

Inspired Education Holdings Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 August 2022

Registered number: 10392529

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Inspired Education Holdings Limited

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Inspired Education Holdings Limited

Officers and professional advisers

Directors

G Crawford
N Nsouli
C Parkin
R Rishani
A Sarma
I Stoyanov
N Wergan
N Woloszczuk

Secretary

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Solicitors

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Auditor

Deloitte LLP
Statutory Auditor
London
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Inspired Education Holdings Limited

Strategic report

This strategic report has been prepared for Inspired Education Holdings Limited and its subsidiary undertakings ('Inspired' or 'the Group') as a whole and therefore gives greater emphasis to those matters which are significant to the Group when viewed as a whole.

Principal activity

The principal activity of the Group is to provide private education services across the world.

Review of the business

The Consolidated statement of comprehensive income is set out on pages 17 and 18.

The Directors are delighted with the underlying performance of the Group, demonstrating a strong recovery from the COVID-19 pandemic, with enrolments increasing 23%; revenue increasing 24%; profit for the year increasing 105.3%; EBITDA before highlighted items increasing 30%, and Adjusted EBITDA increasing 32% year on year. Refer appendix 1 for definitions of EBITDA before highlighted items and Adjusted EBITDA.

A reconciliation from profit for the year to EBITDA before highlighted items is included below.

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Profit for the year	52,656	25,649
Tax	25,395	14,227
Profit before tax	78,051	39,876
Net finance costs	58,884	53,468
Amortisation	27,940	19,076
Depreciation	51,278	48,858
EBITDA	216,153	161,278
Pre-opening/start-up operating loss	3,004	2,452
Acquisition and transaction related costs	15,299	7,632
Litigation costs	278	-
Loss on the disposal or closure of a subsidiary	4,404	244
Restructuring and integration costs	768	3,393
FX gains / (losses) arising on financing and derivatives on acquisitions and disposals	(22,595)	-
Gain on bargain purchase	(401)	-
Gain on disposal of associate through step-acquisition	-	(8,064)
EBITDA before highlighted items	216,910	166,935

Revenue for the year ended 31 August 2022 was €657.5 million (2021: €528.4 million) and profit before tax was €78.1 million (2021: €39.9 million). These numbers do not include the full year impact of acquisitions completed during the year and are prior to the adjustment of highlighted items.

The Group's net assets as at 31 August 2022 were €841.6 million (31 August 2021: €565.2 million). The increase in reported net assets in the current year is a result of profit for the year, issue of new shares, and a movement in foreign exchange rates against the Euro, which has increased the reported value of the Group's non-Euro denominated balances.

Inspired Education Holdings Limited

Strategic report (continued)

Business combinations

During the current year, the Group made the following acquisitions:

- On 12 May 2022, the Group acquired 100% of the shares in Nido di SLS, a business operating a pre-school in Italy, for total consideration of €2.0 million.
- On 17 May 2022, the Group acquired 100% of the shares in Centro de Formación Mestral S.L., a business operating a school in Spain, for total consideration of €11.7 million.
- On 19 May 2022, the Group acquired 100% of the shares in Miran S.A, a business operating a school in Spain, for total consideration of €25.0 million.
- On 13 June 2022, the Group acquired 76% of the shares in Institut Khalil Jabran S.A, a business operating a school in Morocco, for total consideration of MAD 62.5 million (€6.0 million).
- On 23 June 2022, the Group acquired 100% of the shares in Escolas Globais do Brasil S.A., a business operating a group of schools in Brazil, for total consideration of BRL 1,623 million (€296.1 million).

Acquisitions of non- controlling interests

- On 14 December 2021, the Group acquired an additional 45% of the shares in Socieduca – Sociedade De Educacao, SA ('St Peters') for consideration of €20.0 million, taking the ownership to 100%.
- On 29 December 2021, as a result of a capital reduction of Kensington School SA, the Group increased its ownership in the Company from 99.4% to 100%.

Disposal of subsidiaries

- On 7 June 2022, the Group disposed of its investment in Ostaz Holdings Limited for consideration of €0.0 million. A loss on disposal of €4.4 million, largely reflecting the goodwill that was previously recognised on acquisition of the business, has been recognised as a result of the sale.

Inspired Education Holdings Limited

Strategic report (continued)

Financing activities

On 10 June 2022, the Group increased its Term Loan borrowing by €250 million, taking the total Term Loan outstanding to €1,045 million. The proceeds from the additional borrowings were used to fund various acquisitions and provide additional liquidity to the business. The Group's committed revolving credit facility remained unchanged at €85 million during the year and was increased by €70 million to €155 million on 2 September 2022.

A number of small local loan facilities were acquired during the year as part of business acquired during the year. Refer to note 18 for further detail.

The Group hedged its exposure to interest rates during the year by acquiring forward starting floating to fixed interest rates swaps to cover the interest payable on its €1,045 million for the period from 1 December 2022 to 31 May 2024.

Share capital movements

Issue of new shares

In May 2022, Stonepeak, a leading alternative investment firm specializing in infrastructure and real assets, made a €1.0bn minority equity investment in the Company. As part of this investment, €150 million of new shares were issued.

Inspired Education Holdings Limited ('the Company') issued the following ordinary shares during the year:

Date	Class of shares	Number of shares issued	Consideration
6 September 2021	G4	46,397	€0.0 million
25 October 2021	G4	319,972	€0.0 million
31 January 2022	G4	7,692	€0.0 million
10 March 2022	G4	69,107 ¹	€0.0 million
20 May 2022	H	900,000 ¹	€0.0 million
20 May 2022	B1	457,461	€150.0 million

¹ Issued to the Employee Benefit Trust

Share buy-backs

The Company bought back the following ordinary shares during the year:

Date	Class of shares	Number of shares purchased	Consideration
20 May 2022	C1	118,667	€0.0 million
20 May 2022	C2	143,027	€0.0 million
20 May 2022	D	171,636	€0.0 million

Other transfers to / from the Employee Benefit Trust

On 4 April 2022, 33,704 G Ordinary shares, 40,121 G2 Class Ordinary shares, 19,949 G3 Class Ordinary shares and 19,949 G4 Ordinary shares were transferred by existing shareholders into the Employee Benefit Trust for consideration of €0.0 million.

On 20 May 2022, the Employee Benefit Trust sold 48,301 G Ordinary shares and 46,662 G2 Class Ordinary shares for consideration of €4.4 million.

On 28 June 2022, 94,853 G2 Ordinary shares and 7,692 G4 Ordinary shares were transferred by existing shareholders into the Employee Benefit Trust for consideration of €0.0 million.

Inspired Education Holdings Limited

Strategic report (continued)

Share re-designations

On 20 May 2022, the Company redesignated the following shares:

Previous number of shares	Previous class of shares	New number of shares	New class of shares
255,208	A Ordinary	255,208	B1 Ordinary
28,278	B2 Ordinary	28,278	B1 Ordinary
15,533	C1 Ordinary	15,533	B1 Ordinary
21,114	C2 Ordinary	21,114	B1 Ordinary
109,493	C3 Ordinary	109,493	B1 Ordinary
387,543	D Ordinary	387,543	B1 Ordinary
1,194,229	E Ordinary	1,194,229	B1 Ordinary
634,142	E2 Ordinary	634,142	B1 Ordinary
10,000	F Ordinary	1	B1 Ordinary
482,799	G Ordinary	48	B1 Ordinary
1,269,968	G2 Ordinary	127	B1 Ordinary
853,814	G3 Ordinary	86	B1 Ordinary
643,065	G4 Ordinary	64	B1 Ordinary
433,330	F Ordinary	433,330	A2 Ordinary

Key performance indicators

The Group uses a range of key performance indicators (KPIs) to monitor performance and progress towards strategic objectives. The principal KPIs include: Revenue, Profit for the year, Earnings before interest, tax, depreciation and amortisation (EBITDA); EBITDA before highlighted items; Adjusted EBITDA; and pupil enrolments. Management review segment results on the basis of EBITDA before highlighted items and central costs.

An analysis of these KPIs is provided in the table below:

	2022	2021
Revenue €'000	657,460	528,356
Profit for the year €'000	52,656	25,649
EBITDA €'000	216,153	161,278
EBITDA before highlighted items €'000	216,910	166,935
Adjusted EBITDA €'000	171,573	129,791
Period end pupil enrolments	64,430	52,305

These numbers do not include the full year impact of acquisitions completed during each year.

The KPIs above reflect the continued growth of the Group during the year, including the full year impact of acquisitions made during 2021 (with the exception of Ostaz Holdings Limited which was disposed of in 2022); part year impact of acquisitions made in 2022; and organic revenue and margin growth.

EBITDA

EBITDA represents profit before tax, interest, depreciation, and amortisation. A reconciliation from profit before tax to EBITDA is provided above.

Inspired Education Holdings Limited

Strategic report (continued)

EBITDA before highlighted items

The Directors assess the profitability of the Group on a basis (as defined in Appendix 1) which excludes highlighted items (such as but not limited to pre-opening or start-up results for greenfield investments; acquisition-related transaction costs; and restructuring costs). The Group's 'EBITDA before highlighted items' for the year was €216.9 million (2021: €166.9 million), or a Highlighted EBITDA Margin of 32.9% (2021: 31.6%), which represents growth of 30% versus 2021.

Adjusted EBITDA

Adjusted EBITDA is calculated as EBITDA before highlighted items, less cash payments for property and other leases. A reconciliation from EBITDA before highlighted items is as follows:

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
EBITDA before highlighted items	216,910	166,935
Cash payments on leases	(45,337)	(37,144)
Adjusted EBITDA	171,573	129,791

The Group's adjusted EBITDA is monitored by the Directors as it is considered a key KPI for the Group's shareholders and lenders. The Group's Adjusted EBITDA for the year was €171.6 million (2021: €129.8 million), or an Adjusted EBITDA margin of 26.1% (2021: 24.6%), which represents growth of 32% versus 2021.

Inspired Education Holdings Limited

Strategic report (continued)

Principal risks and uncertainties

The Group's operations expose it to a variety of business and financial risks. The Group has mechanisms in place that seek to limit the adverse impacts of these risks on the financial performance of the Group.

Market risk - enrolments

The Group's financial performance is dependent on new students enrolling, and re-enrolment of existing students. The Group actively looks to invest in, and improve, service quality and customer offerings which, together with established strong customer relationships, combine to mitigate pupil enrolment risk. Actual and forecast enrolments are monitored on a weekly basis. Continual investment and improvements are made in group, regional and local marketing and admissions processes and procedures.

As part of the Group's disaster recovery planning, the Group introduced a number of remote learning solutions to mitigate against the impact of any unforeseen closure of school premises, as was experienced as part of the COVID-19 pandemic. The provision of such solutions allows the Group to continue to deliver its primary principal activity of delivering education services.

Employee risk

The continued success of the Group is dependent on the quality of its teachers and staff. The Group continually reviews its HR practices, including personal development and reward structures, to improve the retention of key staff, and attract high quality new staff members.

Regulatory risk

The Group has to comply with various licence and other regulatory requirements to continue its operations. These requirements are continually monitored by local, regional and Group representatives from Health & Safety, Education and other operations to ensure continued compliance.

COVID-19 / Pandemic risk

The safety and well-being of our students and employees is our primary priority. Whilst any future closure of physical school sites will have an impact on the level of ancillary income that the Group earns, the delivery of live streamed teacher led classes ensures that the schools continue to deliver tuition to all of our students.

Credit risk

Trade receivables consist of a widespread customer base, with no concentration of risk.

Liquidity risk

The Group actively manages its finances, including conducting regular cash flow forecasts, and ensuring availability of sufficient cash balances and sources of longer-term debt, to ensure that the Group has sufficient funds available for its operations.

Inspired Education Holdings Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Interest rate cash flow risk

The Group has both interest-bearing assets and liabilities. The interest-bearing assets and liabilities are principally cash balances and borrowings, subject to floating interest rates. Exposures to interest rate risk are continually monitored.

During the year ended 31 August 2022, the Group entered into forward starting interest rate swaps to fix the interest payable under its €1,045 million Term Loan B debt from December 2022 to 31 May 2024.

Foreign exchange risk

Much of the Group's foreign exchange exposure is mitigated through local currency denominated expenses providing a natural hedge to local currency denominated revenues.

During the year ended 31 August 2022, foreign exchange instruments were used to manage the foreign exchange risk of the Euro translated value of consideration payable in Brazilian Real for the acquisition of Escolas Globais do Brasil S.A.

The Directors keep these measures under constant review.

Corporate governance

The Group is committed to good governance appropriate for a Group of its size in order to run its business effectively and ensure it can manage risk appropriately.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

Inspired has a clearly defined organic growth strategy, supported by accretive acquisitions. The strategy is supported through documented operational business goals and objectives that are communicated with employees and other relevant stakeholders.

Decisions made by the Directors during the year ended 31 August 2022 included the approval of issue of shares to Stonepeak, the EBT and employees; approval of the acquisitions of Eleva, Miranda, KGS, Nido and Mestral, and disposal of Ostaz; approval of €250m additional borrowings drawn; approval of acquisition of interest rate swaps; and approval of various staff restructuring activities.

Our decisions are made to have a long-term beneficial impact on the Company and to contribute to the Company's success in delivering a better quality education for our students. Our decisions take into account the impact of the Company's operations on the community and environment, and our wider societal responsibilities.

