.4 million).

<sup>2</sup>Land and buildings and motor vehicles associated with finance leases prior to the transition to IFRS 16 with a combined cost of \$83.4 million and combined net book value of \$58.8 million were reclassified to Right of Use assets on 1 September 2019 and now form part of Note 14 below.

### 14 Right of use assets

	Land and buildings \$m	Computer equipment \$m	Motor vehicles \$m	Total \$m
<b>Cost</b>				
Balance relating to Finance Leases under IAS 17 at 1 September 2019	82.8	-	0.6	83.4
Balance on transition to IFRS 16 at 1 September 2019	1,064.2	0.2	0.1	1,064.5
Additions	44.3	0.1	0.2	44.6
Effects of movements in foreign exchange	29.5	-	-	29.5
<b>Balance at 31 August 2020</b>	<b>1,220.8</b>	<b>0.3</b>	<b>0.9</b>	<b>1,222.0</b>
<b>Accumulated depreciation</b>				
Balance relating to Finance Leases under IAS 17 at 1 September 2019	24.4	-	0.2	24.6
Balance on transition to IFRS 16 at 1 September 2019	-	-	-	-
Depreciation charge in the year	82.2	0.1	0.1	82.4
Effects of movements in foreign exchange	2.7	-	-	2.7
<b>Balance at 31 August 2020</b>	<b>109.3</b>	<b>0.1</b>	<b>0.3</b>	<b>109.7</b>
<b>Net book value</b>				
<b>At 31 August 2020</b>	<b>1,111.5</b>	<b>0.2</b>	<b>0.6</b>	<b>1,112.3</b>
At 31 August 2019 (Unaudited)	-	-	-	-

### 15 Commitments

All capital commitments, as per the following table, relate to property, plant and equipment:

Included in the amounts below are property leases with a total undiscounted contractual value of \$12.0 million. These leases have been formerly executed but are not yet effective at 31 August 2020.

	2020 \$m	Unaudited 2019 \$m
Contracted but not provided for	15.2	2.9

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 16 Intangible assets

	Goodwill \$m	Brand \$m	Customer relationships \$m	Website & intellectual property \$m	Computer software \$m	Total \$m
<b>Cost</b>						
Balance at 1 September 2019	1,065.0	274.6	127.5	4.8	13.8	1,485.7
Additions	-	-	-	5.4	4.6	10.0
Adjustments	(0.2)	-	-	-	-	(0.2)
Disposals	(0.4)	-	-	-	-	(0.4)
Foreign exchange movement	21.4	4.4	3.4	0.4	0.3	29.9
<b>Balance at 31 August 2020</b>	<b>1,085.8</b>	<b>279.0</b>	<b>130.9</b>	<b>10.6</b>	<b>18.7</b>	<b>1,525.0</b>
Balance at 1 September 2018	957.0	233.7	109.0	3.8	8.4	1,311.9
Acquisitions through business combinations	128.8	43.6	18.3	-	-	190.7
Additions	-	-	1.5	0.5	4.7	6.7
Adjustments	-	-	-	-	(0.1)	(0.1)
Foreign exchange movement	(20.8)	(2.7)	(1.3)	0.5	0.8	(23.5)
<b>Balance at 31 August 2019 (Unaudited)</b>	<b>1,065.0</b>	<b>274.6</b>	<b>127.5</b>	<b>4.8</b>	<b>13.8</b>	<b>1,485.7</b>
<b>Accumulated amortisation and impairment</b>						
Balance at 1 September 2019	90.0	16.6	56.3	2.9	9.1	174.9
Amortisation for the year	-	3.9	12.0	0.6	2.5	19.0
Adjustments	-	-	-	-	0.1	0.1
Impairment	43.7	1.2	4.7	-	-	49.6
Foreign exchange movement	4.3	(0.5)	2.7	0.3	0.3	7.1
<b>Balance at 31 August 2020</b>	<b>138.0</b>	<b>21.2</b>	<b>75.7</b>	<b>3.8</b>	<b>12.0</b>	<b>250.7</b>
Balance at 1 September 2018	91.7	13.3	46.3	2.8	6.0	160.1
Amortisation for the year	-	3.3	10.6	0.3	2.8	17.0
Foreign exchange movement	(1.7)	-	(0.6)	(0.2)	0.3	(2.2)
<b>Balance at 31 August 2019 (Unaudited)</b>	<b>90.0</b>	<b>16.6</b>	<b>56.3</b>	<b>2.9</b>	<b>9.1</b>	<b>174.9</b>
<b>Net book value</b>						
<b>At 31 August 2020</b>	<b>947.8</b>	<b>257.8</b>	<b>55.2</b>	<b>6.8</b>	<b>6.7</b>	<b>1,274.3</b>
<b>At 31 August 2019</b>	<b>975.0</b>	<b>258.0</b>	<b>71.2</b>	<b>1.9</b>	<b>4.7</b>	<b>1,310.8</b>

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 16 Intangible assets (continued)

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. With the exception of India, goodwill by CGU is allocated into the premium school level and is monitored and tested for impairment at this level by Management. For India, Management considers the CGU to be the sum of cash-generating assets from the schools, societies and service companies, and this is the level at which goodwill is allocated and impairment is monitored and tested (refer to Note 17 for further details on India's structure).

The recoverable amount of a CGU is determined as the higher of value-in-use and fair value less costs to sell. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by Management covering a five-year period discounted using pre-tax discount rates. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the education industry in which the CGU operates.

Fair value less costs to sell is determined based on an EBITDA multiples valuation by applying a multiple, based on the market expectation of multiples applied in the education industry, to the budgeted EBITDA in 2021 approved by Management. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

The key assumptions used for value-in-use calculations in 2020 are as follows:

	Carrying value of goodwill \$m	Impairment of goodwill \$m	Net carrying value of goodwill \$m	Pupil growth (Year 1 to 5)	Discount rate	Long-term growth rate (Average)
China International	250.0	-	250.0	22.6%	15.2% - 15.9%	3.00%
Europe	286.7	(4.0)	282.7	12.8%	8.0% - 45.0%	1.72%
South East Asia and Middle East	57.7	-	57.7	24.8%	15.6% - 29.5%	5.90%
India	103.5	-	103.5	40.2%	33.8% - 33.8%	3.97%
Americas	288.1	(39.7)	248.4	14.3%	11.0% - 36.5%	2.08%
Learning Services	5.5	-	5.5	n/a	38.8% - 38.8%	0.97%
	<b>991.5</b>	<b>(43.7)</b>	<b>947.8</b>			

The key assumptions used for value-in-use calculations in 2019 are as follows:

	Unaudited Carrying value of goodwill \$m	Unaudited Impairment of goodwill \$m	Unaudited Net carrying value of goodwill \$m	Unaudited Pupil growth (Year 1 to 5)	Unaudited Discount rate	Unaudited Long-term growth rate (Average)
China International	239.8	-	239.8	33.4%	15.7% - 17.7%	2.52%
Europe	273.3	-	273.3	12.5%	8.9% - 18.7%	1.93%
South East Asia and Middle East	57.5	-	57.5	24.8%	17.7% - 29.3%	5.74%
India	106.6	-	106.6	n/a	n/a	n/a
Americas	292.8	-	292.8	14.9%	13.2% - 24.6%	2.06%
Learning Services	5.0	-	5.0	n/a	13.0% - 13.0%	2.08%
	<b>975.0</b>	<b>-</b>	<b>975.0</b>			

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 16 Intangible assets (continued)

#### 2020 impairment review on goodwill and intangible assets

Upon Management's annual impairment review on goodwill and intangible assets, four CGUs displayed potential indicators of impairment based on recent economic performance, the impact of the ongoing COVID-19 pandemic and FTEs growth. These four CGUs and their respective impairments are as follows:

CGU	Impairment of Goodwill (\$m)	Impairment of Brand (\$m)	Impairment of Customer Relationships (\$m)	Total (\$m)
La Cote	4.0	0.4	1.2	5.6
Houston	17.9	-	-	17.9
Mexico	-	-	1.1	1.1
Panama	21.8	0.8	2.4	25.0
<b>Total (\$m)</b>	<b>43.7</b>	<b>1.2</b>	<b>4.7</b>	<b>49.6</b>

The recoverable amount for all the above schools, apart from Houston, is determined based on the fair value less costs to sell, which is higher than their value-in-use, resulting in the above impairment losses.

The goodwill and intangible assets have been fully impaired for La Cote and Mexico with the above impairment losses, so no further sensitivity analysis has been performed for these CGUs. A sensitivity analysis has been performed on the calculation of the recoverable amount of Houston and Panama.

#### Specific assumptions used and sensitivity to the changes in assumptions

Sensitivity analysis through changes to the discount rate has been performed for the CGU that is impaired and reliant on the value-in-use. For those CGUs that are reliant on the fair value less costs to sell, sensitivity analysis has been performed through changes to the EBITDA multiple assumption. The following table sets out the assumptions that were used in the recoverable amount calculation for the impaired schools, as well as the impact on impairment should the assumptions change:

	Current assumptions	Houston school Revised assumptions under sensitivity analysis <sup>1</sup>
<i>Value-in-use</i>		
Discount rate	11.0%	12.0%
Intangible assets at risk	\$58.6m	\$58.6m
Impairment	(\$17.9m)	(\$29.4m)
Intangible assets after impairment	<u>\$40.7m</u>	<u>\$29.2m</u>

	Current assumptions	Panama school Revised assumptions under sensitivity analysis <sup>1</sup>
<i>Fair value less cost to sell</i>		
EBITDA multiple	12x	11.5x
Intangible assets at risk	\$34.7m	\$34.7m
Impairment	(\$25.0m)	(\$26.2m)
Intangible assets after impairment	<u>\$9.7m</u>	<u>\$8.5m</u>

<sup>1</sup> Represents revised assumptions after a reasonable possible shift.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 16 Intangible assets (continued)

#### 2020 impairment review on goodwill and intangible assets (continued)

Furthermore, the Group performed sensitivity analysis on all CGUs by flexing the assumptions used in the determination of the recoverable amount. For the significant majority of CGUs, the recoverable amount is based on the fair value less costs to sell as it is higher than the corresponding value-in-use. Under the sensitivity analysis, the revised recoverable amount is compared with the post-tax carrying value of the CGU to compute the headroom for assessing whether the CGU is risky. A negative headroom does not lead to a potential impairment loss to be recognised, but it indicates an impairment risk that the CGU is under relatively higher pressure to maintain its performance in order to sustain the existing goodwill.

The impact from the sensitivity analysis on headroom is summarised below.

	Change in variable	Headroom <sup>1</sup> (\$m)
Increase EBITDA	1.0%	40.5
Decrease EBITDA	(1.0%)	(40.5)
Increase EBITDA multiple	0.50	168.9
Decrease EBITDA multiple	(0.50)	(168.9)

<sup>1</sup> Headroom is defined as the difference between the carrying value of the net assets of the CGU and the recoverable amount of the CGU.

From the results of the sensitivity analysis, three CGUs displayed negative headroom under a decreased EBITDA multiple scenario and decreased EBITDA scenario (one European schools, one American school and a central CGU). Management has performed further analysis on the respective CGUs to determine if a possible impairment exists in respect of each CGU. On the consideration of the FY21 performance to date, Management does not consider the CGUs to be at risk of impairment.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 16 Intangible assets (continued)

#### 2020 impairment review on goodwill and intangible assets (continued)

Individual intangible assets other than goodwill that are considered to be material to the Group are as follows:

CGU		Brand Names		Customer relationships	
		2020	Unaudited 2019	2020	Unaudited 2019
		\$m	\$m	\$m	\$m
British School of Guangzhou	China International	3.2	3.1	1.1	1.4
Collège Beau Soleil	Europe	13.2 <sup>1</sup>	12.4 <sup>1</sup>	0.6	2.3
Collège Champittet SA	Europe	6.3 <sup>1</sup>	5.8 <sup>1</sup>	1.7	2.3
Collège du Léman, SARL	Europe	64.0 <sup>1</sup>	58.6 <sup>1</sup>	10.9	11.3
La Cote International School SA	Europe	-	-	-	1.5
International College Spain S.A.U	Europe	2.6	2.5	0.2	0.2
Prague British International School s.r.o	Europe	8.9	8.5	2.7	2.8
The International School of Moscow	Europe	7.8	8.9	1.8	2.3
The British School of Tashkent	SEAME	1.1	1.2	-	-
Northbridge International School Cambodia	SEAME	6.8	6.9	3.4	4.3
The British International School of Kuala Lumpur	SEAME	7.8	7.8	2.3	2.6
The British School Yangon	SEAME	2.6	2.6	0.6	0.7
PCBIPL (Oakridge International School)	India	30.4	32.0	11.9	13.7
British International School of Boston	The Americas	3.0	3.1	0.7	0.9
British International School of Chicago	The Americas	4.4	4.5	2.7	3.6
British International School of Houston	The Americas	4.0	4.1	2.0	2.7
British International School of Washington	The Americas	3.0	3.1	0.3	0.5
The Metropolitan School of Panama, S.A.	The Americas	9.7	10.8	-	2.7
San Roberto International School	The Americas	-	-	-	1.4
North Broward Preparatory Schools, LLC	The Americas	26.7	27.3	2.8	3.2
The British College of Brazil	The Americas	2.2	3.0	0.9	1.3
The Village School	The Americas	23.3	23.8	1.3	1.7
Windermere Preparatory School	The Americas	15.8	16.2	2.8	3.1
Colegio Menor CMSFQ S.A.	The Americas	11.0	11.2	3.7	4.0
Other		-	0.6	0.8	0.7
		<b>257.8</b>	<b>258.0</b>	<b>55.2</b>	<b>71.2</b>

<sup>1</sup> These assets are considered to have indefinite useful economic lives.