The Board of Directors consider that in the decisions taken during the year, they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to (amongst other matters):

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

The Board reviews material new contracts (such as acquisition agreements, refinance transactions), to ensure that the appropriate level of diligence has been performed in understanding the obligations, risks and terms. This enables the Company to protect the integrity and long-term sustainability of its business, to meet its strategic objectives and to create value for its shareholders, customers and suppliers.

Our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours.

Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business. The Company also has in place an equity ownership structure for certain senior management in the Group that aligns management's remuneration to the long-term sustainable success of the Group.

Inspired Education Holdings Limited

Strategic report (continued)

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)

The Group operates a zero-tolerance approach to modern slavery and human trafficking. Further information is available on our website.

We also aim to act responsibly and fairly in how we engage and co-operate with all of our other primary stakeholders - our customers, suppliers, communities, government regulators, debt providers, and shareholders - all of whom are integral to the success of the Group.

The Board is committed to social responsibility, community engagement and environmental sustainability. It achieves this through its commitment to a culture of ensuring the safety, health and wellbeing of everyone who works in the Group; creating positive environmental and social impact; and valuing and respecting all staff.

The Group's website (www.inspirededu.com), and social media channels provide extensive and up-to-date news on recent developments.

Future developments

The Directors expect the general level of activity to continue to increase in the forthcoming year. This is a result of continued growth in enrolments and fee revenue, and the full year impact of new acquisitions made during the current year.

The Directors consider that the Group remains well placed to mitigate against the risks arising from the current high inflationary environment across the world, and to benefit from any future rebounds in the macro-economic environment.

Post balance sheet events

On 2 September 2022, the Group's committed revolving credit facility was increased by €70 million to €155 million.

On 19 October 2022, the Group acquired 100% of the share capital of CPD Ballito School (Pty) Ltd, for consideration of Rand 95.1 million (€5.3 million). The company owns the land and buildings used by the Reddam House Ballito school in South Africa.

On 15 November 2022, the Group acquired 100% of the share capital of My Online Schooling Ltd, a company operating a global online school, for provisional consideration of £7.4 million (€8.5 million).

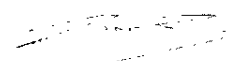
On 29 November 2022, the Employee Benefit Trust sold 709,902 H Ordinary shares for consideration of €0.3 million.

On 1 December 2022, the Group acquired 100% of the share capital of Balboa Academy S.A, a company operating a school in Panama, for provisional consideration of USD 36.0 million (€36.3 million).

On 6 December 2022, the Group acquired 100% of the share capital of Escola Vitruviano Ltda, a company operating a school in Brazil, for provisional consideration of BRL 120 million (€21.8 million).

On 14 December 2022, the Company issued 6,984 H Ordinary shares for consideration of €0.0 million.

Approved by the Board and signed on its behalf by



N M Nsouli
Director

Date: 16 December 2022

Registered Office:
Sixth Floor
3 Burlington Gardens
London
W1S 3EP

Inspired Education Holdings Limited

Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 August 2022.

The financial statements are for Inspired Education Holdings Limited ("the Company") and its subsidiary undertakings (together, "the Group").

Future developments

Details of future developments can be found in the Strategic report on page 9 and form part of this report by cross-reference.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in the Strategic report on page 9 and in Note 33 to the financial statements.

Financial risk management objectives and policies

Details of financial risk management objectives and policies are contained in the Strategic report on page 3 and in Note 32 to the financial statements.

Dividends

The Directors do not propose the payment of a dividend for the year (2021: €Nil).

Going concern

The Directors have reviewed the future forecast cash requirements of the Group; its ability to draw down on its loan facilities; and its ability to meet the debt covenants, and consider that there are no material uncertainties that may cast significant doubt about Group's ability to continue as a going concern. The Directors have therefore adopted the going concern basis in preparing the financial statements. Refer to Note 3 for further information.

Directors

The following Directors have, unless otherwise stated, held office throughout the year and up to the date of approval of this report:

N M Nsouli	
C G Parkin	
G R G Crawford	
A Sarma	
I Stoyanov	
R Rishani	
N Wergan	(appointed 23 May 2022)
N Woloszczuk	(appointed 23 May 2022)

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors and Directors of subsidiary entities, which were made during the year and remain in force at the date of this report.

Political contributions

No political donations were made during the year (2021: €Nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Inspired Education Holdings Limited

Directors' report (continued)

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings, and regular consultation with employee representatives on a wide range of matters affecting their current and future interests. Any significant employee related issues are discussed at board meetings.

Greenhouse Gas Emissions Reporting

In accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations"), the Group reports the following information on its greenhouse gas emissions.

The Group recognises its responsibilities to conserve resources and is committed to continuous improvement in the environmental impact of its operations. Due to the nature of our business, the Group does not have a high environmental impact. Our principal impact comes from the energy we use across our school building facilities. Our focus is on making our facilities more efficient and obtaining electricity from lower-emission sources including the installation of solar panels on school sites, as well as education and use of energy saving technology to reduce consumption.

We have reported greenhouse gas emissions for our UK schools. The Group head office building, and UK Online head office building have not been included as the utilities are provided by the landlord and included in an overall office rental charge, and therefore information on the exact amounts consumed at these sites are not available.

Primarily, our greenhouse gas emissions arise from using natural gas, electricity, heating oil and water which are Scope 2 emissions and waste disposal which falls within Scope 3 emissions.

The table below shows the total emissions for the UK Group:

For the year ended 31 August 2022

Description	Unit	Total	Emissions factor	Total GHG Emissions (Tonnes CO ₂ e)
Annual Gas usage	kWh	1,262,746	0.1825	231
Annual Electricity usage	kWh	1,017,160	0.1934	197
Annual water usage	Cubic Metres	55,773	0.1490	8
Waste disposal	Tonnes	123	21.2802	3
Heating oil	Litres	-	-	-
Total GHG Emissions (Tonnes CO₂e)				439

For the year ended 31 August 2021 (restated)

Description	Unit	Total	Emissions factor	Total GHG Emissions (Tonnes CO ₂ e)
Annual Gas usage	kWh	1,393,707	0.1844	257
Annual Electricity usage	kWh	1,232,459	0.2123	262
Annual water usage	Cubic Metres	43,303	0.1490	6
Waste disposal	Tonnes	112	21.2936	2
Heating oil	Litres	-	-	-
Total GHG Emissions (Tonnes CO₂e)				527

Intensity ratio

We consider GHG Emissions (expressed in Tonnes of CO₂e) per € million of revenue as the most appropriate KPI for the Group. The Group's intensity ratio is the percentage of total GHG emissions to UK school sales revenue (excluding online revenue). For the year to 31 August 2022 the ratio was 15 (31 August 2021 restated – 20).

The 2021 numbers were restated due to duplicate billing identified during the period.

Inspired Education Holdings Limited

Directors' report (continued)

Auditor

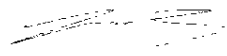
Each of the persons who is a Director at the date of approval of this report confirms that:

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor of the Group and a resolution to reappoint will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



N M Nsouli
Director

Date: 16 December 2022

Registered Office:
Sixth Floor
3 Burlington Gardens
London
W1S 3EP

Inspired Education Holdings Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

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

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

Inspired Education Holdings Limited

Independent auditor's report to the members of Inspired Education Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Inspired Education Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 47.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

Inspired Education Holdings Limited

Independent auditor's report to the members of Inspired Education Holdings Limited (continued)

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included employment law and health, safety and environmental legislations.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, pensions, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

Inspired Education Holdings Limited

Independent auditor's report to the members of Inspired Education Holdings Limited (continued)

- Acquisition accounting – valuation of identified intangible assets:
 - assessment of the competence, independence and methodology of management's valuation expert;
 - assessment of the identification and valuation of the intangible assets through verification of third-party evidence, comparison to market benchmarks; and
 - engaged the involvement of our internal valuation specialists to challenge certain assumptions and estimates used in management's valuation models.
- Acquisition accounting – valuation of contingent consideration:
 - evaluation of management's judgement in respect of recognition and measurement of the contingent consideration in line with the terms set out in the sales and purchase agreement; and
 - assessment of post-acquisition events relating to the contingent consideration.
- Impairment of goodwill:
 - challenge of management prepared forecasts through comparison with historical performance, market trends and recent performance;
 - checked the mechanical accuracy of management's impairment models; and
 - assessment of the key inputs and assumptions through benchmarking to independent market data.
- Revenue recognition – accuracy of revenue deferred:
 - for a sample of transactions close to the year end, verification of fee invoices, payments and evidence of the student's placement at the school to evaluate the amount of revenue deferred; and
 - recalculated the amount of deferred income based on evidence obtained to check mechanical accuracy.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Inspired Education Holdings Limited

Independent auditor's report to the members of Inspired Education Holdings Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Kate Darlison FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

16 December 2022

Inspired Education Holdings Limited

Consolidated statement of comprehensive income For the year ended 31 August 2022

	Note	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Revenue	5	657,460	528,356
Operating expenses		(520,926)	(444,029)
Share of results of associates		-	953
Operating profit		136,534	85,280
Gain on disposal of associate through step-acquisition	5	-	8,064
Gain on bargain purchase	27	401	-
Finance income	8	1,360	758
Finance costs – other	8	(34,435)	(30,426)
Finance costs – lease liability	8	(25,809)	(23,800)
Profit before tax		78,051	39,876
Tax	9	(25,395)	(14,227)
Profit for the year	6	52,656	25,649
Attributable to:			
Owners of the Company		51,816	25,929
Non-controlling interests		840	(280)
		52,656	25,649

Inspired Education Holdings Limited

Consolidated statement of comprehensive income (continued) For the year ended 31 August 2022

	Note	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Profit for the year		52,656	25,649
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	30	(701)	1,435
Income tax relating to items that will not be reclassified subsequently to profit or loss		55	(203)
		(646)	1,232
Items that may be reclassified subsequently to profit or loss:			
Fair value gain arising on hedging instruments during the period	32	1,625	-
Tax credit on fair value movements on cash flow hedges		(406)	-
Exchange gains on translation of foreign operations		91,946	16,054
		93,165	16,054
Other comprehensive income for the year, net of tax		92,519	17,286
Total comprehensive income for the year		145,175	42,935
Total comprehensive income / (loss) attributable to:			
Owners of the Company		144,335	43,215
Non-controlling interests		840	(280)
		145,175	42,935

Inspired Education Holdings Limited

Consolidated balance sheet At 31 August 2022

	Note	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Non-current assets			
Goodwill	10	1,140,049	813,520
Other intangible assets	11	334,469	283,067
Property, plant and equipment	13	672,438	543,409
Right of use assets	14	352,895	280,782
Deferred tax assets	19	20,133	18,514
Other non-current assets	12	2,407	112
		<u>2,522,691</u>	<u>1,939,404</u>
Current assets			
Inventories	16	1,728	1,830
Trade and other receivables	17	114,722	86,291
Cash and bank balances		192,494	111,865
		<u>308,944</u>	<u>199,986</u>
Total assets		<u>2,831,635</u>	<u>2,139,390</u>
Current liabilities			
Trade and other payables	20	(101,073)	(76,818)
Current tax liabilities		(9,499)	(5,043)
Borrowings	18	(20,709)	(22,170)
Lease obligations	14	(23,263)	(17,005)
Provisions	21	(5,127)	(4,226)
Deferred consideration and consideration payable for non-controlling interests	22	(26,299)	(26,252)
Deferred revenue	31	(252,972)	(208,765)
		<u>(438,942)</u>	<u>(360,279)</u>
Net current liabilities		<u>(129,998)</u>	<u>(160,293)</u>
Non-current liabilities			
Borrowings	18	(1,067,497)	(824,075)
Lease obligations	14	(361,978)	(288,838)
Retirement benefit obligations	30	(2,962)	(2,143)
Long-term provisions	21	(1,408)	(1,386)
Deferred consideration and consideration payable for non-controlling interests	22	(16,148)	(5,075)
Deferred revenue	31	(1,464)	(63)
Deferred tax liabilities	19	(99,646)	(92,336)
		<u>(1,551,103)</u>	<u>(1,213,916)</u>
Total liabilities		<u>(1,990,045)</u>	<u>(1,574,195)</u>
Net assets		<u>841,590</u>	<u>565,195</u>

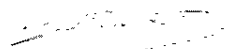
Inspired Education Holdings Limited

Consolidated balance sheet (continued) At 31 August 2022

	Note	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Equity			
Share capital	23	11,017	10,992
Share premium account	24	717,007	575,993
Common control reserve	25	(25,849)	(25,849)
Translation reserve	25	57,755	(35,275)
Other reserves	25	(18,167)	(36,461)
Hedging reserve	25	1,219	-
Retained earnings		89,923	39,837
		<hr/>	<hr/>
Equity attributable to owners of the Company		832,905	529,237
Non-controlling interests	26	8,685	35,958
		<hr/>	<hr/>
Total equity		<u>841,590</u>	<u>565,195</u>

The financial statements of Inspired Education Holdings Limited (registered number: 10392529) were approved by the Board of Directors and authorised for issue on 16 December 2022.

They were signed on its behalf by:



N M Nsouli
Director

Inspired Education Holdings Limited

Consolidated statement of changes in equity For the year ended 31 August 2022

	Equity attributable to equity holders of the Company								Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
	Share premium account €'000	Common control reserve €'000	Translation reserve €'000	Other reserves €'000	Hedging reserve €'000							
Note	23	24	25	25	25	25	25				26	
At 1 September 2020	10,992	575,993	(25,849)	(51,329)	(20,347)	-	-	12,676	502,136	11,282	513,418	
Profit/(loss) for the year	-	-	-	-	-	-	-	25,929	25,929	(280)	25,649	
Other comprehensive income/(expense)	-	-	-	16,054	-	-	-	1,232	17,286	-	17,286	
Total comprehensive income/(loss) for the year	-	-	-	16,054	-	-	-	27,161	43,215	(280)	42,935	
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	-	-	28,479	28,479	
Purchase of non-controlling interest	-	-	-	-	(17,224)	-	-	-	(17,224)	(3,523)	(20,747)	
Share based payments	-	-	-	-	1,110	-	-	-	1,110	-	1,110	
As at 31 August 2021	10,992	575,993	(25,849)	(35,275)	(36,461)	-	-	39,837	529,237	35,958	565,195	
At 1 September 2021	10,992	575,993	(25,849)	(35,275)	(36,461)	-	-	39,837	529,237	35,958	565,195	
Profit for the year	-	-	-	-	-	-	-	51,816	51,816	840	52,656	
Other comprehensive income/ (expense)	-	-	-	91,946	-	1,219	-	(546)	92,519	-	92,519	
Total comprehensive income for the year	-	-	-	91,946	-	1,219	-	51,170	144,335	840	145,175	
Issue of share capital	458	-	-	-	-	-	-	-	458	-	458	
Share premium on issue of share capital	-	153,939	-	-	-	-	-	-	153,939	-	153,939	
Cost of share premium issue	-	(12,925)	-	-	-	-	-	-	(12,925)	-	(12,925)	
Share buy-back	(433)	-	-	-	433	-	-	-	-	-	-	
Recognition of gross obligations under option to purchase non controlling interest	-	-	-	-	(12,484)	-	-	-	(12,484)	-	(12,484)	
Disposal of subsidiary	-	-	-	1,084	2,862	-	-	(1,084)	2,862	(2,532)	330	
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	-	-	420	420	
Purchase of non-controlling interest	-	-	-	-	25,811	-	-	-	25,811	(25,811)	-	
Share based payments	-	-	-	-	1,672	-	-	-	1,672	-	1,672	
Payment of dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(190)	(190)	
As at 31 August 2022	11,017	717,007	(25,849)	57,755	(18,167)	1,219	-	89,923	832,905	8,685	841,590	

Inspired Education Holdings Limited

Consolidated cash flow statement For the year ended 31 August 2022

	Note	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Net cash from operating activities	28	135,572	94,115
Investing activities			
Interest received		1,001	711
Proceeds on disposal of property, plant and equipment		879	1,331
Purchases of property, plant and equipment		(83,151)	(50,989)
Cost of internally developed intangible assets		(5,317)	(4,832)
Deferred consideration payments		(2,160)	(2,049)
Acquisition of business, net of cash acquired	27	(314,993)	(111,437)
Proceeds from sale of business, net of cash disposed		(381)	-
Net cash used in investing activities		(404,123)	(167,265)
Financing activities			
Drawdown of borrowings		252,619	113,487
Repayments of borrowings		(28,506)	(5,992)
Repayments of lease obligations		(19,527)	(13,344)
Acquisition of non-controlling interests		(20,000)	(6,033)
Proceeds on issue of shares, net of share issue costs		141,473	-
Cash flow relating to hedging activities		26,865	-
Dividends paid to non-controlling interests		(190)	-
Net cash from financing activities		352,734	88,118
Net increase in cash and cash equivalents		84,183	14,968
Cash and cash equivalents at beginning of year			
Cash at beginning of year		111,865	95,512
Effect of foreign exchange rate changes		(3,554)	1,385
Cash and cash equivalents at end of year		192,494	111,865

Inspired Education Holdings Limited

Notes to the consolidated financial statements For the year ended 31 August 2022

1. General information

Inspired Education Holdings Limited (the “Company”) is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company’s registered office is:

Sixth Floor
3 Burlington Gardens
London
W1S 3EP

The principal activity of the Company and its subsidiaries (the “Group”) is to provide private education services across the world.

These financial statements are presented in Euros (the functional currency) and all values are rounded to the nearest thousand Euros (€’000) except where otherwise indicated, because that is the currency of the primary economic environment in which the Group operates.

2. Adoption of new and revised Standards

In the current year, the Group adopted the following new IFRS standards and amendments issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 4	<i>Insurance contracts - Extension of the Temporary Exemption from Applying IFRS 9</i>
Amendments to IFRS 9	<i>Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform (Phase 2)</i>
Amendments to IFRS 16	<i>Leases - Covid-19-Related Rent Concessions beyond 30 June 2021.</i>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

2. Adoption of new and revised Standards (continued)

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The Group is currently assessing the impact of these amendments but do not expect these to have a material impact on the financial statements.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies

The principal accounting policies adopted are set out below.

Basis of accounting

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 August each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control or until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* when applicable, or the costs on initial recognition of an investment in an associate or a joint venture.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Employee Benefit Trust

Inspired Education Holdings Limited Employee Benefit Trust ('EBT') is accounted for under IFRS 10 and is consolidated on the basis that the Company has control, thus the assets and liabilities of the EBT are included on the consolidated balance sheet of the Company.

The shares held by the EBT are treated as a deduction from shareholders' funds in the financial statements. Other assets and liabilities of the EBT are consolidated in the Company's financial statements as if they were assets and liabilities of the Company.

Common control accounting

The Company consolidated the results of the Group entities it acquired on 30 November 2016 under common control accounting, on the basis that both the Company and the entities it acquired were ultimately controlled by the same party both before and after the combination. The Income Statement effect of common control accounting was to combine the post acquisition results of the acquired companies with the results of the Company. The Balance Sheet was recognised in the consolidation at book values, rather than fair value. No goodwill was recognised under this method of accounting. The surplus of consideration over the acquired net assets was recognised directly in equity within the Common Control reserve account.

Going concern

The Group meets its day-to-day working capital requirements through various bank facilities in place. After reviewing the future forecast cash requirements of the Group in the context of the Group's performance, profits and cash flows, ability to draw down on its loan facilities, and forecast future covenant compliance, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

In considering the forecast trading performance of the Company and the Group, the Directors have considered the impact of global macro factors including any future COVID-19 or other pandemic outbreak. This assessment recognises the inherent uncertainty associated with any forecasting, and, whilst the Directors believe that trading performance will remain robust, the scenarios prepared have included consideration of the impact on the Group's forecast trading performance and resulting cash flows of closure of school premises as required by regional or national level lockdowns in the countries in which Inspired's schools are located.

In assessing the appropriateness of the going concern assumption, the Directors have considered the ability of the Group to meet the debt covenants and maintain adequate liquidity through the forecast period. At 31 August 2022, the Group has cash of €192.5 million. At the date of signing these financial statements, following the payments for acquisitions noted in Note 33 'Events after the balance sheet date' as well as other capital expenditures and other working capital movements, the Group has cash of €144.0 million, and access to committed undrawn loan facilities of €128 million. The principal loan facilities in the Group are not repayable until 2025 and 2026. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate comfortably within the level of its current facilities and meet its debt covenant obligation.

Sensitivities have been modelled to understand the impact of the various risks outlined in the Strategic Report on the Group's cash headroom. Given the ability of the Group to deliver its core tuition services remotely if required, at the date of this report, when taking into account the factors set out above, a shortage of available cash is considered to be highly unlikely.

The Directors have considered the net current liability position of the Group, which is driven by the significant deferred revenue balances. As this will not result in a cash funding requirement, the Directors consider that the Group is able to meet its liabilities as they fall due.

On this basis, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements and that it remains appropriate to continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from its interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) or Group of CGUs expected to benefit from the synergies of the combination. CGUs or Groups of CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU or Group of CGUs is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition and deferred income

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes; in accordance with the terms of the customer contract.

Revenue is only recognised when a written contract is in place that identifies each party's rights and performance obligations regarding the goods or services to be transferred; payment terms are set; and it is considered probable that the consideration to which the Group is entitled under the contract will be collected.

The vast majority of the Group's revenue is from contracts with customers relating to annual school tuition fee income and other related fees from ancillary sources including examinations, school trips, boarding fees, bus transportation and catering fees. Further revenue is derived from the sales of school uniforms and other academic goods.

The Group considers that the performance obligations relating to tuition and boarding fees, and other regular services are fulfilled over the course of the academic year and are recognised as such. Online tuition fees are recognised in the same manner. Fees relating to examinations and school trips are recognised at the point in time that the examination or trip takes place as at this point the performance obligation is satisfied. Revenue from the sale of school goods is recognised at the point of sale as at this point the control of the assets have transferred from the Group to the customer. Annual registration fees are considered to represent an additional instalment of tuition fees and are therefore recognised on the same basis as tuition fees. One-off placement / admission fees are deferred to the first academic year a student attends the school and are recognised over that academic year. The Group has applied a judgement that this represents the contractual period and hence are recognised in this first year.

Tuition fees are typically billed in advance and can vary across the Group from monthly to annual billing. There are no financing elements to the contract. The Group only recognises deferred revenue to the extent that payment has been made or the right to receive payment is unconditional.

Discounts are provided for scholarships, sibling discounts, staff discounts or hardship grants and are allocated to the contract price in accordance with the relative fair value of the service provided. No judgements are required to allocate discounts as the contracts are explicit which service they linked with. Discounts are recognised concurrently with the service that they are related to.

As revenue is only recognised as performance obligations are fulfilled, customers typically have no rights to refunds.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Leased assets

The Group as a lessee

For any new contracts entered into on or after 1 September 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right of use asset and a lease liability on the balance sheet. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right of use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients as allowed by IFRS 16. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Euros, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks where hedge accounting is applied (see below under financial instruments); and
- exchange differences on monetary items receivable from or payable to a foreign operation within the consolidated group for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest become a financial asset), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses; the effect of the asset ceiling (if applicable); and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet, with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs within Operating expenses in its Statement of comprehensive income (see Note 30). Curtailments gains and losses are accounted for as past-service cost.

Net interest expense or income is recognised within finance costs (see Note 8).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19:70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Current tax and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of property, plant and equipment, less their residual values, over their useful lives, using the straight-line method, on the following bases:

Buildings	8 - 50 years
Leasehold improvements	5 - 50 years
Fixtures & fittings	3 - 10 years
Computer equipment	1 - 5 years
Other equipment	1 - 10 years
Motor vehicles	3 - 8 years

Freehold land and assets under construction are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Costs associated with the development of identifiable software are recognised as intangible assets. Costs are capitalised from the point that the asset first meets the recognition criteria, and are reviewed for impairment until the asset is completed, after which point the costs are amortised over their estimated useful lives.

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, on the following bases:

Customer relationships	5 - 15 years
Brand	10 years to indefinite life
Software	3 - 5 years

A number of Brands are considered to have an indefinite useful life, and accordingly are not subject to amortisation but are reviewed annually for impairment.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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 cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, an investment in an associate is recognised initially in the Consolidated Balance Sheet at cost, and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment.

Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first in first out method. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'operating expenses' line item.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Provision for impairment is made when there is objective evidence that the Group will not be able to recover balances in full. 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. The expected loss rates are based on the payment profiles of sales over a historic period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information. Balances are written off when the possibility of recovery is assessed as being remote.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or at amortised cost.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'operating expenses' line item in the income statement. Fair value is determined in the manner described in Note 32.

Financial liabilities at amortised cost

All financial liabilities which do not meet the criteria to be recognised as FVTPL are classified as financial liabilities at amortised cost. These liabilities are initially recognised at fair value less any transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequent recognition charges the effective rate of interest as a finance cost with any cash payments diminishing the liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 32.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15 Revenue from Contracts with Customers.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value excludes the effect of non-market-based conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the estimated vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of interest rate risks in cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

3. Significant accounting policies (continued)

Hedge accounting (continued)

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Note 32 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in the Statement of Changes in Equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'Other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Leases

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for the asset be different to expectations, and hence at commencement of the lease, extension options are not typically considered reasonably certain to be exercised, unless there is a valid business reason otherwise. The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Incremental borrowing rates are determined depending on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs, including the risk free rate based on the government bonds rate; a country-specific risk adjustment, a credit risk adjustment based on the Group's borrowing, and an entity specific adjustment where the entity risk profile is different to that of the Group. Refer to note 14 for additional disclosures relating to leases.

Acquired intangible assets

When the Group makes an acquisition, management determines initially whether any intangible assets (e.g. customer relationships, brands and technology) should be recognised separately from goodwill, and the provisional amounts at which to recognise those assets. Certain assumptions are used in determining the provisional values for such intangible assets, including, but not limited to, future growth rates and student churn rates. During the first 12 months of ownership, intangible assets are reviewed to determine whether any additional information exists that supports amendments to that original assessment.

Fair value of acquired land and buildings

When the Group makes an acquisition, management obtains an external valuation of any land and buildings acquired. Certain assumptions are used in determining the value of such assets including, but not limited to, future projected profitability and cashflows.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use and fair value less costs of disposal of cash-generating units (CGUs) or Group of CGUs to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the CGU or Group of CGUs, and a suitable discount rate in order to calculate present value. The fair value less costs of disposal calculation requires the Directors to estimate the multiples of budgeted earnings that are expected to be realised on any sale of the CGU or Group of CGU's.

Future cash flows are based on approved budgets, five year plans and assumptions of terminal growth rates. Multiples are based on valuations of similar transactions.

For the year ended 31 August 22, the key area of estimation uncertainty related to the estimates applied to the Colombia CGU. Refer to Note 10 for further detail, including sensitivity analysis of the applied estimates.