With the exception of those intangible assets identified as indefinite life above, brand name intangible assets have a remaining amortisation period of between 41.1 and 49.0 years. The customer relationships intangible assets identified above have a remaining amortisation period of between 0.2 and 13.1 years.

#### 2019 impairment review on goodwill and intangible assets

Upon Management's annual impairment review on goodwill and intangible assets, no CGUs displayed potential indicators of impairment based on their recent economic performance and FTEs growth.

The Group performed sensitivity analysis on all CGUs by flexing the assumptions used in the determination of the recoverable amount. For the significant majority of CGUs, the recoverable amount is based on the fair value less costs to sell as it is higher than the corresponding value-in-use. Under the sensitivity analysis, the revised recoverable amount is compared with the post-tax carrying value of the CGU to compute the headroom for assessing whether the CGU is risky. A negative headroom does not lead to a potential impairment loss to be recognised, but it indicates an impairment risk that the CGU is under relatively higher pressure to maintain its performance in order to sustain the existing goodwill.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 16 Intangible assets (continued)

#### 2019 impairment review on goodwill and intangible assets (continued)

The impact from the sensitivity analysis on headroom is summarised below.

	Change in variable	Unaudited Headroom <sup>1</sup> (\$m)
Increase EBITDA	1.0%	24.6
Decrease EBITDA	(1.0%)	(24.6)
Increase EBITDA multiple	0.50	118.7
Decrease EBITDA multiple	(0.50)	(118.8)

<sup>1</sup> Headroom is defined as the difference between the carrying value of the net assets of the CGU and the recoverable amount of the CGU.

### 17 Investments

Investments in entities within the wider group that are recognised in the Consolidated Balance Sheet are as follows:

	31 August 2020 \$m	Unaudited 31 August 2019 \$m
Capital contributions	3.0	3.0

Capital contributions represent cash injections into entities in the wider group which they recognised within equity. The contributions do not afford any control or other rights over the entity.

#### Subsidiaries

Refer to the appendix for a full listing of the Group's subsidiaries.

#### Non-controlling interests

The total non-controlling interest for the year is \$0.7 million (2019: \$1.4 million). The Directors have assessed that the non-controlling interests of CamPLife Ltd and The King's School, Manila Inc. are immaterial to the Group's financial position and financial performance for separate disclosure of the underlying business financial performance, financial position and cash flow in accordance with IFRS 12 'Disclosure of interests in other entities'.

#### Subsidiaries exempt from the requirements of the Act relating to the audit of individual accounts

The consolidated financial statements include the results of all subsidiaries as listed below. Certain subsidiaries have taken the exemption for the year ended 31 August 2020 by virtue of s479A of the Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, Nord Anglia Education London Holdings Limited has provided a guarantee to these subsidiaries, in accordance with s479C. This guarantees that Nord Anglia Education London Holdings Limited will support these subsidiaries in full going forward, will not recall any loans and will provide financial support if it should be required. The subsidiaries which have taken an exemption from an audit for the year ended 31 August 2020 by virtue of s479A Companies Act 2006 are noted in the table below.

	Company number		Company number
Nord Anglia Vocational Education and Training Services Ltd	03739390	WCL Services Limited	03543074
Nord International Schools Limited	05017740	WCL School Management Limited	07244130
Nord Anglia Education Development Services Limited	05603122	British Schools International Limited	09674167
Nord Anglia Education Limited	02116088	Global British Schools Limited	09674285
WCL HoldCo Limited	08509277	Nord Anglia Education Administration Limited	11562513
WCL Group Limited	06547748	NA Educational Services Limited	03603850
WCL Intermediate Holdings Limited	06547222	NA Schools Limited	03604036

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 17 Investments (continued)

#### Structured entities

##### Myanmar

Due to regulatory restrictions on foreign ownership in schools in Myanmar, the Group has entered into certain contractual arrangements with the school and their respective equity holders, including but not limited to the nominee shareholder service agreements, exclusive operation and management agreement and / or deed of trust, with the Group being the ultimate beneficiary. These contractual arrangements enable the Group to:

- exercise effective financial and operational control over the activities that most significantly affect the economic performance of the school;
- exercise equity holders' voting rights of the school; and
- receive substantially all of the economic interest returns generated by the school in consideration for the exclusive services, and / or all the dividends and distributions from the school.

The school or equity holders do not have the right to unilaterally early terminate any of the agreements without the consent of the Group.

The Group has control over this school as it holds rights that gives it the power to direct the activities of the school that most significantly impact the school's economic performance, has rights to variable returns from its involvement with the school and has the ability to affect those returns through its power over the school.

As a result of these contractual arrangements, the school in Myanmar has been consolidated within the consolidated financial statements of the Group.

##### India

As per local legislation, the five schools in India are legally owned via non-profit educational societies which hold the licenses for the schools. Due to restrictions in foreign enterprises owning 'for profit' schools, the schools and societies have been acquired under an arrangement that establishes 'control' from an accounting perspective, but without having direct legal ownership. The structure operates such that there are service agreements in place between the schools and the societies that own the schools, and entities which are directly owned by the Group. Through a mixture of these service agreements and the mechanisms in which members can be appointed and removed from the societies, the Group has sufficient exposure to the variable returns of the school operations, and also has power to affect the amount of the returns.

Additionally, membership agreements have been established to govern the appointment of society members, who are charged with the primary responsibility of managing the day-to-day activities of the societies. Such arrangements allow the Group to unilaterally appoint and remove these members. Members under these agreements also have service engagements with the Group that require the members to operate the societies in line with the Group's instructions.

As a result of both the Group's shareholding and these contractual arrangements, the schools in India have been consolidated within the consolidated financial statements of the Group.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 18 Business combinations

#### Acquisitions in 2020

The Group did not acquire any schools during the year.

#### Acquisitions in 2019

The following acquisitions were made during 2019 and accounted for as 'provisional' in the Consolidated Balance Sheet at 31 August 2019:

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Unaudited Consideration transferred \$m
People Combine Business Initiatives Private Limited ("PCBIPL") ^	Premium schools	18/02/19	100%	167.6
Colegio Menor CMSFQ S.A. *	Premium schools	27/08/19	100%	33.8

^ There were five schools operating in India under the portfolio of PCBIPL with the name Oakridge International School. They are located in Bangalore, Hyderabad, Mohali and Visakhapatnam in India. The acquisition of these schools was completed in order to expand the Group's activities in premium schools internationally. Refer to Note 17 Investments for the holding structure.

\* Colegio Menor CMSFQ S.A. is a private education institution that teaches bilingually in both English and Spanish to its 2,700 students. Built to offer an American-style education in Ecuador, the seven-hectare campus in the capital-city of Quito was joined by a second campus in Samborondón in 2013.

#### Consideration transferred

	Unaudited PCBIPL ^ \$m	Unaudited Colegio Menor CMSFQ S.A. * \$m	Unaudited Total \$m
<b>Current</b>			
Cash	167.7	26.7	194.4
<b>Non-current</b>			
Contingent consideration	-	7.0	7.0
<b>Total consideration transferred</b>	<b>167.7</b>	<b>33.7</b>	<b>201.4</b>

Acquisition-related costs for all acquisitions have been recognised as an expense within the 'Exceptional expenses' line item in the Consolidated Income Statement.

^ Amounts for cash consideration have been updated from the provisional amount of \$167.6 million to \$167.7 million.

\* Amounts for cash consideration have been updated from the provisional amount of \$26.8 million to \$26.7 million. Contingent consideration for the acquisition of Colegio Menor CMSFQ S.A. was recognised at its present value of \$7.0m from the gross amount of \$8.8 million and is based on an arrangement requiring the Group to pay, in cash, the former owner of Colegio Menor CMSFQ S.A. in relation to the achievement of a certain level of annual revenue within the first three academic years. As at 31 August 2020 the target has been met and the full \$8.8 million has been recognised within trade and other payables due within a year (see note 25).

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 18 Business combinations (continued)

#### Acquisitions in 2019 (continued)

The final determined fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

		Unaudited PCBIPL <sup>^</sup> \$m	Unaudited Colegio Menor CMSFQ S.A. * \$m	Unaudited Total \$m
	Note			
<b>Non-current assets</b>				
Brand	16	32.3	11.3	43.6
Customer relationships	16	14.4	3.9	18.3
IT Software	16	0.3	-	0.3
Property, plant and equipment	13	68.2	2.8	71.0
Other non-current assets		9.9	-	9.9
<b>Current assets</b>				
Inventories		0.2	-	0.2
Trade and other receivables		3.1	17.5	20.6
Cash and cash equivalents		3.0	3.3	6.3
<b>Current liabilities</b>				
Trade and other payables		(37.9)	(22.2)	(60.1)
Current tax liabilities		(7.1)	-	(7.1)
<b>Non-current liabilities</b>				
Deferred tax liabilities	12	(25.6)	(4.6)	(30.2)
		60.8	12.0	72.8

<sup>^</sup> The fair value of trade and other receivables in relation to PCBIPL acquisition is \$3.1 million and includes trade receivables with a fair value of \$2.1 million. The gross contractual amount for trade receivables due is \$2.5 million, of which \$0.4 million is expected to be uncollectible.

\* The fair value of trade and other receivables in relation to the Colegio Menor CMSFQ S.A. acquisition is \$17.5 million and includes trade receivables with a fair value of \$0.9 million. The gross contractual amount for trade receivables due is \$0.9 million, of which \$nil is expected to be uncollectible. Trade and other payables have been adjusted from the provisional amounts by \$0.2 million from \$22.4 million to \$22.2 million.

#### Goodwill arising on acquisition

		Unaudited PCBIPL <sup>^</sup> \$m	Unaudited Colegio Menor CMSFQ S.A. # \$m	Unaudited Total \$m
	Note			
Consideration transferred		167.7	33.7	201.4
Less: fair value of identifiable net assets acquired		(60.8)	(12.0)	(72.8)
Goodwill arising on acquisition	16	106.9	21.7	128.6

PCBIPL and Colegio Menor CMSFQ S.A. contributed revenue of \$19.6 million and net profit after tax of \$2.9 million to the Group from the date of acquisition to the year end in the year ended 31 August 2019. If the acquisitions had occurred on 1 September 2018, the contributed revenue and profit after tax would have been \$63.9 million and \$11.7 million respectively.

Goodwill recognised at 31 August 2019 using provisional values amounted to \$128.8m compared to \$128.6m using the final values. A \$0.2m adjustment to goodwill has been recognised at 31 August 2020 (see Note 16 Intangible assets).

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments

#### 19a Fair values of financial instruments

##### *Trade and other receivables*

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the effective rate of interest at the reporting date if the effect is material.

##### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the effective rate of interest at the reporting date if the effect is material.

##### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the effective rate of interest at the reporting date.

##### *Interest-bearing borrowings*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the effective rate of interest at the reporting date. For leases the market rate of interest is determined by reference to similar lease agreements.

##### *Derivative financial instruments*

The valuation for the embedded derivatives included within the Chicago and Houston operating leases with CPI multiplier using quoted market prices, however the liquidity of this market is reduced in the medium to long term and therefore the valuation is considered to have level 3 characteristics.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19a Fair values of financial instruments (continued)

##### Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the Consolidated Balance Sheet are as follows:

	Carrying amount 2020 \$m	Fair value 2020 \$m	Unaudited Carrying amount 2019 \$m	Unaudited Fair value 2019 \$m
<b>Amortised Cost</b>				
Cash and cash equivalents	613.2	613.2	388.4	388.4
Trade and other receivables	657.4	657.4	611.9	611.9
<b>Total financial assets</b>	<b>1,270.6</b>	<b>1,270.6</b>	<b>1,000.3</b>	<b>1,000.3</b>
<b>Amortised Cost</b>				
Interest-bearing loans and borrowings	(458.7)	(458.7)	(521.9)	(521.9)
Trade and other payables	(869.2)	(869.2)	(820.9)	(820.9)
Lease liabilities	(1,144.9)	(1,144.9)	(71.0)	(71.0)
<b>Fair Value through Profit and Loss</b>				
Derivative financial liabilities	(21.6)	(21.6)	(23.8)	(23.8)
Contingent Consideration	(12.0)	(12.0)	-	-
<b>Total financial liabilities</b>	<b>(2,506.4)</b>	<b>(2,506.4)</b>	<b>(1,437.6)</b>	<b>(1,437.6)</b>
<b>Net financial instruments</b>	<b>(1,235.8)</b>	<b>(1,235.8)</b>	<b>(437.3)</b>	<b>(437.3)</b>

The fair value of the derivative financial liabilities is summarised as below.

	2020 \$m	Unaudited 2019 \$m
<b>Derivative financial liabilities</b>		
Embedded derivatives	(21.6)	(23.8)
<b>Total</b>	<b>(21.6)</b>	<b>(23.8)</b>

##### Fair value hierarchy

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Notes to the financial statements for the year ended 31 August 2020 (continued)**

**19 Financial instruments (continued)**

**19a Fair values of financial instruments (continued)**

*Fair value hierarchy*

2020	Level 3 \$m	Total \$m
Derivative financial liabilities <sup>1</sup>	(21.6)	(21.6)
Contingent Consideration	(12.0)	(12.0)
	<u>(33.6)</u>	<u>(33.6)</u>

<sup>1</sup> The level 3 hierarchy consists of embedded derivatives.

2019	Unaudited Level 3 \$m	Unaudited Total \$m
Derivative financial liabilities <sup>1</sup>	(23.8)	(23.8)
	<u>(23.8)</u>	<u>(23.8)</u>

<sup>1</sup> The level 3 hierarchy consists of embedded derivatives.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19a Fair values of financial instruments (continued)

##### *Reconciliation of fair value measurement using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the periods ended 31 August:

	Contingent Consideration <sup>1</sup> \$m	Embedded derivatives \$m	Total \$m
As at 1 September 2019	(9.8)	(23.8)	(33.6)
Fair value adjustment	(1.1)	2.2	1.1
Discount Unwind	(1.1)	-	(1.1)
<b>As at 31 August 2020</b>	<b>(12.0)</b>	<b>(21.6)</b>	<b>(33.6)</b>
As at 1 September 2018	-	(23.0)	(23.0)
Fair value adjustment	-	(0.8)	(0.8)
<b>As at 31 August 2019 (Unaudited)</b>	<b>-</b>	<b>(23.8)</b>	<b>(23.8)</b>

<sup>1</sup> Contingent consideration has been classified as fair value through profit and loss from 1<sup>st</sup> September 2019 onwards.

\* All gains and losses are unrealised and recognised within Other Gains and Losses within the Income Statement.

##### *Description of significant unobservable inputs to valuation*

The valuation of the embedded derivatives is based on the fair value of rent payable pursuant to the terms and conditions set forth in the lease agreement when compared with rent under normal commercial terms. A year-on-year inflation swap and option valuation model which takes into account the leverage, cap and floor characteristics and the market rate has been applied to perform the valuation.

The valuation of contingent consideration is based on the likelihood of relevant future performance targets being achieved. For contingent consideration, the assumption of whether or not revenue performance targets will be met within a performance period is considered to be an unobservable input, however, is assumed to be 100% based on performance to date. There are no other assumptions which are considered to have a material impact. To this end a probability is assigned to a set of future pay-out scenarios, from which a probability weighted average pay-out is calculated and then discounted based on market participant assumptions.

### 19b Credit risk

#### *Financial risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and bank balances. This credit risk is minimised by a policy under which the Group only enters into such contracts with companies, governments, banks and financial institutions with strong credit ratings within limits set for each organisation. In respect of derivatives, dealing activity is closely controlled and counterparty positions are monitored regularly. No credit limits were exceeded during the year and the Group does not anticipate that any losses will arise from non-performance by these counterparties.

#### *Exposure to credit risk*

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The maximum exposure to credit risk at the reporting date was \$1,352.6 million (2019: \$1,082.3 million) being the total of the carrying amount of the Group's trade and other receivables and cash and cash equivalents.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19b Credit risk (continued)

##### Financial assets

The maximum exposure to credit risk for the Group's trade and other receivables at the reporting date by currency was:

	2020	Unaudited 2019
	\$m	\$m
Sterling	1.0	4.4
US dollar and US dollar peg currencies	353.0	358.6
Chinese renminbi	201.6	146.2
European currencies (excluding Sterling & Swiss franc)	16.2	18.4
Malaysian ringgit	2.9	2.1
Swiss franc	55.9	56.8
Thai baht	0.3	-
Mexican peso	1.2	0.8
Russian ruble	3.3	1.5
Brazilian real	(1.5)	2.9
Philippines peso	0.8	1.4
Uzbekistani som	2.3	2.4
Kuwaiti dinar	-	-
Indian rupee	20.4	16.4
	<b>657.4</b>	<b>611.9</b>

The maximum exposure to credit risk for the Group's trade and other receivables at the reporting date by type of counterparty was:

	2020	Unaudited 2019
	\$m	\$m
School fees	190.3	139.7
Amounts receivable through other contracts	(0.5)	1.5
Rental deposits	2.3	24.7
Others <sup>1</sup>	465.3	446.0
	<b>657.4</b>	<b>611.9</b>

<sup>1</sup> Included within others are amounts owing to related parties for \$463.2 million (2019: \$419.8 million). See Note 20 Trade and other receivables and Note 29 Related party transactions.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19b Credit risk (continued)

The Group has primarily two types of financial assets that are subject to the expected credit loss model:

- \* Trade receivables from the provision of curriculum, extra-curricular, enrolment and ancillary services; and
- \* Other receivables.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

##### (i) Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 August 2020 and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that the GDP and the unemployment rate of the countries in which it sells its goods and services are the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 August was determined as follows for trade receivables:

						2020
	Current	0-30 days	Days overdue 31-60 days	61-90 days	91+ days	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Trade receivables (gross)	108.7	33.4	16.3	6.1	28.1	192.6
Expected default rate	2%	2.8%	7%	7%	51%	
Expected credit loss	2.2	0.9	1.1	0.4	14.3	18.9

						2019
	Unaudited Current	Unaudited 0-30 days	Unaudited Days overdue 31-60 days	Unaudited 61-90 days	Unaudited 91+ days	Unaudited Total
	\$m	\$m	\$m	\$m	\$m	\$m
Trade receivables (gross)	102.6	28.7	6.9	1.1	9.4	148.7
Expected default rate	1%	1.7%	2.9%	27%	58.5%	
Expected credit loss	1.0	0.5	0.2	0.3	5.5	7.5

##### (ii) Other receivables

Other receivables primarily consist of short and long-term rental deposits for school property, amounts held in Escrow and term deposits. All of the Group's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Other Receivables are considered to be low credit risk as they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss is recognised on other receivables at 31 August 2020 and no write-offs of balances occurred during the year (2019: nil).

##### (iii) Related party receivables

Related party receivables primarily comprise intercompany loans and trading balances with entities in the wider group. Related party balances are reviewed for recoverability and impaired by calculating the expected credit loss.

No impairment loss is recognised on related party receivables at 31 August 2020 and no write-offs of balances occurred during the year (2019: 82.0m).

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19b Credit risk (continued)

Receivables that are deemed uncollectible are classified as bad debt. Accounts will be written off to bad debts for the following reasons:

- The invoice is more than 180 days overdue
- The customer is insolvent/bankrupt;
- The student has left the school, and has not entered into any formal repayment plans; or
- Any other reason which would cast significant doubt on the customer's ability to repay outstanding balances.

#### 19c Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2020				
	Undiscounted contractual cash flows \$m	1 year or less \$m	1 to < 2 years \$m	2 to < 5 years \$m	5 years and Over \$m
Borrowings <sup>1</sup>	644.3	80.6	36.1	75.5	452.1
Lease liabilities <sup>2</sup>	2,183.0	124.9	119.2	309.0	1,629.9
Trade and other payables	320.7	310.7	6.8	2.1	1.1
Derivative financial liabilities	24.1	0.2	0.4	2.5	21.0
	<b>3,172.1</b>	<b>516.4</b>	<b>162.5</b>	<b>389.1</b>	<b>2,104.1</b>

	2019				
	Unaudited Undiscounted contractual cash flows \$m	Unaudited 1 year or less \$m	Unaudited 1 to < 2 years \$m	Unaudited 2 to < 5 years \$m	Unaudited 5 years and Over \$m
Borrowings <sup>1</sup>	757.8	155.1	36.2	114.4	452.1
Lease liabilities	238.2	5.2	4.3	12.8	215.9
Trade and other payables	286.4	262.2	5.6	18.1	0.5
Derivative financial liabilities	27.0	0.2	0.4	2.5	23.9
	<b>1,309.4</b>	<b>422.7</b>	<b>46.5</b>	<b>147.8</b>	<b>692.4</b>

1 Includes a bank overdraft facility of \$41.7 million (2019: \$118.9 million). There were no undrawn borrowings at 31 August 2020 (2019: \$nil).

2 Lease liabilities are all those held under IFRS 16 from the point of transition on 1 September 2019.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19c Liquidity risk (continued)

As the Group conducts its operations both within the United States and outside of it (for example, 41 of the Group's 51 Premium Schools are in non-United States jurisdictions), the Group's Premium Schools hold significant non-US dollar cash balances in overseas operations which arise from fee income and represent a combination of working capital and trading profits. As the cash and cash equivalents held by non-United States subsidiaries are used generally to fund the Group's non-United States operations, the Group believes that the amount of cash and cash equivalents held by non-United States subsidiaries is not significant to an understanding of the Group's liquidity. These monies are held in operations in countries which include those where exchange control restrictions may prevent full repatriation of funds to the UK parent undertaking. The Group utilises these funds through a combination of reinvestment in the expansion or improvement of overseas operations, or by repatriation to the UK through management contracts, including royalty agreements, management charges and dividends. Through these means the Directors believe that satisfactory distribution of these funds can be achieved.

As at 31 August 2020, the Group held \$112.3 million (2019: \$124.9 million) of cash and cash equivalents in jurisdictions where foreign exchange and other regulatory controls may limit the distribution of cash to subsidiaries in jurisdictions without foreign exchange and other regulatory controls. For information about undistributed earnings management considers permanently reinvested in jurisdictions with foreign exchange and other regulatory controls, see Note 11 Income tax expense.

#### 19d Market risk

##### *Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

##### *Foreign currency risk*

The Group has significant and expanding international operations trading in non-US dollar currencies. Movements in global exchange rates can cause currency exposures to the Group's consolidated US dollar financial results. Where stable currencies exist, trade is conducted in local currencies and where appropriate, borrowings are matched in that currency to mitigate the risk of exposure to the Group's assets and liabilities from exchange rate movements. In countries of operation where currency trading zones are considered to be weaker, some transactions are conducted in US dollar and Euro to try to minimise exchange fluctuation risks.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19d Market risk (continued)

##### Foreign currency risk (continued)

The following table sets out the Cash and cash equivalents balance based on currency.

	2020	Unaudited 2019
	\$m	\$m
US dollar and US dollar-pegged currencies	340.0	117.2
Sterling	5.8	10.3
European currencies (excluding Sterling & Swiss franc)	96.2	71.5
Chinese renminbi	44.0	57.7
Swiss franc	58.6	64.6
Singaporean dollar	0.2	-
Malaysian ringgit	0.6	1.0
Mexican peso	11.8	12.3
Russian ruble	35.1	34.8
Brazilian real	4.8	1.2
Philippines peso	0.9	0.7
Uzbekistani som	3.9	3.7
Indian rupee	11.3	13.4
	<b>613.2</b>	<b>388.4</b>

The table below shows converted into US dollar, the aggregate monetary assets and liabilities that are in a different currency from the various functional currencies of the entities in the Group.

31 August 2020	Sterling \$m	European currencies \$m	US dollar and US dollar peg \$m	Total \$m
Cash and cash equivalents	0.1	2.5	1.2	3.8
Trade and other receivables	0.2	1.2	0.2	1.6
Trade and other payables	(0.8)	(0.2)	(1.6)	(2.6)
Lease liabilities	(0.1)	(0.7)	(0.4)	(1.2)
	<b>(0.6)</b>	<b>2.8</b>	<b>(0.6)</b>	<b>1.6</b>

The Group is also exposed to foreign exchange risk on intercompany transactions. Refer to Note 1.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19d Market risk (continued)

##### Foreign currency risk (continued)

31 August 2019	Unaudited Sterling \$m	Unaudited European currencies \$m	Unaudited US dollar and US dollar peg \$m	Unaudited Total \$m
Cash and cash equivalents	-	0.4	0.6	1.0
Trade and other receivables	-	1.1	0.1	1.1
Trade and other payables	-	-	(1.5)	(1.5)
Finance lease liabilities	-	(0.2)	0.6	0.4
	-	1.3	(0.2)	1.0

##### Sensitivity analysis

Currency risks arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of the company. Exchange rate-related differences from the translation of financial statements into the Group's presentation currency are not considered. Taking account of the different functional currencies within the Group, the following table demonstrates the sensitivity to a reasonably possible change in the below currencies, with all other variables held constant. A 4% strengthening (2019: 4% strengthening) of the following currencies against the US dollar at 31 August would have decreased profit or loss by the amounts shown below:

	2020 \$m	Unaudited 2019 \$m
European currencies (excluding Sterling & Swiss franc)	(0.3)	(0.1)

##### Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2020 \$m	Unaudited 2019 \$m
<b>Variable rate instruments</b>		
Financial liabilities	458.7	521.9

The Group does not apply hedge accounting for any of its derivative financial instruments. As such the Group recognises changes in fair value in respect of any of its derivative financial instruments immediately in its Consolidated Income Statement.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate profile of the Group's debt is predominately variable.