Recognition of deferred tax losses

The Group recognises deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases; unused tax losses; and unused tax credits. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilised. Judgements are required in assessing whether sufficient future taxable profits will be made to recognise the benefit of deferred tax assets accumulated at the Balance Sheet date. Changes in the judgements which underpin the Group's forecasts could have an impact on the amount of future taxable profits and could have an impact on the period over which the deferred tax asset would be recovered. Details of the deferred tax assets, recognised and unrecognised, are set out in Note 19.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

5. Segmental reporting

The Board of Directors has determined that the Group's business activities are split into six segments. Five segments are based on geographical areas. The Online segment is considered to represent a different service provision and is reported on a global basis given the global location of its customers. These divisions constitute the basis on which information is reported to the Group's Chief Operating Decision Maker, which has been determined to be the Group's Board of Directors. There are no un-disclosed or other operating segments.

The segment result is the measure used for the purposes of performance assessment and represents profit earned by each segment, but before central costs, highlighted items, net finance costs, depreciation, amortisation, and taxation.

Each segment derives its revenues from the provision of education and related services. The accounting policies applied in preparing the management information for each of the reportable segments are the same as the Group's accounting policies described in Note 3.

An analysis of the results of the period by reportable segment is as follows:

	Year ended 31 August 2022	
	Revenue	Segment result
	€'000	€'000
South Africa	71,355	30,092
Europe	316,555	94,909
Middle East and North Africa	57,082	23,507
Latin America	57,062	26,161
Asia Pacific	133,018	62,520
Online	22,388	4,258
Total	657,460	241,447

	Year ended 31 August 2021	
	Revenue	Segment result
	€'000	€'000
South Africa	61,575	23,346
Europe	260,650	74,785
Middle East and North Africa	48,100	22,060
Latin America	37,850	16,604
Asia Pacific	116,136	48,143
Online	4,045	(104)
Total	528,356	184,834

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

5. Segmental reporting (continued)

No segmental analysis of assets and liabilities is provided, as this is not information which is regularly provided to the Group's Chief Operating Decision Maker.

Reconciliation from Aggregate segment result to profit for the year:

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Aggregate segment result	241,447	184,834
Central costs	(24,537)	(17,899)
Pre-opening/start-up operating loss	(3,004)	(2,452)
Acquisition and transaction related costs	(15,299)	(7,632)
Loss on the disposal or closure of a subsidiary	(4,404)	(244)
Restructuring and integration costs	(768)	(3,393)
Litigation expenses	(278)	-
Gain on bargain purchase	401	-
Gain on disposal of associate through step-acquisition	-	8,064
FX gains arising on financing and derivatives re: acquisitions and disposals	22,595	-
Depreciation	(51,278)	(48,858)
Amortisation	(27,940)	(19,076)
Net finance costs	(58,884)	(53,468)
Profit before tax	78,051	39,876
Tax	(25,395)	(14,227)
Profit for the year	52,656	25,649

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

5. Segmental reporting (continued)

Pre-opening/start-up operating loss

Start-up revenues, operating costs, finance income and finance costs (including those relating to lease liabilities) related to the operating results of new schools, including online school operations, started by the Group. The profile of revenue and costs in start-up schools is different to that of more mature operations within the Group and hence the Directors consider that separate disclosure is helpful for users of the financial statements. The results of start-up operations for new schools will cease to be included within this category once they become consistently profitable before net finance costs; depreciation; amortisation; and taxation; or after three years of operation where the property is owned, or four years of operation where the property is leased, whichever is earlier.

Acquisition and transaction related costs

Costs incurred in relation to acquisitions and other corporate transactions, including legal and advisory fees, and the revaluation of the present value of gross obligations under written put options over non-controlling interests.

Loss / costs incurred on the disposal or closure of a subsidiary

In 2022, the Group disposed of its 60.2% investment in Ostaz Holdings Ltd, which resulted in a loss on disposal of €4.4 million.

In 2021, this related to the accounting loss arising on the closure of Kings College International SL, Elche and Kings College Frankfurt.

Restructuring and integration costs

Costs incurred in the completion of cost-saving and right-sizing initiatives, including the recognition of material onerous contracts; severance payments and associated legal fees incurred as part of a restructuring plan; and recruitment costs for new school heads hired post acquisition. Restructuring costs are only excluded from results if they constitute an initial restructure post acquisition, or a significant restructuring of the school's ongoing operations.

Litigation expenses

Costs incurred in the settlement of claims against the Group that the Directors consider to be significant enough to warrant separate disclosure.

Gain on bargain purchase

Bargain purchase gain arising from the acquisition of Centro de Formacion Mestral SL ('Mestral').

Gain on disposal of associate through step-acquisition

In 2021, this related to an accounting gain arising on the gaining of control of Socieduca – Sociedade De Educacao, SA, following the acquisition of an additional 6% equity ownership interest during the year. In accordance with IFRS, the transaction was accounted for as a disposal of the previously held investment an associate, and acquisition of controlled subsidiary at fair value. The gain represented the difference between the consideration transferred to obtain control, plus the fair value of non-controlling interest, plus the fair value of the previously held equity interest; less the fair value of the identifiable net assets of Socieduca – Sociedade De Educacao, SA that were acquired.

FX gains arising on financing and derivatives re: acquisitions and disposals

Mark to market gains (realised and unrealised) on derivative instruments used to hedge foreign currency consideration payable on acquisitions, and gains/losses on intragroup debt/equity structuring.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

5. Segmental reporting (continued)

Revenue by country

The following countries had revenues from external customers that constituted 10 per cent or more of the Group's total revenue.

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Spain	132,125	112,534
Italy	79,286	70,192
South Africa	71,355	61,575

There are no individual customers that constitute 10 per cent or more of the Group's revenues.

Revenue by category

An analysis of the Group revenue by category is as follows:

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
School and other related fees	655,129	526,826
Sales of goods	2,331	1,530
Revenue from contracts with customers	657,460	528,356

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

6. Profit for the year

(a) Profit for the year has been arrived at after charging:

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Net foreign exchange losses	7,266	335
Depreciation of property, plant and equipment	24,812	24,318
Depreciation of right of use asset	26,466	24,540
Loss on disposal of property, plant and equipment	546	1,268
Loss on disposal of subsidiary	4,404	-
Amortisation of acquired intangible assets	24,396	16,646
Amortisation of other intangible assets	3,544	2,430
Short term and low value leases	1,263	2,159
Staff costs (see Note 7)	295,427	245,523

In accordance with IFRS 16, operating lease rentals represent short term (i.e. < 1 year) leases, and leases with a value of < €5,000.

(b) The analysis of the auditor's remuneration is as follows:

Fees payable to the company's auditor and their associates for the statutory audit of the Company and Consolidated financial statements:

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Audit of the Company's annual accounts	810	570
Audit of the Company's subsidiaries	1,580	1,250
Total audit fees	2,390	1,820

Non-audit fees payable to the company's auditor and their associates:

- Other assurance services	63	-
- Other services	-	114
Total non-audit fees	63	114

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

7. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2022 Number	2021 Number
Teaching staff	4,805	4,063
Non-teaching staff	3,896	2,990
	<u>8,701</u>	<u>7,053</u>

Their aggregate remuneration comprised:

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Wages and salaries	251,685	208,730
Social security costs	34,937	29,124
Other pension costs	7,133	6,569
Share based payments	1,672	1,100
	<u>295,427</u>	<u>245,523</u>

8. Finance costs and income

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Bank interest expense	30,169	26,876
Amortisation of loan fees	4,266	3,236
Lease liability interest	25,809	23,800
Other interest expense	-	314
	<u>60,244</u>	<u>54,226</u>
Bank interest income	(1,092)	(758)
Other interest income	(268)	-
	<u>58,884</u>	<u>53,468</u>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

9. Tax

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Corporation tax:		
Current year	32,972	20,124
Adjustments in respect of previous years	(1,445)	1,907
	<u>31,527</u>	<u>22,031</u>
Deferred tax (see Note 19)	(6,132)	(7,804)
	<u>25,395</u>	<u>14,227</u>

UK corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit for the year. UK deferred tax balances are measured at the future tax rate of 25% effective 1 April 2023 (2021: 25%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit in the comprehensive statement of income as follows:

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Profit before tax	<u>78,051</u>	<u>39,876</u>
Tax at the UK corporation tax rate of 19% (2021: 19%)	14,830	7,576
Adjustments in respect of current tax of previous years	(1,445)	1,907
Adjustments in respect of deferred tax of previous years	(277)	-
Expenses that are not deductible in determining taxable profit	9,049	5,253
Income not taxable in determining taxable profit	(1,600)	(5,087)
Utilisation of tax losses not previously recognised	(412)	(1,406)
Impact of change in tax rate	(107)	-
Change in unrecognised deferred tax assets	754	2,411
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,173	2,811
Non-creditable or refundable withholding taxes on dividend/interest/royalty receipts	1,430	762
Tax expense for the year	<u>25,395</u>	<u>14,227</u>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

9. Tax (continued)

In addition to the amount charged to the comprehensive statement of income, the following amounts relating to tax have been recognised in other comprehensive income:

Deferred tax:	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	55	(203)
Tax credit on fair value movements on cash flow hedges	(406)	-
	<hr/>	<hr/>
Total income tax recognised in other comprehensive income	(351)	(203)
	<hr/> <hr/>	<hr/> <hr/>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

10. Goodwill

	Year ended August 2022 €'000	Year ended August 2021 €'000
Cost		
Balance at beginning of year	813,520	686,075
Recognised on acquisition of a business	270,922	113,597
Adjustment to provisional accounting in the prior period	37	(1,085)
De-recognised on disposal of a subsidiary	(6,270)	-
Exchange differences	61,840	14,933
Total	1,140,049	813,520

The Group tests goodwill annually for impairment.

With the exception of the Colombia CGU, the recoverable amounts of the CGUs or group of CGUs are determined from value in use calculations. The recoverable amount of the Colombia CGU is determined from a calculation of estimated fair value less costs of disposal.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to operating costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs or group of CGUs. The growth rates and operating cost forecasts are based on financial budgets approved by the Directors covering a five-year period, and a variable terminal growth rate of between 1.0% and 5.0% thereafter. This rate does not exceed the average long-term growth rate for the relevant markets.

The Board has considered various alternative performance scenarios for each CGU or group of CGUs, including sensitising all of the key assumptions noted above. The principal sensitivity in assessing value in use is the level of forecast future enrolment growth. The value in use calculations assume growth in enrolments over the forecast period. It is noted that an adverse change in forecast enrolment numbers may result in the carrying value of CGUs or groups of CGUs to exceed the estimated value in use calculation.

The recoverable amount of the Colombia CGU is determined from a calculation of estimated fair value less costs of disposal. The fair value is calculated as a multiple of budgeted FY23 Adjusted EBITDA (refer Appendix 1 for definition). Based on an average of acquisition multiples for similar transactions in the sector, a multiple of 12.8x has been used. Costs of disposal are estimated based on costs incurred in similar transactions.

A minimum multiple of 12.0x budgeted Adjusted EBITDA for the year ended 31 August 2023 is required to support the recoverable amount. It is noted that an adverse change in the multiple of Adjusted EBITDA to below 12.0x, or a reduction of 7% in the budgeted FY23 Adjusted EBITDA, could result in an impairment loss being recognised. For example, if the multiple were to fall to 11.0x, an impairment of €1.6 million would be realised. A 10% fall in budgeted FY23 Adjusted EBITDA would result in an impairment of €0.7 million. The impact of both a reduction in multiple to 11.0x and a 10% fall in budgeted FY23 Adjusted EBITDA would be an impairment of €3.5 million.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

10. Goodwill (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) or Group of CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
South Africa	27,086	26,881
Kenya	9,136	8,462
Italy	112,445	112,035
Switzerland	18,264	16,537
Belgium	4,113	4,113
UK	19,760	19,837
Colombia	9,169	9,055
Australia	12,121	10,969
Spain	155,750	141,868
Bahrain	92,100	78,162
Peru	979	779
Costa Rica	2,293	1,994
Portugal	37,903	37,870
New Zealand	113,079	110,320
Vietnam	162,478	141,989
Indonesia	2,507	2,216
Mexico	1,242	1,057
Panama	17,508	14,860
Latvia	5,521	5,521
Oman	10,804	9,169
Online	53,921	59,826
Morocco	6,218	-
Brazil	265,652	-
	1,140,049	813,520

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

10. Goodwill (continued)

The terminal growth rates, and pre-tax discount rates used to discount the forecast cash flows for each CGU or Group of CGUs, are as follows:

	Terminal growth rate		Discount rate	
	2022 %	2021 %	2022 %	2021 %
South Africa	4.5	4.5	14.4	15.3
Kenya	5.0	5.0	20.0	20.0
Italy	2.0	1.3	11.1	9.7
Switzerland	1.0	1.0	5.4	6.0
Belgium	1.7	1.8	9.3	8.0
UK	2.0	2.0	10.3	8.7
Colombia	3.0	3.0	15.4	11.4
Australia	2.6	2.4	8.6	8.6
Spain	1.7	1.7	10.0	8.7
Bahrain	2.0	2.2	12.0	11.0
Peru	2.0	2.0	11.4	9.9
Costa Rica	3.0	3.1	17.9	15.0
Portugal	1.3	1.6	10.3	8.4
New Zealand	2.0	2.2	9.7	8.3
Vietnam	3.5	4.0	12.8	12.2
Indonesia	2.9	2.9	12.2	10.0
Mexico	3.0	3.0	14.2	13.6
Panama	2.0	2.0	10.7	8.7
Latvia	2.5	2.2	9.4	7.5
Oman	1.9	0.9	12.9	12.4
Online	2.0	2.0	10.3	8.7
Brazil	3.0	-	21.8	-
Morocco	2.0	-	11.6	-