The impact of a 1% increase in the 3 month LIBOR rate of 0.24% as at 31 August 2020 (2019: 3 month LIBOR of 2.52%) on the Group's US dollar 2<sup>nd</sup> lien variable interest rate debt which is subject to a 1.00% LIBOR floor (2019: 1.00% LIBOR floor) would be an increase in the Group's interest charge by approximately \$4.1 million (2019: \$4.1 million).

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 19 Financial instruments (continued)

#### 19e Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or sell fixed assets to reduce debt.

The Group monitors capital at the Nord Anglia Education Management Limited ("NAEML") level on the basis of the following leverage ratio:

1st lien Net debt divided by Consolidated EBITDA (as defined under the terms of the NAEML Group's 1st lien Credit Agreement).

During 2020, the Group's strategy, which remains unchanged from 2018, was to maintain a leverage ratio under 7.0x as set out in the 1st lien Credit Agreement and to monitor the leverage position on a regular basis. The Consolidated 1st lien Net Leverage ratios at 31 August 2020 and 31 August 2019 were 4.3x and 4.4x respectively.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 20 Trade and other receivables

	Note	31 August 2020 \$m	Unaudited 31 August 2019 \$m
<b>Current</b>			
Trade receivables		192.6	148.7
Less: Provision for impairment of trade receivables	19b	(18.9)	(7.5)
Net trade receivables	19b	173.7	141.2
Prepayments <sup>1</sup>		15.4	19.8
Prepayments – related parties	29	-	0.9
Accrued income		0.4	0.5
Amounts owed by related parties	29	348.4	283.3
Other receivables		11.6	37.2
		<u>549.5</u>	<u>482.9</u>

<sup>1</sup> Prepayments relate mainly to travel, insurance and teaching materials prepayments.

	Note	31 August 2020 \$m	Unaudited 31 August 2019 \$m
<b>Non-current</b>			
Prepayments		2.1	11.0
Amounts owed by related parties	29	114.8	136.5
Other receivables		9.2	13.8
		<u>126.1</u>	<u>161.3</u>

Prepayments mainly relate to rental for Premium School sites, which are not recoverable for at least 12 months from this date and are for leases which have yet to commence at 31 August 2020.

Amounts owed by related parties are unsecured, interest free and repayable on demand, with the exception of those loan arrangements disclosed in Note 29 Related party transactions.

### 21 Cash and cash equivalents

	31 August 2020 \$m	Unaudited 31 August 2019 \$m
Cash and cash equivalents	613.2	388.4

Refer to Note 19b Credit risk and 19c Liquidity risk for the detailed analysis of cash and cash equivalents in relation to credit risk and liquidity risk, respectively.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 22 Assets held for sale

	31 August 2020 \$m	Unaudited 31 August 2019 \$m
Land and buildings	7.8	8.5
	<u>7.8</u>	<u>8.5</u>

The assets held for sale relate to an ancillary building known as Coral Springs in North Broward Preparatory School, LLC (the Americas). The building is being marketed for sale as three separate plots. The sale of plots 2 and 3 took place in December 2020 for a total price of \$2.8m, incurring costs to sell of \$0.1m; and certain pre-closing conditions associated with the sale of plot 1 are currently being finalised.

Land and buildings classified as held for sale during the year were measured at the lower of its carrying amount and fair value less costs to sell, resulting in the recognition of a write down of \$0.7 million (2019: \$0.5 million) as impairment in the Consolidated Income Statement. The fair values of each plot have been determined based on signed LOI's received from third parties, less any actual and estimated directly attributable selling costs.

### 23 Interest-bearing loans, borrowings and overdrafts

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 19 Financial instruments. For information on the Group's intercompany loans with related parties, see Note 29 Related party transactions.

	31 August 2020 \$m	Unaudited 31 August 2019 \$m
<b>Current liabilities</b>		
Bank overdraft	41.7	118.9
Other loans	11.9	-
Current portion of term loan	-	0.1
	<u>53.6</u>	<u>119.0</u>
<b>Non-current liabilities</b>		
Term loan	405.1	402.9
	<u>405.1</u>	<u>402.9</u>

All borrowings are secured by fixed and floating charges over all the current and future assets of certain Group entities. The Group subsidiaries which are party to this arrangement are detailed in the appendix, along with details of certain Group entities whose share capital has also been pledged as part of the security arrangement, including the assignment of certain insurances.

#### Term and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2020 \$m	Carrying amount 2020 \$m	Unaudited Face value 2019 \$m	Unaudited Carrying amount 2019 \$m
Bank overdraft	US \$			41.7	41.7	118.9	118.9
Other loans	US \$			11.9	11.9	-	-
Term loan	US \$	8.25%	2025	416.0	405.1	416.0	403.0

Face value is the nominal amount of debt at issuance whereas the carrying value is the nominal value less unamortised costs.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 23 Interest-bearing loans, borrowings and overdrafts (continued)

#### Term loan

The term loan is a floating rate loan. Changes in interest rates have minimal impact on fair value since loans re-price to the market frequently and on that basis, fair value is assumed to equal carrying value. The interest rate is based on LIBOR (subject to a 1.00% interest rate floor) plus a margin of 7.25%. The loan is due for full repayment in August 2025.

Maturity of the Group's borrowings are as follows:

	31 August 2020 \$m	Unaudited 31 August 2019 \$m
Less than one year	53.6	119.0
Between two and five years	405.1	-
More than five years	-	402.9
	<u>458.7</u>	<u>521.9</u>

#### Debt reconciliation for cash flow information

	Loans & borrowings (excluding bank overdrafts) \$m
As at 1 September 2019	403.0
Cash flows	11.9
Other changes <sup>1</sup>	2.1
<b>As at 31 August 2020</b>	<u><b>417.0</b></u>
As at 1 September 2018	400.7
Other changes <sup>1</sup>	2.3
<b>As at 31 August 2019 (Unaudited)</b>	<u><b>403.0</b></u>

<sup>1</sup> Other changes include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 24 Lease liabilities

From 1 September 2019, on adoption of IFRS 16 'Leases', the Group has recognised right-of-use assets and lease liabilities for all leases, except for short term leases and leases of low value assets. Prior to 1 September 2019, the Group recognised finance leases and operating leases under IAS 17. Finance leases were leases where the assets were leased on such terms that transferred substantially all the risks and rewards of ownership to the Group and were capitalised at the inception of the lease at the fair value of the asset or, if lower, the present value of the minimum lease payments. Operating leases were leases where the Group did not retain substantially all the risks and rewards of ownership of the assets, and the rental payments were recognised in the income statement on a straight-line basis over the lease term.

The Group's leases primarily comprise of property leases, specifically in relation to school campuses and staff accommodation. Leases are also held in respect of IT equipment and motor vehicles. Extension and termination options are included in a number of property leases across the Group to facilitate operational flexibility, particularly with staff accommodation leases, which are often on a rolling basis. In these instances, judgement is used to determine the lease term; further detail of which is set out in Note 1.

#### Movement in lease liabilities

2020	\$m
As at 1 September 2019	70.7
Lease liabilities on transition to IFRS 16	1,029.7
New leases	26.3
Interest charge in the year	67.1
Payment of lease liabilities	(105.3)
Adjustment from different treatment of extension and termination options	17.2
Effects of movement in foreign exchange	39.2
<b>As at 31 August 2020</b>	<b>1,144.9</b>
<b>Ageing of lease liabilities</b>	
Current lease liabilities	125.6
Non-current lease liabilities	1,019.3
<b>As at 31 August 2020</b>	<b>1,144.9</b>

As at 31 August 2020, the Group had \$12.0 million of leases which had been committed to, but which had not yet started. Such leases are not included in the Group's lease liabilities as at 31 August 2020.

Total cash outflows in relation to leases in year ended 31 August 2020 are \$114.0 million. This relates to payments of \$38.1 million on lease principal, \$67.2 million on lease interest, \$nil million on variable lease payments and \$8.7 million relating to short-term leases and low value asset leases.

Lease payments that are variable and are not included within the lease liabilities as at 31 August 2020, i.e. they are not linked to an index, are linked to non-market performance measures such as the number of FTEs or revenue.

The Group's accounting policy for leases is set out in Note 1. Details of income statement charges and income for leases not included in lease liabilities (included in administrative expenses) are set out in Note 4. The right-of-use asset categories on which depreciation is incurred are presented in Note 14. Interest expense incurred on lease liabilities is presented in Note 10.

From 1 September 2019, the Group no longer recognises finance leases in line with IAS 17 and instead recognises right-of-use assets and lease liabilities in line with IFRS 16. Therefore, the future aggregate minimum lease payments payable under finance leases as at 31 August 2020 are deemed to be \$nil.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 24 Lease Liabilities (continued)

	31 August 2020 \$m	Unaudited 31 August 2019 \$m
Gross finance lease liabilities – minimum lease payments:		
No later than one year	-	5.0
Later than one year and no later than five years	-	16.9
Later than five years	-	215.9
	-	237.8
Future finance charges on finance lease liabilities	-	(167.1)
<b>Present value of finance lease liabilities</b>	<b>-</b>	<b>70.7</b>
Present value of finance lease liabilities:		
No later than one year	-	1.5
Later than one year and no later than five years	-	1.6
Later than five years	-	67.6
	-	70.7

The difference between the minimum lease payments and the present value of the finance lease liabilities are primarily due to the long duration of the most significant lease (71 years remaining).

From 1 September 2019, the Group no longer recognises operating leases in line with IAS 17 and instead recognises right-of-use assets and lease liabilities in line with IFRS 16. Therefore, the future aggregate minimum lease payments payable under non-cancellable operating leases as at 31 August 2020 are deemed to be \$nil.

Future aggregate minimum lease payments are as follows:

	2020 \$m	Unaudited 2019 \$m
<b>Land and Buildings</b>		
Less than one year	-	121.0
Between one and five years	-	401.0
More than five years	-	1,444.4
	-	1,966.4
<b>Other</b>		
Less than one year	-	0.4
Between one and five years	-	0.4
More than five years	-	0.1
	-	0.9
	-	1,967.3

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 25 Trade and other payables

		31 August 2020 \$m	Unaudited 31 August 2019 \$m
<b>Current</b>			
Trade payables owed to third parties		29.8	31.5
Other taxes and social security		9.5	7.0
Amounts owed to related parties	29	119.1	98.4
Deferred consideration <sup>1</sup>		0.9	1.4
Other payables owed to third parties <sup>2</sup>		67.5	49.0
Contingent consideration <sup>3</sup>		12.0	-
Accrued expenses		94.2	84.6
		<b>333.0</b>	<b>271.9</b>

<sup>1</sup>Deferred consideration consists of \$0.9 million (2019: \$1.4 million) in relation to The Metropolitan School of Panama, S.A. acquired in the year ended 31 August 2017. Other payables relate to student deposits repayable on demand.

<sup>2</sup>Upon transition to IFRS 16 on 1 September 2019, the Group adopted the practical expedient available under the standard and adjusted the outstanding onerous lease provisions to the ROU Asset. In 2019 there were various onerous lease provisions included within other payables owed to third parties amounting to \$1.9 million.

<sup>3</sup>Contingent consideration consists of \$3.2 million (2019: \$2.8 million, non-current) in relation to the Prague British School acquired in the year ended 31 August 2017 and \$8.8 million (2019: \$7.0 million, non-current) in relation to the acquisition of Colegio Menor CMSFQ S.A. (see Note 18 Business combinations).

		31 August 2020 \$m	Unaudited 31 August 2019 \$m
<b>Non-current</b>			
Accrued expenses		3.1	14.1
Amounts owed to related parties	29	540.3	539.8
Deferred consideration <sup>1</sup>		0.3	1.1
Contingent consideration		-	9.8
Other payables owed to third parties <sup>2</sup>		7.0	8.3
		<b>550.7</b>	<b>573.1</b>

Non-current accrued expenses relate principally to rental accruals on school sites, not payable for at least 12 months from this date.

<sup>1</sup>Deferred consideration consists of \$0.3 million (2019: \$1.1 million) in relation to The Metropolitan School of Panama, S.A.

<sup>2</sup>Upon transition to IFRS 16 on 1 September 2019, the Group adopted the practical expedient available under the standard and adjusted the outstanding onerous lease provisions against the ROU Asset. In 2019, there were various onerous lease provisions included within other payables owed to third parties amounting to \$2.6 million.

Amounts owed to related parties are unsecured, interest free and repayable on demand, with the exception of those loan arrangements disclosed in Note 29 Related party transactions. Included within amounts owed to related parties are CSX listed loan notes, where details are disclosed in Note 8 Creditors within the Company financial statements.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 26 Provisions for other liabilities and charges

	2020 \$m	Unaudited 2019 \$m
Balance at 1 September	0.7	0.6
Provisions made during the year	8.7	0.1
Provisions used during the year	(3.7)	-
<b>Balance at 31 August</b>	<b>5.7</b>	<b>0.7</b>
Current	3.4	-
Non-current	2.3	0.7
	<b>5.7</b>	<b>0.7</b>

From time to time, the Group is party to litigations in various jurisdictions in which the Group operates. The recognition of provisions is determined in accordance with the accounting policies set out in Note 1.

The year-end balance represents a provision in respect of costs incurred as a result of the COVID-19 pandemic of approximately \$3.4 million which are reasonably certain to incur in the next 12 months. The remaining balance relates to restoration cost clauses included in some of our campus leases. These costs are not expected to be incurred in the near-term as we do not intend to exit any of our current lease agreements in the foreseeable future.

### 27 Contingencies

*The Group has provided the following bank guarantees:*

To SCTAI Anglo Iskola KFT for €0.7 million or \$0.8 million (2019: €0.7 million or \$0.8 million) in respect of a 30-year lease of school premises in Budapest, and the guarantee expires on 31 January 2021.

To Abu Dhabi Education Council for AED 0.1 million or \$0.0 million (2019: AED 0.1 million or \$0.0 million) which is open ended.

To Dubai Islamic Bank for AED 12 million or \$3.3 million (2019: AED 12.0 million or \$3.3 million) in respect of a 13-year lease for school premises in Dubai, and the guarantee expires on 31 August 2022.

To Městská část Praha 12 for CZK 3 million or \$0.1 million (2019: CZK 3.2 million or \$0.1 million) in respect of a 36-year lease for school premises in Prague, and the guarantee expires on 15 May 2022.

To Bikak Kosarlabda Korlatolt Felelossegu Tarsasag for €0.2 million or \$0.2 million (2019: €0.1 million or \$0.1 million) in respect of a 29-year lease of Sports Facility in Budapest, and the guarantee expires on 31 January 2021.

To Leosolis SA for CHF 2.8 million or \$3.0 million (2019: CHF 2.8 million or \$2.8 million) in respect of a 32-year lease of school premises in Switzerland, and the guarantee is open ended.

*Contingencies related to legislative changes:*

The Group is subject to tax regulations across multiple territories. The Group monitors proposed legislative changes to tax regulations in relevant territories but does not recognise the tax impact of proposed changes until they are legally effective, and an obligation exists. Final regulations relating to the contingent liability of \$16.8 million disclosed at 31 August 2019 were issued on 27 August 2020 in the territory concerned. The tax impact of the final regulations has been recognised in the consolidated financial statements.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 28 Capital and reserves

Share capital	Unaudited			
	Number	2020 \$m	Number	2019 \$m
<i>Authorised, allotted, called up and fully paid</i>				
Ordinary shares of \$1 each	515,902,579	515.9	267,541,561	267.5
Deferred shares of \$0.19 each	1	-	1	-
	<b>515,902,580</b>	<b>515.9</b>	<b>267,541,562</b>	<b>267.5</b>

The holders of Ordinary shares are entitled to full rights in respect of voting, dividends and distributions. The holder of the Deferred share has no voting or dividend rights and any capital distributions are limited to the nominal value of the Deferred share.

### Share capital movement

	Number	Par \$m	Premium \$m	Total \$m
Balance at 1 September 2019	267,541,562	267.5	-	267.5
Shares issued	248,361,018	248.4	-	248.4
<b>Balance at 31 August 2020</b>	<b>515,902,580</b>	<b>515.9</b>	<b>-</b>	<b>515.9</b>
Balance at 1 September 2018	67,541,562	67.5	778.9	846.4
Capital reduction	-	-	(778.9)	(778.9)
Shares issued	200,000,000	200.0	-	200.0
<b>Balance at 31 August 2019 (Unaudited)</b>	<b>267,541,562</b>	<b>267.5</b>	<b>-</b>	<b>267.5</b>

### Share premium

Share premium represents the amount subscribed for share capital in excess of the nominal value.

The decrease in share premium to \$nil during the prior financial year was due to a written resolution approved in August 2019 to reduce the share premium account of the Company in respect of the Ordinary Shares in an amount of \$778,913,757, pursuant to section 641(1)(a) of the Companies Act 2006 in order to create distributable reserves (the "Reduction of Capital").

### Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising since 1 September 2009, the transition date to IFRS, from the translation of the financial statements of foreign operations, which are prepared in the functional currencies of the foreign operations.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 29 Related party transactions

#### Controlling entities

The Company is controlled by the following entities:

Name	Relationship	Place of incorporation
Nord Anglia Education, Inc.	Immediate parent entity	Cayman Islands
Baring Private Equity Asia GP VI Limited*	Ultimate controlling entity	Cayman Islands

\*Baring Private Equity Asia GP VI Limited, through its subsidiaries, exert control over the Company through voting rights.

#### Transactions with related parties

During the year the Group and Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 31 August, are as follows:

Transactions	2020 \$m	Unaudited 2019 \$m
Revenue from management fees with other group entities	44.4	23.0
Purchases from other group entities	0.2	-
Management fees charged by controlling parties	7.5	7.5
Interest receivable on loans with other group entities	6.7	10.0
Interest payable on loans with immediate parent entity	36.3	39.7
Interest payable on loans with other group entities	0.1	-
Impairment losses on intercompany loans	-	82.0
Rental charges payable to a member of key management personnel and companies controlled by key management personnel	15.1	14.3

Balances outstanding	Amounts owed by related parties 2020 \$m	Amounts owed to related parties 2020 \$m	Amounts owed by related parties Unaudited 2019 \$m	Amounts owed to related parties Unaudited 2019 \$m
Controlling parties (current) <sup>1</sup>	0.8	3.6	0.1	-
Immediate parent entity (current)	5.8	61.2	3.2	24.9
Immediate parent entity (non-current)	-	536.6	-	536.6
Other group entities (current)	341.8	57.0	280.0	73.0
Other group entities (non-current)	114.3	3.7	136.1	3.2
Key management personnel	0.5	-	0.4	0.5

<sup>1</sup> Included within amounts owed to related parties is an amount of \$2.7m (2019: \$nil) in relation to unpaid management fees which are included within trade payables owed to third parties (refer to Note 25).

In 2019, included within Amounts owed to related parties (refer to Note 25) was \$0.5 million in respect of building costs payable by College Beau Soleil to the key member of management and was settled in 2020.

Included within Amounts owed by related parties (refer to Note 20) is an amount of \$0.5 million (2019: \$0.4 million) in respect of rental deposits owed by the key member of management. These rental deposits are not due within the next 12 months and are therefore classified as non-current (2019: non-current).

Remuneration of senior management is disclosed in Note 8 Key management personnel.

In 2019, shares were issued to key management and companies controlled by key management and their spouses during the year. These arrangements were put in place as part of the issue of preferred units in the Group's SMEP in which units are issued through one of the Group's controlling entities, an arrangement which has been disclosed in Note 9. The consideration for the shares was paid directly to one of the controlling entities. \$3.1 million was received from employees of the Company for the subscription of partnership units in one of our controlling entities as part of the SMEP award, an arrangement which is disclosed in Note 9. The cash was received into an entity outside the Group, which also holds any related outstanding balances with the controlling entities in relation to the arrangement.

Two of the Group's key management personnel hold an investment in certain controlling entities. Neither of the two key management personnel received any interest or dividend during the year in connection with their respective investments.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 29 Related party transactions (continued)

#### Transactions with related parties (continued)

During the year ended 31 August 2020, the Swiss schools continue to rent premises from a key member of management and companies which are controlled by the key member of management.

Future aggregate undiscounted minimum lease payments to the key member of management as well as companies controlled by the key member of management are as follows:

	Total payable	Due within 1 year	Due within 1 to 5 years	Due after more than 5 years
	\$m	\$m	\$m	\$m
2020	272.3	17.0	58.2	197.1
2019 (Unaudited)	222.1	13.9	54.3	153.9

There is a rental guarantee made to a company controlled by key management personnel for CHF1.2 million in respect of a 16-year lease (2019: 14-year) of school premises in Switzerland. The annual payment under this lease is CHF 3.1 million (2019: \$3.1 million) and the guarantee expires on 31 August 2036 (2019: 31 August 2026).

In 2019, included within Amounts owed by related parties (refer to Note 20) the Group made prepayments to companies controlled by key management personnel amounting to \$0.9 million in relation to rental property.

In addition, companies owned by the key management personnel were also paid reimbursement costs of \$2.3 million (2019: \$2.4 million).

#### Intercompany loans

Included within trade and other receivables (refer to Note 20) and trade and other payables (refer to Note 25) are amounts owed by/to related parties, which are unsecured, interest free and repayable on demand, with the exception of the following loans:

	2020	Unaudited 2019
	\$m	\$m
Loans received from the immediate parent		
Balance 1 September	569.7	536.6
Interest charged	36.3	39.7
Interest paid	(8.0)	(6.6)
<b>Balance at 31 August</b>	<b>598.0</b>	<b>569.7</b>

The loan from the immediate parent comprises CSX loan note instruments, which bear a rate of 5.20% plus LIBOR. The undrawn amount as at 31 August 2020 was \$363.4 million (2019: \$363.4 million). The CSX notes have a maturity date of 31 August 2025.

	2020	Unaudited 2019
	\$m	\$m
Loans received from other group entities		
Balance 1 September	5.9	2.7
Loans advanced	0.8	3.2
Loan repayments made	(0.8)	-
Interest charged	0.1	-
<b>Balance at 31 August</b>	<b>6.0</b>	<b>5.9</b>

Loans from other group entities are represented by principal amounts of \$2.7m, which bears no interest and is due on 31 August 2024; and of \$3.2m, which bears interest at 3% and is due on 31 August 2024.

## Notes to the financial statements for the year ended 31 August 2020 (continued)

### 29 Related party transactions (continued)

#### Intercompany loans (continued)

	2020	Unaudited 2019
	\$m	\$m
Loans issued to other group entities		
Balance at 1 September	190.6	187.3
Loans advanced	0.5	-
Loan repayments received	(21.8)	-
Interest charged	6.7	10.0
Interest received	(3.8)	(6.7)
<b>Balance at 31 August</b>	<b>172.2</b>	<b>190.6</b>

Loans made to other group entities are represented by principal amounts of \$133.4m, which bears interest at approximately 5.60% (2019: approx. 5.82%); and \$51.3m, which bears interest at approximately 5.49% (2019: approx. 5.76%).

### 30 Events after the balance sheet date

On 19 November 2020 the Group acquired the remaining 49.5% of CampLife Ltd in Florida, United States of America for \$8.8 million payable over 19 years. The acquisition gives the Group 100% ownership of CampLife Ltd which provides summer camps each year.

On 1 March 2021 the Group acquired 100% of the share capital of Eton School in Mexico City for \$27.3m and on 31 March 2021 the Group acquired 100% of the share capital of three schools in the UK for \$40.4m: Oxford International College, d'Overbroeck's and Oxford Sixth Form College. The consideration paid was exclusive of acquisition costs of \$1.5m and \$2.4m respectively, incurred to date as exceptional costs within the income statement.

As at the date of signing these accounts, the preliminary fair values of assets and liabilities acquired in the March transactions had not yet been quantified.

### 31 Ultimate parent undertaking and controlling party

Nord Anglia Education Management Limited, a company incorporated in the Cayman Islands, is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 August 2020. Copies of these consolidated financial statements are not publicly available. The consolidated financial statements of Nord Anglia Education London Holdings Limited represent the smallest group of undertakings for which consolidated financial statements are prepared.

The ultimate controlling party is Baring Private Equity Asia GP VI Limited.