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

11. Other intangible assets

	Brands €'000	Customer relations €'000	Software development €'000	Other €'000	Total €'000
Cost					
At 31 August 2020	127,278	146,428	4,748	1,624	280,078
Recognised on acquisition of a business	19,715	41,460	1,232	743	63,150
Additions	-	-	4,659	150	4,809
Disposals	-	(596)	(124)	(37)	(757)
Exchange differences	3,306	(5,539)	34	29	(2,170)
At 31 August 2021	150,299	181,753	10,549	2,509	345,110
Recognised on acquisition of a business	12,858	44,290	205	38	57,391
Additions	46	-	5,536	262	5,844
Provisional purchase price allocation adjustment	(847)	-	1,409	(562)	-
Disposals	(7)	-	(141)	(628)	(776)
Exchange differences	7,322	14,285	131	131	21,869
At 31 August 2022	169,671	240,328	17,689	1,750	429,438
Amortisation and impairment					
At 31 August 2020	(2,434)	(38,539)	(1,236)	(407)	(42,616)
Amortisation expense	(38)	(16,608)	(1,795)	(635)	(19,076)
Disposals	-	24	88	11	123
Exchange differences	(2)	(410)	(22)	(40)	(474)
At 31 August 2021	(2,474)	(55,533)	(2,965)	(1,071)	(62,043)
Amortisation expense	(2,004)	(22,392)	(3,378)	(166)	(27,940)
Disposals	-	-	141	550	691
Exchange differences	(15)	(5,270)	(103)	(289)	(5,677)
At 31 August 2022	(4,493)	(83,195)	(6,305)	(976)	(94,969)
Carrying amount					
At 31 August 2022	165,178	157,133	11,384	774	334,469
At 31 August 2021	147,825	126,220	7,584	1,438	283,067

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

11. Other intangible assets (continued)

Customer relations

Customer relations are amortised to the income statement on a straight-line basis over a 5 to 15 year period, reflecting the future duration of students at the schools, as at acquisition date, for the specific acquisition.

Other intangibles

Other intangibles represent land use rights and learning materials.

Brands

Certain brands are projected to generate net cash inflows for the Group for the foreseeable future, and as such there is no limit to the assets' useful life, which is considered to be indefinite. Brands with an indefinite useful life are therefore not amortised but assessed for impairment whenever there is any indication that the asset may be impaired, or at a minimum on an annual basis. The recoverable amounts are determined from value in use calculations, consistent with those used in the goodwill recoverable amount testing disclosed in Note 10.

Brands acquired in the Online Group of CGUs are amortised over 10 years, brands acquired that represent less well established trademarks are amortised over 5 to 10 years, which is considered to reflect the likely duration of use in each case.

Brands acquired in a business combination are allocated, at acquisition, to the cash generating units (CGUs) or group of CGUs that are expected to benefit from that business combination. The carrying amount of brands had been allocated as follows:

	As at 31 August 2022	As at 31 August 2021
	€'000	€'000
Kenya	4,550	4,223
South Africa	15,514	15,395
Indonesia	138	129
New Zealand	20,457	19,958
Vietnam	19,514	17,053
Australia	31,141	28,182
Italy	107	126
Latvia	399	399
Spain	36,756	34,283
Mexico	7,704	7,704
Portugal	1,394	1,394
Panama	3,578	3,256
Oman	385	326
Online	12,681	15,397
Brazil	10,496	-
Morocco	326	-
UK	38	-
	<u>165,178</u>	<u>147,825</u>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 August 2022

12. Other non-current assets

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Other non-current assets	2,407	112
	<u>2,407</u>	<u>112</u>

Investment in associate	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Balance at beginning of year	-	18,675
Acquired during the year	-	-
Share of profits	-	953
Disposal resulting from change from associate to controlled subsidiary	-	(19,628)
Total	<u>-</u>	<u>-</u>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

13. Property, plant and equipment

Cost	Assets under construction €'000	Land and buildings €'000	Fixtures and fittings €'000	Computer equipment €'000	Other equipment €'000	Leasehold improvements €'000	Motor vehicles €'000	Total €'000
At 31 August 2020	18,955	369,606	32,343	17,960	20,808	73,224	2,511	535,407
Recognised on acquisition of a business	2,070	34,591	1,039	452	98	1,242	22	39,514
Additions	21,927	13,636	4,149	3,364	463	7,900	273	51,712
Disposals	(289)	(783)	(3,539)	(3,521)	(1,748)	(1,347)	(205)	(11,432)
Transfers	(22,165)	5,812	1,278	270	56	14,729	20	-
Impairment	-	(487)	(164)	(39)	(31)	-	(11)	(732)
Exchange differences	415	4,715	1,713	705	237	2,994	78	10,857
At 31 August 2021	20,913	427,090	36,819	19,191	19,883	98,742	2,688	625,326
Recognised on acquisition of a business	32	20,220	3,878	1,098	1,071	12,729	2	39,030
Additions	54,431	11,425	6,986	6,979	2,576	10,218	521	93,136
Disposals	(372)	(30)	(2,766)	(3,927)	(1,868)	(7,813)	(500)	(17,276)
Transfers between asset classes	(18,545)	10,377	2,165	(235)	(697)	5,643	259	(1,033)
Exchange differences	3,937	17,407	1,645	1,811	1,082	6,092	245	32,219
At 31 August 2022	60,396	486,489	48,727	24,917	22,047	125,611	3,215	771,402

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

13. Property, plant and equipment (continued)

Depreciation	Assets under construction €'000	Land and buildings €'000	Fixtures and fittings €'000	Computer equipment €'000	Other equipment €'000	Leasehold improvements €'000	Motor vehicles €'000	Total €'000
At 31 August 2020	-	(17,832)	(13,460)	(11,365)	(8,571)	(10,108)	(1,413)	(62,749)
Disposals	-	32	3,036	3,468	1,425	216	190	8,367
Charge for the year	-	(6,778)	(4,957)	(4,059)	(2,146)	(6,029)	(349)	(24,318)
Exchange differences	-	(309)	(1,054)	(533)	(193)	(1,066)	(62)	(3,217)
At 31 August 2021	-	(24,887)	(16,435)	(12,489)	(9,485)	(16,987)	(1,634)	(81,917)
Disposals	-	9	2,387	3,471	1,883	7,574	433	15,757
Charge for the year	-	(5,750)	(5,121)	(3,572)	(2,326)	(7,715)	(328)	(24,812)
Transfers between asset classes	-	1,273	(1,121)	332	933	(822)	(176)	419
Exchange differences	-	(2,425)	(969)	(1,385)	(517)	(2,948)	(167)	(8,411)
At 31 August 2022	-	(31,780)	(21,259)	(13,643)	(9,512)	(20,898)	(1,872)	(98,964)
Net book value								
At 31 August 2022	60,396	454,709	27,468	11,274	12,535	104,713	1,343	672,438
At 31 August 2021	20,913	402,203	20,384	6,702	10,398	81,755	1,054	543,409

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

13. Property, plant and equipment (continued)

Assets pledged as security

The Group's obligations under certain bank loans are secured by the lenders title to fixed assets held, which have a carrying amount of €38.1 million (2021: €37.7 million) and are recognised within Land and Buildings.

14. Leases

Leases that fall within the scope of IFRS16 are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group.

Leases: Right of use asset	Land & Buildings €'000	Other leases €'000	Total €'000
Cost			
At 1 September 2020	293,909	1,061	294,970
Recognised on acquisition of a business	11,378	15	11,393
Additions	1,918	1,419	3,337
Transfer between classes	(2,377)	2,377	-
Disposals	(1,268)	(938)	(2,206)
Modifications and remeasurements	6,818	(3)	6,815
Exchange differences	12,818	10	12,828
At 31 August 2021	323,196	3,941	327,137
Recognised on acquisition of a business	63,498	-	63,498
Additions	620	758	1,378
Transferred to right of use assets	1,033	-	1,033
Disposals	(723)	(84)	(807)
Modifications and remeasurements	16,026	-	16,026
Exchange differences	20,518	78	20,596
At 31 August 2022	424,168	4,693	428,861
Depreciation			
At 1 September 2020	(22,644)	(343)	(22,987)
Charge for the year	(23,392)	(1,148)	(24,540)
Transfers between classes	425	(425)	-
Disposals	1,158	523	1,681
Exchange differences	(504)	(5)	(509)
At 31 August 2021	(44,957)	(1,398)	(46,355)
Charge for the year	(25,699)	(767)	(26,466)
Transfers between classes	(419)	-	(419)
Disposals	519	55	574
Exchange differences	(3,244)	(56)	(3,300)
At 31 August 2022	(73,800)	(2,166)	(75,966)
Net book value			
At 31 August 2022	350,368	2,527	352,895
At 31 August 2021	278,239	2,543	280,782

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

14. Leases (continued)

Leases: Liabilities	2022 €'000	2021 €'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	55,312	40,167
One to five years	216,127	158,372
More than five years	505,187	362,031
Total undiscounted lease liabilities at 31 August	776,626	560,570
Lease liabilities included in the statement of financial position		
Current	23,263	17,005
Non-current	361,978	288,838
Total at 31 August	385,241	305,843
	2022 €'000	2021 €'000
Amounts recognised in the income statement		
Interest on lease liabilities	25,809	23,800
Depreciation on right of use assets	26,466	24,540
	2022 €'000	2021 €'000
Amounts recognised in the statement of cash flows		
Repayment of lease obligations	45,336	37,144

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

15. Subsidiaries

The Group consists of a parent company, Inspired Education Holdings Limited, incorporated in the UK, and a number of subsidiaries and associates held directly and indirectly by Inspired Education Holdings Limited, which operate and are incorporated around the world. Note 40 lists details of the interests in subsidiaries and information about the composition of the Group at the end of the reporting period.

The table below shows details of non-wholly owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit / (loss) allocated to non-controlling interests	Accumulated non-controlling interests
		31 August 2022	31 August 2022	31 August 2022
			€'000	€'000
Inspired Education (Oman) Limited	UK	25.0%	199	3,171
Socieduca – Sociedade De Educacao, SA	Portugal	-	709	-
Ostaz Holdings Limited	UK	-	(365)	-
Inspired Education (Egypt) S.A.E	Egypt	49.0%	(55)	(55)
Kensington School SA	Spain	-	4	-
SLS Properties Srl	Italy	49.0%	22	4,246
Bergamo International Studies Srl	Italy	40.0%	256	1,024
Gurilandia Holding S.A	Brazil	49.0%	156	448
Institut Khalil Jabran S.A	Morocco	23.7%	(86)	(149)
Total			840	8,685

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

15. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit / (loss) allocated to non-controlling interests	Accumulated non-controlling interests
		31 August 2021	31 August 2021	31 August 2021
			€'000	€'000
O Parque – Ensino de Crianças SA	Portugal	-	42	-
Inspired Education (Oman) Limited	UK	25.0%	(4)	2,972
Socieduca – Sociedade De Educacao, SA	Portugal	45.0%	(453)	24,978
Ostaz Holdings Limited	UK	39.8%	(29)	2,898
Inspired Education (Egypt) S.A.E	Egypt	49.0%	-	-
Kensington School SA	Spain	0.6%	(2)	118
King's College Latvia, S.A.	Latvia	-	(44)	-
SLS Properties Srl	Italy	49.0%	4	4,224
PT Awal Cakrawala	Indonesia	-	121	-
Bergamo International Studies Srl	Italy	40.0%	85	768
Total			(280)	35,958

The reconciliation of non-controlling interests in Note 26 includes an analysis of the profit or loss allocated to non-controlling interests of each subsidiary where the non-controlling interest is material.

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities of subsidiaries with a non-controlling interest.