## ***Independent auditors' report to the members of Nord Anglia Education London Holdings Limited***

### **Report on the audit of the Company financial statements**

#### **Opinion**

In our opinion, Nord Anglia Education London Holdings Limited's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 August 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Consolidated Financial Statements (the "Annual Report"), which comprise: the Company Balance Sheet as at 31 August 2020 and the Company Statement of Changes in Equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Our audit approach**

##### **Overview**



- Overall materiality: \$18.1 million (2019: \$16.0 million), based on 1% of total assets.
- Full scope audit of the financial statements.
- Assessment of recoverability of investment and intercompany balances
- Impact of COVID-19

#### **The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

#### **Key audit matters**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect

on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Assessment of recoverability of investment and intercompany balances</b></p> <p>The Company has a significant investment balance in its principal subsidiary as well as being owed significant amounts from group undertakings. These must be assessed for recoverability on an annual basis.</p> <p>Refer to the accounting policies and critical estimate in note 3, note 5 Investments and note 6 Debtors within the Company Financial Statements.</p>	<p>The recoverability of the investment was assessed by determining if there were any triggers that would require a full impairment test to be undertaken by the directors. We assessed this through a review of the net assets of the subsidiary entity against the investment carrying value, consideration of external market and economic factors (including the impacts of COVID-19) and review of the discounted cash flow models of the underlying trading businesses prepared for the purpose of the goodwill impairment test required for the Consolidated Financial Statements. Based on these procedures we concluded that there were no triggers that would indicate the directors were required to perform a full impairment test of the investment carrying value.</p> <p>We have reviewed the application of management's impairment methodology in assessing the recoverability of intercompany receivables and the level of related expected credit loss provisions. The outstanding balances are considered to have a low credit risk and therefore the associated loss allowance is limited to 12 months' expected losses. We have reviewed intercompany loan terms and assessed the nature of the counterparty's liquid assets and have concluded that there is no indication of material impairment to the receivable balances.</p>
<p><b>Impact of COVID-19</b></p> <p>The COVID-19 pandemic has had a pervasive impact on the Company and has required management to reconsider a number of accounting judgements and estimates. This included their assessment on the recoverability of asset balances, as well as the Company's ability to continue as a going concern.</p> <p>We have considered the pervasive impact of COVID-19 through the planning, risk assessment and execution phases of our audit with particular focus on the effect the pandemic has had on areas of key accounting judgement and estimation. A separate key audit matter covers our conclusions on the recoverability of investment and intercompany balances.</p> <p>Refer to the going concern paragraph in note 2a within the Company Financial Statements.</p>	<p>During the course of the year, management prepared accounting papers and financial information, which considered the wider impact of COVID-19 on the Company's financial statements. We have reviewed this information, considered the appropriateness of management's proposed treatments in line with published guidance and, where the impact is material, tested key assumptions to supporting documentation.</p> <p>In the case of going concern, given that the Company is in a net liabilities position, excluding long term debtors, we have obtained the letter of support that the Company has received from Nord Anglia Education Management Limited (NAEML), who have confirmed their willingness to provide support to the Company to enable it to meet its liabilities for a period of up to 12 months from the date of approval of the Company financial statements. We have assessed NAEML's ability to provide the support committed by considering the liquidity position of the wider Nord Anglia Education Group. We have reviewed management's analysis of the funding and liquidity position of the wider group during the period to 31 August 2022 including both a base case and severe but plausible downside scenario.</p> <p>We have assessed management's headroom and covenant compliance tests throughout the 15 month period to confirm that in the downside scenario sufficient liquidity and covenant compliance remains. Our conclusions on going concern are included in the Conclusions relating to going concern section below.</p> <p>Refer to our Key Audit matters above for details of how we have considered the impact of COVID-19 in our audit procedures over the assessment of the recoverability of investment and intercompany balances performed by management.</p>

#### *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

#### *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	\$18.1 million (2019: \$16.0 million).
<b>How we determined it</b>	1% of total assets.
<b>Rationale for benchmark applied</b>	The Company is primarily an intermediate investment holding company within the wider Nord Anglia Education group structure. We consider this to be the primary benchmark used by key stakeholders to evaluate the position and performance of the Company.

We agreed with the directors that we would report to them misstatements identified during our audit above \$0.9 million (2019: \$0.8 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### *Conclusions relating to going concern*

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

#### *Reporting on other information*

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### *Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### **Companies Act 2006 exception reporting**


Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

## Other matter

We have reported separately on the Group financial statements of Nord Anglia Education London Holdings Limited for the year ended 31 August 2020. The opinion in that report is a disclaimer of opinion in respect of the Group's loss and cash flows for the year ended 31 August 2020 and a qualified opinion in respect of the state of affairs of the Group as at 31 August 2020.

  
Nicholas Stevenson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
27 May 2021

**Company Balance Sheet**  
*as at 31 August*

	Note	31 August 2020 \$000	31 August 2019 \$000
<b>Fixed assets</b>			
Investments	4	1,257,145	1,257,145
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	5	218,530	255,756
Debtors: amounts falling due within one year	5	98,070	82,189
Cash and cash equivalents	6	243,506	1,005
		<u>560,106</u>	<u>338,950</u>
Creditors: amounts falling due within one year	7	(196,449)	(223,873)
Net current assets		<u>363,657</u>	<u>115,077</u>
<b>Total assets less current liabilities</b>		<u>1,620,802</u>	<u>1,372,222</u>
Creditors: amounts falling due after more than one year	7	(568,612)	(539,812)
<b>Net assets</b>		<u>1,052,190</u>	<u>832,410</u>
<b>Capital and reserves</b>			
Called up share capital	10	515,903	267,542
Profit and loss account	11	536,287	564,868
<b>Total shareholders' funds</b>		<u>1,052,190</u>	<u>832,410</u>

The profit and loss account includes a net loss after tax for the year of \$28,581,000 (2019: \$72,876,000). As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

These financial statements set out on pages 101 to 116 were approved by the Board of Directors on 27 May 2021 and were signed on its behalf by:



**A Van Vilsteren**  
Director

Company number: 06590752

The notes on pages 103 to 116 form an integral part of these financial statements.

**Company Statement of Changes in Equity**  
*for the year ended 31 August 2020*

	Note	Share capital \$000	Share premium \$000	Profit and loss account \$000	Total Equity \$000
Balance as at 1 September 2018		67,542	779,764	(142,020)	705,286
<b>Total comprehensive loss for the year</b>					
Loss for the year		-	-	(72,876)	(72,876)
<b>Total comprehensive income/(loss) for the year</b>		-	-	(72,876)	(72,876)
<b>Transactions with owners, recorded directly in equity</b>					
Issuance of new ordinary shares	10	200,000	-	-	200,000
Capital reduction	11	-	(779,764)	779,764	-
<b>Total contributions by and distributions to owners</b>		200,000	(779,764)	779,764	200,000
<b>Balance at 31 August 2019</b>		<b>267,542</b>	<b>-</b>	<b>564,868</b>	<b>832,410</b>
<b>Total comprehensive loss for the year</b>					
Loss for the year		-	-	(28,581)	(28,581)
<b>Total comprehensive income/(loss) for the year</b>		-	-	(28,581)	(28,581)
<b>Transactions with owners, recorded directly in equity</b>					
Issuance of new ordinary shares	10	248,361	-	-	248,361
<b>Total contributions by and distributions to owners</b>		248,361	-	-	248,361
<b>Balance at 31 August 2020</b>		<b>515,903</b>	<b>-</b>	<b>536,287</b>	<b>1,052,190</b>

The notes on pages 103 to 116 form an integral part of these financial statements.

## Notes to the Company financial statements

### 1 General information

Nord Anglia Education London Holdings Limited is a financing and holding company. The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 4th Floor, Nova South 160 Victoria Street, Westminster, London, United Kingdom, SW1E 5LB.

### 2 Basis of preparation

These financial statements present information about the Company as an individual undertaking and not about its Group. The financial statements have been prepared on a going concern basis, under historical cost as modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss (as applicable) and in accordance Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The Company adopted IFRS 16 'Leases' with effect from 1 September 2019. The adoption of IFRS16 did not have a material impact on the Company as it holds no leases. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 August 2020 which have had a material impact on the Company.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

In preparing these financial statements the Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

This information is included in the consolidated financial statements.

#### a. Going concern

The Company is an intermediate holding company within the wider NAE Group. The Company has received confirmation from Nord Anglia Education Management Limited of its intention to provide sufficient support to enable the Company to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements.

Having made enquiries, the Directors have reasonable expectations that the Company and the NAE Group are well placed to manage its business risks and continue its operations for the foreseeable future and for at least 15 months from the date of the approval of the financial statements. Accordingly, the Directors have not identified any material uncertainties to the Company's or the NAE Group's ability to continue as a going concern and therefore continue to adopt the going concern basis in preparing the financial statements. For more information see the Strategic Report on page 2.

### 3 Accounting policies

The accounting policies of the Company have, unless otherwise stated, been applied consistently to all years presented in these financial statements. In most cases the accounting policies for the Company are fully aligned with the equivalent accounting policies for the Group as stated in Note 1 to the consolidated financial statements. The accounting policies that are specific to the Company are set out below.

#### b. Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

## Notes to the Company financial statements (continued)

### 3 Accounting policies (continued)

#### c. Intercompany receivables

Intercompany receivables are initially measured at fair value. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses. In order to calculate impairment losses, the Company first determines the 12 month expected credit loss, with the lifetime expected credit loss being recognised in the event of a significant increase in default risk. If external or internal rating information is available, the expected credit loss is determined on the basis of this data. If no rating information is available, the Company determines default ratios on the basis of historical default rates, taking into account forward-looking information on economic developments. The estimates and assumptions used to determine the level of expected credit losses are reviewed periodically to determine if there is a significant increase in default risk.

#### d. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 August 2020 reporting periods and have not been early adopted by the Company. None of these are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

#### e. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors consider that there are the following significant judgments or key sources of estimation uncertainty in the preparation of these financial statements.

##### *Deferred taxation*

Calculations are made to determine the amount of tax provisions to be recognised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and the level of future taxable profits. See note 9.

##### *Investment carrying value*

Investments in subsidiary undertakings are stated at cost, less any provision for diminution in value. Investments are tested for impairment annually by comparing the value of the investments to the net assets of the subsidiary that the investment is held in. If these net assets are not sufficient then a comparison to the forecast discounted future cash flows of the entity is performed to assess whether this is sufficient to support the level of the asset. In cases where the full amount of the asset is not supported by this forecasted amount then a provision is recorded for the value of the asset that is not supportable. See note 5.

### 4 Employees

The average number of employees, including directors, during the year was 4 (2019: 4).

### 5 Investments

	2020 \$000	2019 \$000
<b>Cost and net book value</b>		
At 1 September	1,257,145	1,057,145
Addition*	-	200,000
At 31 August	<u>1,257,145</u>	<u>1,257,145</u>

All investments relate to either companies operating schools or educational services companies, or related holding companies.

\* The addition in investment relates to capital injections into the Company's direct subsidiary Nord Anglia Education Limited to fund acquisitions.

## Notes to the Company financial statements (continued)

### 5 Investments (continued)

Investments represent 100% of the issued ordinary share capital of Nord Anglia Education Limited, a company incorporated in the United Kingdom. The principal activity of this subsidiary is that of a holding company.

No impairment charges were required to be made to the carrying value of the Company's investments as the directors believe that the carrying value of the investments is supported by the recoverable amount of underlying assets/future cash flows.

#### Subsidiaries

Refer to the appendix for a full listing of the Company's subsidiaries.

### 6 Debtors

	2020 \$000	2019 \$000
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	<u>98,070</u>	<u>82,189</u>
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	218,489	255,715
Other debtors	41	41
	<u>218,530</u>	<u>255,756</u>

#### 31 August 2020

Amounts owed by group undertakings are unsecured, interest free and repayable on demand, with the exception of the following loans with:

- NAE Hong Kong Limited of \$106,410,000 where interest is charged at a rate of approximately 5.44%; and
- NAE Hong Kong Holdings Limited of \$112,078,000 where interest is charged at a rate of approximately 5.59%.

#### 31 August 2019

Amounts owed by group undertakings are unsecured, interest free and repayable on demand, with the exception of the following loans with:

- NAE Hong Kong Limited of \$104,331,000 where interest is charged at a rate of approximately 5.82%;
- NAE Hong Kong Holdings Limited of \$133,361,000 where interest is charged at a rate of approximately 5.82%; and
- Nord Anglia Education Limited of \$18,024,000 where interest is charged at a rate of 6.00%.

### 7 Cash and cash equivalents

	2020 \$000	2019 \$000
Cash at bank and in hand	<u>243,506</u>	<u>1,005</u>

## Notes to the Company financial statements (continued)

### 8 Creditors

	2020 \$000	2019 \$000
<i>Amounts falling due within one year</i>		
Bank overdrafts	6	73,756
Trade and other creditors	583	1
Accruals and deferred income	80	183
Amounts owed to group undertakings	195,780	149,933
	<b>196,449</b>	<b>223,873</b>
<i>Amounts falling due after more than one year</i>		
CSX listed loan notes <sup>1</sup>	536,612	536,612
Amounts owed to group undertakings	32,000	3,200
	<b>568,612</b>	<b>539,812</b>

<sup>1</sup>The CSX loan note instruments between Nord Anglia Education, Inc and Nord Anglia Education London Holdings Limited bear a rate of 5.20% plus LIBOR. Undrawn amount as at 31 August 2020 was US\$363,388,000 (2019: US\$363,388,000). The CSX Notes have a maturity date of 31 August 2025.

#### 31 August 2020

Amounts owed to group undertakings are unsecured, interest free and repayable on demand, with the exception of the following loans with:

- The British School of Kuala Lumpur Sdn. Bhd. for \$4,824,000, where interest was charged at a rate of 3.00% and expires on 31 May 2022.
- Regent Pattaya Campus Management Co., Ltd. for \$3,176,000, where interest is charged at a rate of 3.00% and expires on 31 August 2024.
- Nord Anglia Education Limited for \$24,000,000, where interest is charged at a rate of approximately 4.49% and expires on 31 August 2024.

#### 31 August 2019

Amounts owed to group undertakings are unsecured, interest free and repayable on demand, with the exception of the following loan with:

- The British School of Kuala Lumpur Sdn. Bhd. For \$3,185,000, where interest was charged at a rate of 3.00% and expired on 31 May 2020 (due within 1 year).
- Regent Pattaya Campus Management Co., Ltd. For \$3,200,000, where interest is charged at a rate of 4.00% and expires on 31 August 2024.

### 9 Deferred taxation

As at 31 August 2020, the Company has not recognised a deferred tax asset of \$32,132,000 (2019: \$32,623,000) in relation to losses where it is uncertain that future profits will be available against which the losses could be utilised.

## Notes to the Company financial statements (continued)

### 10 Financial instruments

	2020 \$000	2019 \$000
<b>Assets measured at amortised cost</b>		
Cash at bank and in hand	243,506	1,005
Amounts owed to group undertakings	316,559	337,904
	<b>560,065</b>	<b>338,909</b>
<b>Liabilities measured at amortised cost</b>		
Bank overdraft	6	73,756
Trade creditors	583	1
CSX listed loan notes	536,612	536,612
Amounts owed to group undertakings	227,780	153,133
	<b>764,981</b>	<b>763,502</b>

#### Valuation techniques

The following is a description of the determination of fair value for financial instruments within FRS 101 Section 11 paragraph 27 which are accounted for at fair value using valuation techniques.

- Level 1: Quoted Prices (unadjusted) based on independent third party valuations in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

#### Nature and extent of risks arising from financial instruments

The financial risks faced by the Company include price risk, credit risk, liquidity risk, foreign currency risk and interest rate risk. The board reviews and agrees policies for managing each of these risks. Details regarding the exposure to these risks, the objectives, policies and processes for managing these risks and the methods used to measure these risks are discussed in the Strategic Report on page 4.

#### Credit risk

The maximum exposure to credit risk at each reporting date is the carrying amount recorded on the balance sheet.

No collateral or other credit enhancements are held as at 31 August 2020 (2019: none).

No credit derivatives or similar investments are held which mitigate the maximum exposure to credit risk (2019: none).

The financial assets that are neither past due nor impaired relate to amounts owed by group undertakings which are considered to be fully recoverable based on the results and cash flows of the Nord Anglia Education Group.

No amounts are past due or impaired as at 31 August 2020 (2019: none).

## Notes to the Company financial statements (continued)

### 10 Financial instruments (continued)

#### Maturity of financial liabilities

The CSX Notes have a maturity date of 31 August 2025.

The undiscounted contractual cash flows relating to the Company's financial liabilities are as follows:

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
2020	\$000	\$000	\$000	\$000	\$000	\$000
Bank overdraft	6	-	-	-	-	-
Trade creditors	583	-	-	-	-	-
CSX loan notes	36,506	36,506	36,506	36,506	573,118	-
Amounts owed by group undertakings	195,780	4,824	-	27,176	-	-
	<u>232,875</u>	<u>41,330</u>	<u>36,506</u>	<u>63,682</u>	<u>573,118</u>	<u>-</u>
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
2019	\$000	\$000	\$000	\$000	\$000	\$000
Bank overdraft	73,756	-	-	-	-	-
Trade creditors	1	-	-	-	-	-
CSX loan notes	41,888	41,888	41,888	41,888	41,888	578,500
Amounts owed by group undertakings	149,933	-	-	3,200	-	-
	<u>265,578</u>	<u>41,888</u>	<u>41,888</u>	<u>45,088</u>	<u>41,888</u>	<u>578,500</u>

The tables above analyse financial liabilities into maturity groupings based on the period from the balance sheet date to the contractual maturity date. As the amounts disclosed are the contractual undiscounted cash flows, they differ from the carrying values and fair values. Contractual undiscounted future cash outflows for financial liabilities in total amount to \$947,511,000 (2019: \$1,014,830,000). The contractual undiscounted future cash flows reported in the tables above in respect of amounts owed to group undertakings reflect anticipated repayment dates.

#### Interest rate risk

The CSX Loan Notes have an interest rate of 5.20% + LIBOR, and the directors have therefore carried out a sensitivity analysis showing the effect of a change to the interest rate of the loan notes. If the 3 month LIBOR increases by 1.00%, additional interest per year would be \$5,366,000 (2019: \$5,366,000).

## Notes to the Company financial statements (continued)

### 10 Financial instruments (continued)

#### Foreign exchange risk

There is no material foreign exchange exposure as the financial assets and liabilities are materially denominated in the Company's functional currency of USD.

#### Price risk

As set out the Strategic Report on page 4, the Company itself does not have material exposure to price risk.

#### Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'amounts due within one year' and 'amounts due after more than one year' as shown on the balance sheet) less cash at bank and in hand. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio. The gearing ratios at 31 August 2020 and 2019 were as follows:

	2020 \$000	2019 \$000
Total interest-bearing borrowings *	568,618	613,568
Less: cash at bank and in hand	243,506	1,005
Net interest-bearing debt	812,124	614,573
Total equity	1,052,190	832,410
Total capital	1,864,314	1,446,983
Gearing	0.44 : 1	0.42 : 1

\* Consisting of bank overdraft, CSX Loan Notes and amounts owed to group undertakings (due after more than one year).

There are no externally imposed capital requirements at 31 August 2020 (2019: none).

There are no changes to the Company's objectives, policies, processes for managing capital, or what the Company manages as capital, from the prior year.

### 11 Called up share capital

	2020 \$000	2019 \$000
Authorised, allotted, called up and fully paid		
515,902,579 (2019: 267,541,561) Ordinary share of \$1.00 each	515,903	267,542
1 (2019: 1) Deferred share of \$0.19	-	-

During the year 248,361,018 (2019: 200,000,000) shares were issued at par.

The holders of Ordinary shares are entitled to full rights in respect of voting, dividends and distributions. The holder of the Deferred share has no voting or dividend rights and any capital distributions are limited to the nominal value of the Deferred share.

## Notes to the Company financial statements (continued)

### 11 Reserves

#### Share premium account

Share premium represents the amount subscribed for share capital in excess of the nominal value.

The decrease in share premium to \$nil during the prior financial year is due to a written resolution approved in August 2019 to reduce the share premium account of the Company in respect of the Ordinary Shares in an amount of \$779,763,754, pursuant to section 641(1)(a) of the Companies Act 2006 in order to create distributable reserves (the "Reduction of Capital").

#### Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

### 12 Information included in the notes to the consolidated financial statements

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the Company. Please refer to the following:

Note 4 – Expenses and auditors' remuneration  
Note 8 – Key management personnel  
Note 17 – Investments  
Note 30 – Events after the balance sheet date  
Note 31 – Ultimate parent undertaking and controlling party

### 13 Related party transactions

The Company has taken advantage of the exemption under IAS24 of disclosing related party transactions with wholly-owned subsidiaries of the Group. Other related party transactions were as follows:

	2020 \$000	2019 \$000
Interest receivable from group companies	3,811	6,577
Interest payable to group companies	36,420	39,750

The directors of the Company are remunerated by other companies within the Nord Anglia Education Group. The directors do not consider that any of their remuneration relates to this company as the level of their qualifying services provided to this company is inconsequential in both 2020 and 2019.

## Appendix

### List of subsidiaries

A list of the Group subsidiaries, the country of incorporation, the class of shares held and the effective percentages of equity owned at 31 August 2020 are disclosed below.

	Country of incorporation	Class of shares held	Percentage of Ownership		Registered office
			2020	2019	
<b>Holding companies</b>					
Nord Anglia Education Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
NAE Hong Kong Limited <sup>*SG</sup>	Hong Kong	Ordinary	100.00%	100.00%	18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Nord Anglia Education Development Services Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
Nord Anglia Middle East Holding S.P.C.*	Bahrain	n/a	100.00%	100.00%	Office 1276, Building 574, Road 31, Block 611, Al Hamriya, Bahrain
Nord International Schools Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
NA Educational Services Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
NA Schools Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
WCL HoldCo Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
WCL Group Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
WCL Intermediate Holdings Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
WCL Services Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
WCL School Management Services Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
British Schools of America, L.L.C. <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
BST Holding, L.L.C. <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
British Schools of Texas, L.L.C. <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
British International School Foundation <sup>*G</sup>	Hungary	n/a	100.00%	100.00%	H-1037 Budapest, Kiscelli köz 17
British International School Bratislava, s.r.o. <sup>*S</sup>	Slovakia	n/a	100.00%	100.00%	J.Valaššana Dolinského 1, 841 02 Bratislava, Slovak Republic
BSG Limited <sup>*SG</sup>	Hong Kong	Ordinary	100.00%	100.00%	18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Guangzhou Yingkai Investment & Consulting Co., Ltd.*	China	n/a	100.00%	100.00%	Room 3002, No. 761 Dong Feng East Road, Yuexiu District, Guangzhou, China
Nord Anglia (Beijing) Consulting Limited *	China	n/a	100.00%	100.00%	Room C211, South Court, No. 9 An Wah Street, Shunyi District, Beijing, China
KG Investments Limited ^	Jersey	n/a	100.00%	100.00%	47 Esplanade, St Heller, Jersey JE1 0BD

## Appendix

### List of subsidiaries (continued)

	Country of incorporation	Class of shares held	Percentage of Ownership		Registered office
			2020	2019	
KG (Beijing) Investment Consultant Co., Ltd. *	China	n/a	100.00%	100.00%	No. 5 Xiliujie, Sanlitun Road, Chaoyang District, Beijing, China
Neptune Education Holdings Limited <sup>45</sup>	Hong Kong	Ordinary	100.00%	100.00%	18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Nord Anglia School (Hong Kong) Limited *	Hong Kong	n/a	100.00%	100.00%	26th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
Nord Anglia (Shanghai) Business Consultancy Company Limited *	China	n/a	100.00%	100.00%	Unit C117, Block 22, No 1-30, Lane 88 Mingbei Road, Minhang District, Shanghai 201107
Viking Holdco, Inc. <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
Viking Holding Company, LLC <sup>ASG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
Viking C Corporation <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
Meritas MX, LLC <sup>*SG</sup>	USA	n/a	100.00%	100.00%	1200 South Pine Island Road, Plantation, Florida 33324
Meritas MX II, LLC *	USA	n/a	100.00%	100.00%	1200 South Pine Island Road, Plantation, Florida 33324
Meritas Luxembourg Holdings SARL *	Luxembourg	Ordinary	100.00%	100.00%	9A, Boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg
Meritas (Gibraltar) Holdings Limited *	Gibraltar	Ordinary	100.00%	100.00%	28 Irish Town, Gibraltar
Meritas CH Sarl *	Switzerland	Ordinary	100.00%	100.00%	Route de Sauverny 74, 1290 Versoix
Meritas Malta Holdings Limited <sup>A</sup>	Malta	Ordinary	100.00%	100.00%	171, Old Bakery Street, Valletta, Malta
Meritas Mexico, S. de R.L. de C.V. <sup>ASG</sup>	Mexico	n/a	100.00%	100.00%	José Justo Corro No. 2800 Col. Centro Monterrey, N.L. 64460
Prague British International School s.r.o. *	Czech Republic	n/a	100.00%	100.00%	Praha 4, Kamyk, K Lesu 2/558, 14200 Czech Republic
NAE Swiss Holding AG <sup>AS</sup>	Switzerland	n/a	100.00%	100.00%	c/o Battig Trehand AG, Obergrundstrasse 17, 6002 Luzern, Switzerland
BCB Education Limited <sup>ASG</sup>	BVI	Ordinary	100.00%	100.00%	Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
BIS Myanmar Limited <sup>A</sup>	Myanmar	Ordinary	100.00%	100.00%	No. 2(A), Building (2), Yangon-Insein Road, Ward 9, Hlaing Township, Yangon
BISY Pte. Ltd. <sup>ASG</sup>	Singapore	Ordinary	100.00%	100.00%	100 Beach Road, #25-06 Shaw Towers, Singapore 189702
British Schools International Limited <sup>ASG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
BSG Management Limited <sup>ASG</sup>	BVI	Ordinary	100.00%	100.00%	Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
BSKL Education Limited <sup>ASG</sup>	Hong Kong	Ordinary	100.00%	100.00%	18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
BSKL Limited <sup>ASG</sup>	BVI	Ordinary	100.00%	100.00%	Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
Forest Rich Investment Limited <sup>ASG</sup>	Hong Kong	Ordinary	100.00%	100.00%	18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