Disposals

On 7 June 2022, the Group signed an agreement to sell its 60.2% ownership of Ostaz Holdings Limited for consideration of €0.0 million. The disposal resulted in a loss on disposal of €4.4 million.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

16. Inventories

	As at 31 August 2022	As at 31 August 2021
	€'000	€'000
Finished goods - school uniform	1,774	1,860
Allowance for impairment	(46)	(30)
	<u>1,728</u>	<u>1,830</u>

17. Trade and other receivables

	As at 31 August 2022	As at 31 August 2021 (restated)
	€'000	€'000
Amount receivable for the rendering of services	87,692	73,364
Allowance for expected credit losses	(10,306)	(9,003)
Trade receivables	<u>77,386</u>	<u>64,361</u>
Prepayments	18,361	8,037
Corporation tax receivable	2,519	4,635
Derivative assets	4,962	-
Other receivables	11,494	9,258
	<u>114,722</u>	<u>86,291</u>

There are no customers who represent more than 5 per cent of the total balance of trade receivables.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Movement in the allowance for expected credit losses

	Year ended 31 August 2022	As at 31 August 2021 (restated)
	€'000	€'000
Balance at the beginning of the year	(9,003)	(9,194)
Impairment losses recognised from contracts with customers	(1,714)	(2,205)
Written off as uncollectable	1,025	2,559
Impairment losses reversed	119	158
Foreign exchange translation losses	(733)	(321)
Total allowance for expected credit losses	<u>(10,306)</u>	<u>(9,003)</u>

The concentration of credit risk is limited, due to the customer base being large and unrelated. The allowance for expected credit losses has increased in the current year as a result of the increase in gross receivables due, which is in line with the growth in revenue.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The 2021 disclosures have been restated to present the movements on acquisition of a business as being net of provision for doubtful debts.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

18. Borrowings

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Interest-bearing loans and borrowing - Current		
Variable rate bank and other loans	19,471	22,170
Variable rate loans swapped to fixed interest	1,238	-
Current borrowings	20,709	22,170
Interest-bearing loans and borrowing - Non-current		
Variable rate bank loans	41,092	839,378
Variable rate loans swapped to fixed interest	1,048,145	-
Loan fees	(23,644)	(16,145)
Fixed rate loans to non-controlling interests	890	842
Non Interest-bearing loans - Non-current		
Loans	1,014	-
Non-current borrowings	1,067,497	824,075
Total borrowings	1,088,206	846,245
	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Unsecured borrowing at amortised cost		
Loan to holders of non-controlling interests	890	842
Other loans	1,014	-
Secured borrowing at amortised cost		
Bank loans	1,109,946	861,548
Loan fees	(23,644)	(16,145)
Total borrowings	1,088,206	846,245

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

18. Borrowings (continued)

	Euros €'000	Moroccan Dirham €'000	Brazilian Real €'000	United States Dollar €'000	Australian Dollar €'000	Omani Rial €'000	Total €'000
Analysis of borrowings by currency:							
Bank and other loans	1,077,439	274	4,696	2,684	2,223	-	1,087,316
Loans to non-controlling interests	576	-	-	-	-	314	890
At 31 August 2022	1,078,015	274	4,696	2,684	2,223	314	1,088,206

	Euros €'000	New Zealand Dollar €'000	Colombian Peso €'000	Peruvian Sol €'000	Australian Dollar €'000	Omani Rial €'000	Total €'000
Analysis of borrowings by currency:							
Bank and other loans	835,060	5,509	-	2,822	2,012	-	845,403
Loans to non-controlling interests	576	-	-	-	-	266	842
At 31 August 2021	835,636	5,509	-	2,822	2,012	266	846,245

The Group has the following principal bank loans as at 31 August 2022:

Loans of €795 million and €250 million, both repayable in full in May 2026. The loans are secured by a charge over the share capital of various subsidiary entities. The loans carry a variable interest rate of EURIBOR + margin, with the margin dependent on leverage.

The weighted average interest rate paid during the year was 3.2% (2021: 3.3%).

Unutilised facilities

As at 31 August 2022, the Group had committed unutilised loan facilities of €85 million available until May 2025 (2021: €85 million). On 2 September 2022, the Group increased its committed unutilised loan facilities to €155 million.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

19. Deferred tax

The following are the major classes of deferred tax assets and liabilities and recognised by the Group during the current and prior reporting period:

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Intangible assets	(62,959)	(75,398)
Accelerated tax depreciation	(26,233)	(8,059)
Provisions	5,439	4,044
Retirement benefit obligations	243	134
Deferred revenue	2,529	2,510
Tax losses	1,685	2,798
CIR disallowance credits	1,981	1,981
Other	(1,898)	(1,832)
Net deferred tax	(79,213)	(73,822)

	Intangible assets €'000	Accelerated tax depreciation €'000	Other €'000	Total €'000
At 31 August 2020	(64,626)	(7,468)	6,016	(66,078)
Credit to comprehensive income	3,354	5,146	1,141	9,641
Acquisition of business	(14,595)	(5,264)	3,715	(16,144)
Exchange differences	469	455	(125)	799
Impact of a tax rate change	-	(928)	(1,112)	(2,040)
At 31 August 2021	(75,398)	(8,059)	9,635	(73,822)
Credit to comprehensive income	8,739	(3,426)	447	5,760
Acquisition of business	(5,089)	(2,566)	465	(7,190)
Exchange differences	(3,544)	(229)	411	(3,362)
Reallocation	12,333	(11,974)	(979)	(620)
Impact of tax rate change	-	21	-	21
At 31 August 2022	(62,959)	(26,233)	9,979	(79,213)

The movement in deferred tax during the current reporting year was as follows:

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Balance at beginning of year	(73,822)	(66,078)
Credit to profit or loss	6,132	7,804
Debit to other comprehensive income	(351)	(203)
Acquisition of business	(7,190)	(16,144)
Exchange differences	(3,362)	799
Other	(620)	-
Total	(79,213)	(73,822)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

19. Deferred tax (continued)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 August 2022	As at 31 August 2021
	€'000	€'000
Deferred tax liabilities	(99,646)	(92,336)
Deferred tax assets	20,433	18,514
	<u>(79,213)</u>	<u>(73,822)</u>

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Group has gross tax losses for a total amount of €79.3 million (2021: €65.6 million).

A deferred tax asset of €1.7 million (2021: €2.8 million) has been recognised in respect of gross tax losses of €7.1 million (2021: €12.5 million) as it is considered probable that there will be future taxable profits available to offset against these losses.

No deferred tax asset has been recognised in respect of gross tax losses of €72.2 million (2021: €53.1 million) as it is not considered probable that there will be future taxable profits available to offset against these losses. Included in unrecognised tax losses are losses of € nil (2021: €3.1 million) that will expire from 2023 to 2027.

At the balance sheet date, the Group has gross unused Corporate Interest Restriction disallowance of €40.7 million (2021: €24.0 million) available for offset against future profits. A deferred tax asset of €2.0 million has been recognised in respect of this balance. The remainder has not been recognised as it is not considered probable that there will be future taxable profits available.

No deferred tax liability is recognised on temporary differences of €121.4 million (2021: €122.6 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

20. Trade and other payables

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Trade payables	18,209	17,032
Taxes and social security costs	16,694	13,776
Accruals	32,717	17,987
Deposits	11,073	10,388
Other payables	22,380	17,635
	<u>101,073</u>	<u>76,818</u>

The Group and the Company have financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

21. Provisions

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Employee benefits provision	6,118	5,115
Other	417	497
	<u>6,535</u>	<u>5,612</u>
Current	5,127	4,226
Non-current	1,408	1,386
	<u>6,535</u>	<u>5,612</u>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

21. Provisions (continued)

	Employee benefits €'000	Other €'000	Total €'000
At 1 September 2021	4,554	186	4,740
Additional provision in the year	1,752	796	2,548
Release of provision	(32)	(643)	(675)
Utilised during the year	(832)	(59)	(891)
On acquisition of a business	24	178	202
Exchange differences	(351)	39	(312)
At 31 August 2021	5,115	497	5,612
Additional provision in the year	2,615	317	2,932
Release of provision	-	(492)	(492)
Utilised during the year	(1,407)	(111)	(1,518)
On acquisition of a business	600	103	703
Exchange difference	(805)	103	(702)
At 31 August 2022	6,118	417	6,535

Employee benefits include long service leave and end of service benefits payable to employees. The provisions represent management's best estimate of the liability based on expected employee retention and remuneration levels.

Provisions are measured at the Directors' best estimate of expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

22. Deferred consideration and consideration payable for non-controlling interests

Deferred consideration liabilities include balances representing the fair value of consideration payable to settle liabilities under put arrangements to acquire non-controlling interests, as well as earn-out arrangements whereby the consideration payable includes a deferred element. In certain cases, this deferred element is contingent on the future financial performance of the acquired entity.

	As at 31 August 2022	As at 31 August 2021
	€'000	€'000
Deferred cash consideration	2,981	5,292
Consideration to settle put options for non-controlling interests	20,137	26,035
Contingent consideration	19,329	-
	<u>42,447</u>	<u>31,327</u>
Current	26,299	26,252
Non-current	16,148	5,075
	<u>42,447</u>	<u>31,327</u>

For Bergamo, a financial liability of €4.0 million (31 August 2021: €2.2 million) is recognised for potential exercise of a put/call option over the non-controlling interest that can be exercised at any time between August 2023 and August 2025.

For St Peters, a financial liability of €20.1 million was recognised at 31 August 2021 for the potential exercise of a put/call option over the non-controlling interest. Following payment during the year, €Nil is recognised at 31 August 2022.

For Inspired Education Oman Limited, a financial liability of €2.7 million (31 August 2021: €0.9 million) is recognised for the potential exercise of a put/call option over the non-controlling interest that can be exercised at any time between September 2021 and September 2026.

For Ostaz Holdings Limited, a financial liability of €2.9 million was recognised at 31 August 2021 for the potential exercise of a put/call option over the non-controlling interest. Following disposal of the business in the current year, €Nil is recognised at 31 August 2022.

For the acquisition of Eleva, contingent consideration of BRL 95 million (€18.4 million) is payable subject to certain criteria, and was subsequently paid in December 2022. A financial liability of €11.0 million (31 August 2021: €Nil) is recognised for potential exercise of a put/call option over the non-controlling interest that can be exercised at any time between August 2023 and August 2025.

For the acquisition of Mirabal, deferred consideration of €1.2 million (31 August 2021: €2.2 million) is payable in instalments to 2024.

For the acquisition of Kensington, deferred consideration of €1.7 million (31 August 2021: €2.6 million) is payable in instalments to 2024.

For the acquisition of KGS, contingent consideration of MAD 10.0 million (€0.9 million) is payable subject to certain criteria, with an expected payment date of 2023. A financial liability of €2.4 million (31 August 2021: €Nil) is recognised for potential exercise of a put/call option over the non-controlling interest that can be exercised at any time between June 2026 and June 2030.

For the acquisition of Mestral, deferred consideration of €0.1 million (31 August 2021: €Nil) is payable with an expected payment date of 2024.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

23. Share capital

	As at 31 August 2022 #	As at 31 August 2021 #	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Authorised, issued and fully paid:				
A ordinary shares	52,272	307,480	52	307
A2 ordinary shares	433,330	-	-	-
B1 ordinary shares	3,103,327	-	3,103	-
B2 ordinary shares	1,635,110	1,663,388	1,635	1,663
C1 ordinary shares	779,512	913,712	780	914
C2 ordinary shares	1,077,875	1,242,016	1,078	1,242
C3 ordinary shares	-	109,493	-	110
D ordinary shares	972,610	1,531,789	973	1,532
E ordinary shares	2,217,853	3,412,082	2,218	3,412
E2 ordinary shares	1,177,692	1,811,834	1,178	1,812
F ordinary shares	1,231,851	1,675,181	-	-
G ordinary shares	11,847	494,646	-	-
G2 ordinary shares	502,463	1,772,431	-	-
G3 ordinary shares	646,184	1,499,998	-	-
G4 ordinary shares	856,933	1,056,830	-	-
H Ordinary shares	900,000	-	-	-
	<u>15,598,859</u>	<u>17,490,880</u>	<u>11,017</u>	<u>10,992</u>

A, B1, B2, C1, C2, C3, D, E and E2 ordinary shares have a par value of €1.00 each.

A2, F, G, G2, G3, G4 and H ordinary shares have a par value of €0.0001 each.

Each share ranks equally for any dividend declared and for any distribution made on a winding up provided that:

- F ordinary shares shall only entitle their holder to receive any dividend or assets on a winding up or return of capital from such time as Positive Cash Flows (as defined in the Company's Articles of Association) previously made from time to time to the Institutional Shareholders (as defined in the Company's Articles of Association) have exceeded Negative Cash Flows (as defined in the Company's Articles of Association), at which point the F ordinary shares shall be entitled to 15% of any such excess and to all such dividends and assets pro rata to the F ordinary shares held.
- G, G2, G3, G4 and H ordinary shares shall not be entitled to receive any dividends, or assets on a winding-up or on a reduction or return of capital until such time as Positive Cash Flows (as defined in the Company's Articles of Association) previously made from time to time to the Institutional Shareholders (as defined in the Company's Articles of Association) have exceeded Negative Cash Flows (as defined in the Company's Articles of Association) plus a Preferred Return (as defined in the Company's Articles of Association). Following such time, the G, G2, G3, G4 and H ordinary shareholders, in respect of their shares, shall be entitled to a defined level of any excess, and all such dividends and assets, pro rata to the shares held by them, in accordance with the agreed allocations noted in the Company's Articles of Association.

No shares are redeemable.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

23. Share capital (continued)

Issue of shares

Inspired Education Holdings Limited ('the Company') issued the following ordinary shares during the year:

Date	Class of Share	Number of shares issued	Consideration
6 September 2021	G4	46,397	€0.0 million
25 October 2021	G4	319,972	€0.0 million
31 January 2022	G4	7,692	€0.0 million
10 March 2022	G4	69,107 ¹	€0.0 million
20 May 2022	H	900,000 ¹	€0.0 million
20 May 2022	B1	457,461	€150.0 million

¹ Issued to the Employee Benefit Trust ('EBT')

Issue of shares subsequent to year end

On 29 November 2022, 709,902 shares were sold by the EBT to various members of management of the Group, for total consideration of €0.3 million.

On 14 December 2022, the Company issued 6,984 H Ordinary shares for consideration of €0.0 million.