## Appendix

### List of subsidiaries (continued)

	Country of incorporation	Class of shares held	Percentage of Ownership		Registered office
			2020	2019	
Global British Schools Limited <sup>*SG</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
International Education Holdings Limited <sup>ASG</sup>	BVI	Ordinary	100.00%	100.00%	Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
"JN Investment" Limited Liability Company <sup>A</sup>	Uzbekistan	n/a	100.00%	100.00%	30A, Sayram Street, Mirzo Ulughbek District, Tashkent City, The Republic of Uzbekistan, 100077
BSF Service Limited Liability Company <sup>A</sup>	Russia	n/a	100.00%	100.00%	129128 Moscow Kadomtseva dr., 15 area 3 office 16a
Rialton Avenue Inc. <sup>SG</sup>	Philippines	Common	99.99%	99.99%	Lot 3C, 3D & 3E Bradco Avenue, Aseana Business Park, Parañaque City
True Promise Trading Inc. <sup>ASG</sup>	BVI	Ordinary	100.00%	100.00%	Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
Unibritish Comercio de Alimentos e Produtos Importados e Nacionais EIRELI <sup>*G</sup>	Brazil	n/a	100.00%	100.00%	Avenida Washington Luis No. 1190, Santo Amaro, City of Sao Paulo, Sate of São Paulo, Zip Code 04.662-002, Brazil
Stichting Exploitatie International School of Rotterdam <sup>AA</sup>	Netherlands	n/a	n/a	n/a	Verhulstlaan 21, 3055WJ Rotterdam
Nord Anglia Education Administration Limited <sup>*</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
2711500 Ontario Inc. <sup>*</sup>	Canada	Ordinary	100.00%	100.00%	45 O'Connor Street Suite 1500 Ottawa Ontario Canada K1P 1A4
Emilia Bidco	Mexico	Ordinary	100.00%	n/a	Paseo de las Palmas, 405; Piso 1702. Col. Lomas de Chapultepec. Delegación Miguel Hidalgo, 11000, México
<b>Premium Schools</b>					
English International School Prague, s.r.o. <sup>AS</sup>	Czech Republic	n/a	-	100.00%	Bruneřova 960/12, 142 00 Praha 4 - Libuř, Czech Republic
British International School Kindergarten, Primary and Secondary School <sup>*</sup>	Hungary	n/a	100.00%	100.00%	H-1037 Budapest, Kiscelli köz 17
The British School Sp. Z o.o. <sup>*G</sup>	Poland	n/a	100.00%	100.00%	15 Limanowskiego Street, 02-943 Warsaw, Poland
The British International School, Shanghai <sup>*</sup>	China	n/a	100.00%	100.00%	600 Cambridge Forest New Town, 2729 Hunan Road, Shanghai, China
British School of Beijing <sup>*</sup>	China	n/a	100.00%	100.00%	South Side, No.9 An Hua Street, Shunyi District, Beijing 101318, China
Collège Champittet SA <sup>*SG</sup>	Switzerland	n/a	100.00%	100.00%	Chemin de Champittet, c/o Collège Champittet
Collège Alpin Beau-Soleil SA <sup>*SG</sup>	Switzerland	n/a	100.00%	100.00%	Route du Village 1, 1884 Villars-sur-Ollon, Switzerland
La Côte International School SA <sup>*SG</sup>	Switzerland	n/a	100.00%	100.00%	Chemin de Champittet, 1009 Pully
British School of Washington, L.L.C. <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
British School of Boston, L.L.C. <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA

## Appendix

### List of subsidiaries (continued)

	Country of incorporation	Class of shares held	Percentage of Ownership		Registered office
			2020	2019	
Collegiate Prep Realty, LLC <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
Village Real Estate LLC <sup>*SG</sup>	USA	n/a	100.00%	100.00%	1999 Bryan Street, Suite 900 Dallas, TX 75201
North Broward Preparatory Schools, LLC <sup>*SG</sup>	USA	n/a	100.00%	100.00%	1200 South Pine Island Road, Plantation, Florida 33324
College du Léman, SARL <sup>*SG</sup>	Switzerland	Ordinary	100.00%	100.00%	Route de Sauverny 74, 1290 Versoix
Instituto de Desarrollo Educacion y Aprendizaje, S.C. <sup>*</sup>	Mexico	n/a	100.00%	100.00%	Real de San Agustín No. 4 Col. Residencial San Agustín San Pedro Garza García, N.L. 66260
CampLife Ltd	USA	n/a	50.50%	50.50%	1200 South Pine Island Road, Plantation, Florida 33324
British School of Chicago, L.L.C. <sup>*SG</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
British School of Houston, L.P. <sup>ASG</sup>	USA	n/a	100.00%	100.00%	4211 Watonga Boulevard, Houston, Texas 77092
International College Spain, S.A.U. <sup>*SG</sup>	Spain	n/a	100.00%	100.00%	Calle Vereda Norte 3, La Moraleja, 28109 Alcobendas, Madrid, Spain
Česko Britská Základní Škola, s.r.o. <sup>*</sup>	Czech Republic	n/a	100.00%	100.00%	Praha 4, Kamyk, K Lesu 2/558, 14200 Czech Republic
The Metropolitan School of Panama, S.A. <sup>*SG</sup>	Panama	Ordinary	100.00%	100.00%	Panama City, Republic of Panama
Nord Anglia Education (Ireland) Limited <sup>*</sup>	Ireland	Ordinary	100.00%	100.00%	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
Sukromna spojená škola British International School Bratislava <sup>*</sup>	Slovakia	n/a	100.00%	100.00%	J.Valaššana Dolinského 1, 841 02 Bratislava, Slovak Republic
Northbridge International School (Cambodia) Limited <sup>*G</sup>	Cambodia	n/a	100.00%	100.00%	Street 2004, Phum Trapeang Chhouk, Sangkat Toek Thla, Khan Sen Sok, Phnom Penh, Cambodia
British American School of Charlotte, L.L.C. <sup>*GS</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
WCL Academy of New York LLC <sup>*GS</sup>	USA	n/a	100.00%	100.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
British School of Guangzhou <sup>*</sup>	China	n/a	100.00%	100.00%	No. 983-3 Tonghe Road, Baiyun District, Guangzhou, China
Nord Anglia International School, Hong Kong Limited <sup>*</sup>	Hong Kong	n/a	100.00%	100.00%	26th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
British International School LLC <sup>GH</sup>	Abu Dhabi, UAE	n/a	49.00%	49.00%	PO Box 60968, Abu Dhabi, United Arab Emirates
Nord Anglia International School L.L.C. <sup>GH</sup>	Dubai, UAE	n/a	49.00%	49.00%	Office No. 001, Level 100, Arenco Tower, Media City, Dubai
BISY Management Company Limited <sup>l</sup>	Myanmar	n/a	n/a	n/a	No. 2(A), Building (2), Yangon-Insein Road, Ward 9, Hlaing Township, Yangon

## Appendix

### List of subsidiaries (continued)

	Country of incorporation	Class of shares held	Percentage of Ownership		Registered office
			2020	2019	
British Colégio do Brasil – BCB – EIREL * <sup>g</sup>	Brazil	n/a	100.00%	100.00%	Avenida Engenheiro Oscar Americano, No. 630, Morumbi, City of Sao Paulo, State of São Paulo, Zip Code 05673-050, Brazil
International School Limited Liability Company*	Russia	n/a	100.00%	100.00%	23, Rosinka, Angelovo rural, Krasnogorskiy district, Moscow region, Russia 143442
Non-Profit General Education Private Institution "International School" **	Russia	n/a	100.00%	100.00%	Building 6, 12 Krylatskaya Street, Moscow, Russia 121552
Non-Profit General Education Private Institution of British Educational System "International School" **	Russia	n/a	100.00%	100.00%	12 Krylatskaya Street, Moscow, Russia, 121552
The British School of Kuala Lumpur Sdn. Bhd. * <sup>g</sup>	Malaysia	Ordinary	100.00%	100.00%	No.2, Jalan Raja Abdullah, Off Jalan Sultan Ismail, 50300 Kuala Lumpur, Malaysia
"The British School of Tashkent" Non-governmental Educational Institution*	Uzbekistan	n/a	100.00%	100.00%	30A, Sayram Street, Mirzo Ulughbek District, Tashkent City, The Republic of Uzbekistan, 100077
The King's School, Manila Inc. ** <sup>g</sup>	Philippines	Common	39.92%	39.92%	Bradco Avenue, Aseana Business Park, Parañaque City, Philippines
Stichting Funtazia International Child Care <sup>AA</sup>	Netherlands	n/a	n/a	n/a	Verhulstlaan 21, 3055WJ Rotterdam
Stichting Nord Anglia International School Rotterdam <sup>AA</sup>	Netherlands	n/a	n/a	n/a	Verhulstlaan 21, 3055WJ Rotterdam
People Combine Avenues Limited	India	Ordinary	99.99%	99.99%	D.No.8-1-97/1/8, Level 4, Block- B, Ninitaas High's, Pedawaltair, Visakhapatnam, Andhra Pradesh 530017.
People Combine Educational Initiatives Limited	India	Ordinary	99.99%	99.99%	D.No.8-1-97/1/8, Level 4, Block- B, Ninitaas High's, Pedawaltair, Visakhapatnam, Andhra Pradesh 530017.
People Combine Business Initiatives Private Limited	India	Ordinary	99.99%	99.99%	D.No.8-1-97/1/8, Level 4, Block- B, Ninitaas High's, Pedawaltair, Visakhapatnam, Andhra Pradesh 530017.
People Combine Bengaluru Knowledge Institutions Private Limited	India	Ordinary	99.99%	99.99%	D.No.8-1-97/1/8, Level 4, Block- B, Ninitaas High's, Pedawaltair, Visakhapatnam, Andhra Pradesh 530017.
People Combine Solutions Private Limited	India	Ordinary	99.99%	99.99%	D.No.8-1-97/1/8, Level 4, Block- B, Ninitaas High's, Pedawaltair, Visakhapatnam, Andhra Pradesh 530017.
People Combine Knowledge Solutions Limited	India	Ordinary	99.99%	99.99%	D.No.8-1-97/1/8, Level 4, Block- B, Ninitaas High's, Pedawaltair, Visakhapatnam, Andhra Pradesh 530017.
Oakridge Educational Society <sup>l</sup>	India	n/a	n/a	n/a	Oakridge International School, Singannabanda Village, Bheemunipatnam Mandal, Visakhapatnam, 531163, Andhra Pradesh.
Vikas Education Society <sup>l</sup>	India	n/a	n/a	n/a	Oakridge International School, Singannabanda Village, Bheemunipatnam Mandal, Visakhapatnam, 531163, Andhra Pradesh.

## Appendix

### List of subsidiaries (continued)

	Country of incorporation	Class of shares held	Percentage of Ownership		Registered office
			2020	2019	
Orange Education Society Bengaluru <sup>l</sup>	India	n/a	n/a	n/a	Survey No. 39/8 Tigachowdenahally Village, Varthur Road, Sarjapur Hobli, Anekal Taluka, Bengaluru, Karnataka -562125
Orange Educational Society Mohali <sup>l</sup>	India	n/a	n/a	n/a	Killa nos 15/23 & 15/25, Swara (Village), Near Landran, Sirhind Road, Kharar (Tehsil), S.A.S. Nagar (Mohali) District, Greater Mohali, Punjab-140307
Colegio Menor CMSFQ, S.A.*	Ecuador	Ordinary	100.00%	100.00%	Juan Montalvo N2-168 y Manuela Sáenz, Quito, Ecuador
<b>Learning Services</b>					
Nord Anglia Vocational Education and Training Services Ltd <sup>*sg</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
Brighton Education Learning Services Sdn. Bhd.*	Malaysia	n/a	100.00%	100.00%	Level 19-1, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan
Nord Anglia Education Sdn. Bhd.*	Malaysia	n/a	100.00%	100.00%	Level 19-1, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan
BSA Resource Solutions, LLC <sup>sg</sup>	USA	n/a	50.00%	50.00%	Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA
Fieldwork Education Limited <sup>*sg</sup>	UK	Ordinary	100.00%	100.00%	4th Floor, Nova South, 160 Victoria Street, London, SW1E 5LB, England
Overseas Schools SA*	Belgium	n/a	100.00%	100.00%	Avenue Louise numero 109 a Bruxelles (1050 Bruxelles)
Nord Anglia Educational Consultancies Saudi Arabia Limited <sup>A</sup>	Saudi Arabia	n/a	100.00%	100.00%	PO Box 30034, Riyadh, 11372

\* Investment held indirectly by 100% owned subsidiary of the Group.

\* Investments held 100% within the Group by more than one subsidiary of the Group.

<sup>g</sup> Share capital of subsidiary is pledged as security for borrowings.

<sup>g</sup> Subsidiary is a guarantor under the security arrangement for borrowings.

<sup>h</sup> The Group holds interests of less than 50% of certain companies. Where indicated, these companies are consolidated by the Group due to the majority of the economic interests in these companies in the form of both the right to receive dividends and the right to full distribution on liquidation and majority of voting rights.

<sup>l</sup> The Group does not own any equity interest in the company but controls and operates the company through contractual arrangements.

<sup>ll</sup> The Group holds majority of the board seats, owns equity interest and operates the company through contractual arrangements.

<sup>ll</sup> The company has no equity or capital structure. Its board of directors has the highest authority.