Share buy-backs

The Company bought back the following ordinary shares during the year:

Date	Class of shares	Number of shares purchased	Consideration
20 May 2022	C1	118,667	€0.0 million
20 May 2022	C2	143,027	€0.0 million
20 May 2022	D	171,636	€0.0 million

Share re-designations

On 20 May 2022, the Company redesignated the following shares:

Previous number of shares	Previous class of shares	New number of shares	New class of shares
255,208	A Ordinary	255,208	B1 Ordinary
28,278	B2 Ordinary	28,278	B1 Ordinary
15,533	C1 Ordinary	15,533	B1 Ordinary
21,114	C2 Ordinary	21,114	B1 Ordinary
109,493	C3 Ordinary	109,493	B1 Ordinary
387,543	D Ordinary	387,543	B1 Ordinary
1,194,229	E Ordinary	1,194,229	B1 Ordinary
634,142	E2 Ordinary	634,142	B1 Ordinary
10,000	F Ordinary	1	B1 Ordinary
482,799	G Ordinary	48	B1 Ordinary
1,269,968	G2 Ordinary	127	B1 Ordinary
853,814	G3 Ordinary	86	B1 Ordinary
643,065	G4 Ordinary	64	B1 Ordinary
433,330	F Ordinary	433,330	A2 Ordinary

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

23. Share capital (continued)

Employee Benefit Trust

Inspired Education Holdings Limited Employee Benefit Trust ('EBT') was established on 27 February 2020 to facilitate the transfer of employee owned shares in Inspired Education Holdings Ltd.

During the current year, the EBT entered into the following transactions in ordinary shares of the Company:

On 10 March 2022, 69,107 G4 Ordinary shares were issued by the Company to the EBT for consideration of €0.0 million.

On 20 May 2022, 900,000 H Ordinary shares were issued by the Company to the EBT for consideration of €0.0 million.

On 4 April 2022, 33,704 G Ordinary shares, 40,121 G2 Class Ordinary shares, 19,949 G3 Class Ordinary shares and 19,949 G4 Ordinary shares were transferred by existing shareholders into the Employee Benefit Trust for consideration of €0.0 million.

On 20 May 2022, the Employee Benefit Trust sold 48,301 G Ordinary shares and 46,662 G2 Class Ordinary shares for consideration of €4.4 million.

On 28 June 2022, 94,853 G2 Ordinary shares and 7,692 G4 Ordinary shares were transferred by existing shareholders into the Employee Benefit Trust for consideration of €0.0 million.

As of 31 August 2021, the EBT owned 340,808 G2 ordinary shares in the Company, 488,465 G3 ordinary shares in the Company, 96,748 G4 ordinary shares in the Company, and 900,000 H Ordinary shares in the Company. The consideration paid for the shares was €0.0 million.

Share based payments

The following share-based payment expense has been recognised within staff costs:

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Share based payment expense	1,672	1,100

The Group has calculated the estimated fair value of each class of share issued during the year using the Black Scholes model, based on assumptions around the timing and value that may be realised by each class of share following an exit event (such as an IPO or sale of the Company).

In the event an employee leaves employment prior to an exit event, the Company may require the shares to be transferred to the Company, other employees, or the Employee Benefit Trust. The scheme is equity settled and consequently the amount to be settled is assessed using the grant date model; the terminal liability is adjusted only when shares are forfeited before vesting.

The following inputs and assumptions were used in the valuation:

Annualised volatility	30%
Exit event assumption date	August 2022
Risk free rate	2.5%
Dividend yield	0%
Annual attrition of employees	10%

During the year, the exit event assumption date was changed to 31 August 2026 for those shares that were not transferred in May 2022.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

24. Share premium account

	€'000
Balance at 1 September 2020	575,993
Balance at 31 August 2021	575,993
Premium arising on issue of equity shares	153,939
Expenses of issue of equity shares	(12,925)
Balance at 31 August 2022	<u>717,007</u>

25. Other reserves

Common control reserve

For business combinations which fall under the definition of a business combination under common control, the surplus of consideration over the acquired net assets has been recognised directly in equity within the Common Control Premium account.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being Euro, are recognised directly in the translation reserve.

Other reserves

This balance includes amounts recognised for the purchase of non-controlling interests, the initial recognition of gross obligations under put options to purchase non-controlling interests, and the recognition of amounts expensed for share based payments.

Hedging reserves

This balance relates to the gains recognised in other comprehensive income on the mark to market fair value of interest rate hedges.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

26. Non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations, as at 31 August 2022.

2022	Inspired Education (Oman) Ltd €'000	Gurilandia Holding S.A. €'000	Bergamo International Studies Srl €'000	SLS Properties Srl €'000	Institut Khalil Jabran S.A. €'000	Inspired Education (Egypt) S.A.E €'000
Current assets	3,526	1,620	3,644	191	133	123
Non-current assets	1,757	16,461	6,709	12,457	5,009	32
Current liabilities	(3,954)	(3,183)	(6,707)	(522)	(3,880)	(10)
Non-current liabilities	(2,122)	(14,036)	(2,099)	(3,472)	(4,831)	(215)
Net (liabilities) / assets	(793)	862	1,547	8,654	(3,569)	(70)
Revenue	6,300	1,966	4,757	732	288	-
Expenses	(5,366)	(1,567)	(3,991)	(694)	(762)	(146)
Tax (expense) / credit	(140)	(80)	(124)	6	113	34
Profit/(loss) for the year	794	319	642	44	(361)	(112)
Profit/(loss) attributable to owners of the Company	595	163	385	22	(275)	(57)
Profit/(loss) attributable to the non-controlling interests	199	156	257	22	(86)	(55)
Profit/(loss) after tax for the period	794	319	642	44	(361)	(112)
Net cash inflow/(outflow) from operating activities	1,105	431	1,755	687	(692)	(217)
Net cash (outflow)/inflow from investing activities	(414)	(10)	(693)	-	(4,748)	-
Net cash (outflow)/inflow from financing activities	(218)	(590)	(659)	(585)	5,442	257
Net cash inflow/(outflow)	473	(170)	403	102	2	40

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

26. Non-controlling interests (continued)

The summarised financial information below represents amounts before intragroup eliminations, as at 31 August 2021.

2021	Inspired Education (Oman) Ltd €'000	Sociedade De Educacao, SA €'000	Bergamo International Studies Srl €'000	SLS Properties Srl €'000	Kennington School SA €'000	Inspired Education (Egypt) S.A.E €'000	Ostaz Holdings Limited €'000
Current assets	2,292	5,140	3,229	89	598	40	1,479
Non-current assets	1,351	19,118	5,328	12,954	5,780	-	2,292
Current liabilities	(3,132)	(6,151)	(5,038)	(679)	(1,196)	-	(272)
Non-current liabilities	(1,911)	(8,257)	(2,606)	(3,755)	(248)	-	(2,632)
Net (liabilities) / assets	(1,400)	9,850	913	8,609	4,934	40	857
Revenue	4,322	289	3,800	745	6,116	-	41
Expenses	(4,161)	(1,551)	(3,600)	(689)	(6,505)	-	(114)
Tax (expense)/credit	(177)	256	11	(48)	(22)	-	-
(Loss)/profit for the year	(16)	(1,006)	211	8	(411)	-	(73)
(Loss)/profit attributable to owners of the Company	(12)	(553)	126	4	(409)	-	(44)
(Loss)/profit attributable to the non-controlling interests	(4)	(453)	85	4	(2)	-	(29)
(Loss)/profit after tax for the period	(16)	(1,006)	211	8	(411)	-	(73)
Net cash inflow/(outflow) from operating activities	273	83	1,323	603	(1,072)	-	(293)
Net cash outflow from investing activities	(246)	(145)	(157)	(1)	(129)	-	(49)
Net cash inflow/(outflow) from financing activities	92	(2,606)	(656)	(569)	(2,755)	40	1,290
Net cash inflow/(outflow)	119	(2,668)	510	33	(3,956)	40	948

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

26. Non-controlling interests (continued)

2022	Gurilandia Holding S.A €'000	SLS Properties Srl €'000	Institut Khalil Jabran S.A €'000	Inspired Education (Oman) Ltd €'000	Bergamo International Studies Srl €'000	Kensington School SA €'000	Sociedade De Educacao, SA €'000	Inspired Education (Egypt) S.A.E €'000	Ostaz Holdings Limited €'000	Total €'000
Balance at 1 September 2021	-	4,224	-	2,972	768	118	24,978	-	2,898	35,958
On initial acquisition	483	-	(63)	-	-	-	-	-	-	420
Acquisition of non-controlling interest	-	-	-	-	-	(122)	(25,687)	-	-	(25,809)
Disposal of controlling interest	-	-	-	-	-	-	-	-	(2,533)	(2,533)
Dividends paid to non-controlling interest	(191)	-	-	-	-	-	-	-	-	(191)
Share of profit/(loss) for the year	156	22	(86)	199	256	4	709	(55)	(365)	840
Balance at 31 August 2022	448	4,246	(149)	3,171	1,024	-	-	(55)	-	8,685

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

26. Non-controlling interests (continued)

2021	King's College Latvia, S.A. €'000	O Parque – Ensino de Crianças SA €'000	SLS Properties Sri €'000	PT Awal Cakrawala Gemilang €'000	Inspired Education (Oman) Ltd €'000	Bergamo Internationa l Studies Srl €'000	Kensington School SA €'000	Sociedade De Educacao, SA €'000	Inspired Education (Egypt) S.A.E €'000	Ostaz Holdings Limited €'000	Total €'000
Balance at 1 September 2020	464	646	4,220	2,293	2,976	683	-	-	-	-	11,282
On initial acquisition	-	-	-	-	-	-	119	25,433	-	132	25,684
Issue of new shares to non-controlling interest	-	-	-	-	-	-	-	-	-	2,795	2,795
Acquisition of non-controlling interest	(420)	(689)	-	(2,414)	-	-	-	-	-	-	(3,523)
Share of (loss) /profit for the year	(44)	43	4	121	(4)	85	(1)	(455)	-	(29)	(280)
Balance at 31 August 2021	-	-	4,224	-	2,972	768	118	24,978	-	2,898	35,958

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals

(a) *Acquisitions for the year ended 31 August 2022*

During the year, the Group acquired the following businesses to continue the Group's expansion:

Entity	Acquisition date	Equity voting interest acquired	Purchase consideration €'000
Escolas Globais do Brasil S.A. ('Eleva')	23 Jun 2022	100% ¹	296,115
Miran S.A. ('Miranda')	19 May 2022	100%	25,000
Institut Khalil Jabran S.A ('KGS')	13 June 2022	76%	6,028
Nido di SLS ('Nido')	12 May 2022	100%	2,018
Centro de Formacion Mestral SL ('Mestral')	17 May 2022	100%	11,686

¹ 51% of the subsidiary Gurilândia Holding S.A. was acquired.

The principal activity of all businesses was the provision of private education services.

The initial accounting for the acquisition of all entities noted above have only been provisionally determined at the end of the reporting period. At the date of signing the financial statements, the valuation of customer relationships for one of the schools acquired in Brazil remains subject to further assessment. A provisional value has been assigned based on data available from other schools acquired in Brazil. Any changes based on a revised assessment will be adjusted in the provisional measurement period.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(a) Acquisitions for the year ended 31 August 2022 (continued)

The purchase consideration was satisfied by:

	Eleva €'000	Miranda €'000	Mestral €'000	KGS €'000	Nido €'000
Cash	278,786	25,000	11,595	5,064	2,018
Deferred consideration	-	-	91	-	-
Contingent consideration	17,329	-	-	964	-
Total consideration	296,115	25,000	11,686	6,028	2,018

The net cash outflow arising on acquisition was:

	Eleva €'000	Miranda €'000	Mestral €'000	KGS €'000	Nido €'000
Cash consideration	278,786	25,000	11,595	5,064	2,018
Less: cash and cash equivalent balances acquired	(3,889)	(3,154)	(282)	(20)	(125)
	274,897	21,846	11,313	5,044	1,893

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(a) Acquisitions for the year ended 31 August 2022 (continued)

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

	Eleva €'000	Miranda €'000	Mestral €'000	KGS €'000	Nido €'000
Cash and cash equivalents	3,889	3,154	282	20	125
Trade and other receivables	4,254	966	132	131	1
Inventory	-	-	61	10	-
Property, plant and equipment	15,826	2,346	19,002	288	1,568
Identifiable intangible assets	40,508	10,351	812	5,679	41
Right of use asset	54,801	8,697	-	-	-
Other non-current assets	1,113	39	15	-	-
Deferred tax asset	423	-	-	-	-
Tax liability	(848)	(597)	(216)	(3,177)	(5)
Deferred income	(4,736)	(1,056)	(66)	(488)	(13)
Trade and other payables	(5,751)	(1,221)	(529)	(676)	(10)
Other liabilities	(2,643)	-	(176)	-	(89)
Right of use liability	(54,801)	(8,697)	-	-	-
Borrowings	(5,754)	(147)	(4,199)	(280)	-
Deferred tax liability	(99)	(2,713)	(3,031)	(1,760)	(10)
Total identifiable assets / (liabilities)	46,182	11,122	12,087	(253)	1,608
Non-controlling interests	(483)	-	-	63	-
Equity	45,699	11,122	12,087	(190)	1,608
Purchase consideration	296,115	25,000	11,686	6,028	2,018
Goodwill	250,416	13,878	(401)	6,218	410

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

a) *Acquisitions for the year ended 31 August 2022 (continued)*

The fair value of receivables acquired includes provisions of €1.7 million against the gross contractual amount of receivables. The best estimate of contractual cash flows that are not expected to be collected is €1.7 million.

The goodwill arising from each of the acquisitions consists of the value of expected synergies, revenue growth and know-how of the acquired business arising from an acquisition that do not qualify for separate recognition. €250 million of goodwill is expected to be deductible for income tax purposes.

Acquisition-related costs (included within operating expenses)

	Eleva €'000	Miranda €'000	Mestral €'000	KGS €'000	Nido €'000
Costs	1,069	430	489	277	73

Contribution to revenue and profit for the year

The acquisitions contributed the following amounts to the overall Group results:

	Eleva €'000	Miranda €'000	Mestral €'000	KGS €'000	Nido €'000
Revenue	10,320	1,918	760	289	96
Loss before tax	(29)	(1,683)	(513)	(474)	(20)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(a) *Acquisitions for the year ended 31 August 2022 (continued)*

The above contribution to revenue and profit, representing the revenue and profit recognised subsequent to acquisition, is distorted by the timing of revenue recognised in accordance with IFRS 15, which results in certain months of the year not recognising any revenue as tuition and ancillary fees are recognised over the academic year. If the acquisitions had been completed on the first day of the financial year, Group revenues and Group profit before tax for the year would have been higher/(lower) than as reported by the following amounts:

	Eleva	Miranda	Mestral	KGS	Nido
	€'000	€'000	€'000	€'000	€'000
Revenue	41,378	10,751	4,041	3,932	280
Profit/(loss) before tax	7,324	2,506	843	(1,385)	72

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(b) *Acquisitions for the year ended 31 August 2021*

During the year, the Group acquired the following businesses to continue the Group's expansion:

Entity	Acquisition date	Equity voting interest acquired	Purchase consideration €'000
A-Star-Education Schools SG Holdco Pte. Ltd (‘A Star’)	20 November 2020	100%	20,186
Kensington School SA (‘Kensington’)	28 December 2020	99.427%	28,255
Remuera Discovery Express (‘Remuera’)	1 March 2021	N/A ¹	2,990
Ostaz Holdings SAL (‘Ostaz’)	6 May 2021	60.2%	5,872
Wey Education plc (‘Wey’)	25 May 2021	100%	81,410
Socieduca – Sociedade De Educacao, SA (‘St Peters’)	12 July 2021	55% ²	30,218

The principal activity of all businesses was the provision of private education services.

¹Acquisition of net assets of business

²49% acquired in July 2019, remaining 6% acquired in July 2021

The initial accounting for the acquisition of Kensington, Remuera, Ostaz, Wey and St Peters have only been provisionally determined at the end of the reporting period.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(b) Acquisitions for the year ended 31 August 2021 (continued)

The purchase consideration was satisfied by:

	A Star €'000	Kensington €'000	Remuera €'000	Ostaz €'000	Wey €'000	St Peters €'000
Cash	20,186	25,664	2,990	3,022	81,410	2,111
Fair value of previously held interest	-	-	-	-	-	27,693
Issue of shares	-	-	-	2,850	-	-
Deferred consideration	-	2,591	-	-	-	414
Total consideration	20,186	28,255	2,990	5,872	81,410	30,218

The net cash outflow arising on acquisition was:

	A Star €'000	Kensington €'000	Remuera €'000	Ostaz €'000	Wey €'000	St Peters €'000
Cash consideration	20,186	25,664	2,990	3,022	81,410	2,111
Less: cash and cash equivalent balances acquired	(3,245)	(4,024)	-	(439)	(9,771)	(6,467)
	16,941	21,640	2,990	2,583	71,639	(4,356)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(b) Acquisitions for the year ended 31 August 2021 (continued)

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

	A Star €'000	Kensington €'000	Remuera €'000	Ostaz €'000	Wey €'000	St Peters €'000
Cash and cash equivalents	3,245	4,024	-	439	9,771	6,467
Trade and other receivables	3,125	69	28	93	2,869	4,858
Inventory	49	2	-	-	-	275
Property, plant and equipment	1,575	15,368	71	132	349	22,019
Identifiable intangible assets	10,500	7,618	621	172	32,534	11,705
Right of use asset	9,875	-	1,365	-	153	-
Other non-current assets	-	95	-	-	-	144
Tax liability	-	(670)	-	(3)	-	(1,231)
Deferred income	(5,272)	(614)	(184)	(48)	(1,307)	(852)
Trade and other payables	(3,726)	(290)	-	(292)	(5,187)	(1,411)
Other liabilities	(179)	-	-	-	(4,650)	-
Right of use liability	(9,875)	-	(1,365)	-	(153)	-
Borrowings	(3,849)	-	-	-	-	(9,838)
Deferred tax liability	(1,050)	(4,980)	(173)	-	(6,603)	(4,790)
Total identifiable assets	4,418	20,622	363	493	27,776	27,346
Non-controlling interests	-	(119)	-	(132)	-	(25,433)
Equity	4,418	20,503	363	361	27,776	1,913
Purchase consideration	20,186	28,255	2,990	5,872	81,410	30,218
Goodwill	15,768	7,752	2,627	5,511	53,634	28,305

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(b) Acquisitions for the year ended 31 August 2021 (continued)

The fair value of receivables acquired includes provisions of €0.6 million against the gross contractual amount of receivables. The best estimate of contractual cash flows that are not expected to be collected is €0.6 million.

The goodwill arising from each of the acquisitions consists of the value of expected synergies, revenue growth and know-how of the acquired business arising from an acquisition that do not qualify for separate recognition. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition-related costs (included within operating expenses)

	A Star €'000	Kensington €'000	Remuera €'000	Ostaz €'000	Wey €'000	St Peters €'000
Costs	738	710	35	520	1,287	4

Contribution to revenue and profit for the year

The acquisitions contributed the following amounts to the overall Group result:

	A Star €'000	Kensington €'000	Remuera €'000	Ostaz €'000	Wey €'000	St Peters €'000
Revenue	6,424	6,116	640	40	3,935	289
Profit/(loss) before tax	(126)	(390)	104	(73)	(356)	(1,262)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(b) *Acquisitions for the year ended 31 August 2021 (continued)*

The above contribution to revenue and profit, representing the revenue and profit recognised subsequent to acquisition, is distorted by the timing of revenue recognised in accordance with IFRS 15, which results in certain months of the year not recognising any revenue as tuition and ancillary fees are recognised over the academic year. If the acquisitions had been completed on the first day of the financial year, Group revenues and Group profit before tax for the year would have been higher/(lower) than as reported by the following amounts:

	A Star	Kensington	Remuera	Ostaz	Wey	St Peters
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	2,319	3,414	648	85	11,865	12,117
Profit/(loss) before tax	977	174	205	(755)	267	4,994

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

27. Business combinations and disposals (continued)

(c) Disposals for the year ended 31 August 2022

As referred to in note 6, on 7th June 2022 the Group disposed of its interest in Ostaz Holdings Limited.

The net assets of Ostaz Holdings Limited at the date of disposal were as follows:

	€'000
Property, plant and equipment	391
Intangibles	191
Trade receivables	384
Other receivables	224
Bank balances and cash	381
Deferred revenue	(117)
Other payables	(787)
Attributable goodwill	6,270
Net assets disposed of	<u>6,937</u>
Non-controlling interest disposed of	(2,533)
Total consideration	-
Loss on disposal	<u><u>4,404</u></u>

The loss on disposal is included in the profit for the year in note 6.

(d) Disposals for the year ended 31 August 2021

There were no disposals of subsidiaries made in 2021. The group recognised an accounting loss of €0.2 million in the year arising on the closure of Kings College International SL, Elche and Kings College Frankfurt.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

28. Notes to the cash flow statement

		For the year ended 31 August 2022	For the year ended 31 August 2021
	Note	€'000	€'000
Profit before tax for the year		78,051	39,876
Adjustments for:			
Unrealised foreign exchange losses		8,931	477
Mark to market gains of derivatives		(27,699)	-
Foreign exchange gain on disposal of subsidiary		(1,084)	-
Net finance costs		33,075	29,668
Lease liability interest expense	14	25,809	23,800
Depreciation of property, plant and equipment	13	24,812	24,318
Depreciation of right of use asset	14	26,466	24,540
Amortisation of intangible assets	11	27,940	19,076
Loss on disposal of property, plant and equipment		546	1,268
Loss on disposal of subsidiary		4,404	-
Gain on bargain purchase		(401)	-
Share of profit on associate	12	-	(953)
Other non-cash items		(115)	(211)
Fair value adjustment for deferred consideration		3,342	1,901
Share based payment		1,672	1,110
Gain on disposal of associate through step-acquisition		-	(8,064)
Operating cash flows before movements in working capital		205,749	156,806
Increase/(decrease) in provisions		48	(1,058)
Decrease/(increase) in inventories		648	(168)
(Increase)/decrease in receivables		(17,496)	3,717
(Decrease)/increase in payables		(279)	1,511
Increase in deferred revenue		27,991	8,494
Movement in other working capital		93	(286)
Cash generated by operations		216,754	169,016
Income taxes paid		(27,156)	(25,190)
Interest paid on borrowings		(27,677)	(25,911)
Interest paid on cash balances held		(540)	-
Lease liability interest paid	14	(25,809)	(23,800)
Net cash from operating activities		135,572	94,115

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

28. Notes to the cash flow statement (continued)

Cash and cash equivalents

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Cash and bank balances	192,484	111,865
	<u>192,484</u>	<u>111,865</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

28. Notes to the cash flow statement (continued)

Net cash / (debt) balances at 31 August 2022 comprise:

	Current assets €'000	Current liabilities €'000	Non-current liabilities €'000	Total €'000
Cash and bank balances	192,494	-	-	192,494
Lease liability	-	(23,263)	(361,978)	(385,241)
Borrowings	-	(20,709)	(1,067,497)	(1,088,206)
Net cash / (debt)	<u>192,494</u>	<u>(43,972)</u>	<u>(1,429,475)</u>	<u>(1,280,953)</u>

Net cash / (debt) balances at 31 August 2021 comprise:

	Current assets €'000	Current liabilities €'000	Non-current liabilities €'000	Total €'000
Cash and bank balances	111,865	-	-	111,865
Lease liability	-	(17,005)	(288,838)	(305,843)
Borrowings	-	(22,170)	(824,075)	(846,245)
Net cash / (debt)	<u>111,865</u>	<u>(39,175)</u>	<u>(1,112,913)</u>	<u>(1,040,223)</u>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

28. Notes to the cash flow statement (continued)

Analysis of changes in debt

	Borrowings	Lease liability obligation	Total
	€'000	€'000	€'000
As at 1 September 2020	(725,343)	(291,177)	(1,016,520)
Drawdown of borrowings	(113,487)	-	(113,487)
Repayments of borrowings	5,992	-	5,992
Interest paid on borrowings	25,911	-	25,911
Repayments of lease obligations	-	13,344	13,344
Lease liability interest paid	-	23,800	23,800
Repayment to associate	3,989	-	3,989
Acquisitions	(13,687)	(11,393)	(25,080)
Lease movements	-	(1,969)	(1,969)
Exchange movements	63	(14,648)	(14,585)
Accrued interest	(26,536)	(23,800)	(50,336)
Loan fee amortisation	(3,147)	-	(3,147)
As at 31 August 2021	(846,245)	(305,843)	(1,152,088)
Drawdown of borrowings	(252,524)	-	(252,524)
Repayments of borrowings	28,506	-	28,506
Interest paid on borrowings	27,677	-	27,677
Repayments of lease obligations	-	19,527	19,527
Lease liability interest paid	-	25,809	25,809
Acquisitions	(10,380)	(63,498)	(73,878)
Lease movements	-	(16,514)	(16,514)
Exchange movements	(1,463)	(18,913)	(20,376)
Accrued interest	(29,511)	(25,809)	(55,320)
Loan fee amortisation	(4,266)	-	(4,266)
As at 31 August 2022	(1,088,206)	(385,241)	(1,473,447)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 August 2022

29. Contingent liabilities

In the normal course of business, the Group is, from time to time, subjected to legal actions, contractual disputes, employment claims and tax assessments. In the opinion of the Directors, the ultimate resolution of these matters will not have a material adverse effect on the Consolidated Financial Statements.

The Company and its subsidiaries have entered into a number of indemnifications, performance and financial guarantees, in the normal course of business, which gives rise to obligations to pay amounts or fulfil obligations to external parties should certain conditions not be met or specified events occur. As at the date of this report, no matter has come to the attention of the Group which indicates that any material outflow will occur as a result of these indemnities and guarantees, and accordingly no provision has been recognised.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

30. Retirement benefit schemes

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Defined benefit plan obligations	2,962	2,143

Background

The Group has both defined benefit and defined contribution retirement benefit plans.

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The income statement charge in respect of defined contribution plans represents the contribution payable by the Group based upon a fixed percentage of employees' pay. The company has no exposure to investment and other experience risks.

The total cost charged to operating expenses of €5.5 million (2021: €4.8 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

Defined benefit plans

A defined benefit plan is a pension arrangement where participating members receive a pension benefit at retirement determined by the plan rules dependent on factors such as age, years of service and pensionable pay and is not dependent upon actual contributions made by the company or members. The income statement service cost in respect of defined benefit plans represents the increase in the defined benefit liability arising from pension benefits earned by active members in the current period. The Group is potentially exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be met from regular contributions, expected investment income and assets held.

The Group has pension arrangements that are considered to meet the definition of a defined benefit plan in Switzerland, Italy, Belgium and Indonesia. In Switzerland and Belgium, the plans are administered by separate funds that are legally separated from the Group. The Trustees of the Pension Funds are composed of representatives from both employers and employees. The Trustees of the Pension Funds are required by law and by their articles of association to act in the interests of the Funds and of all relevant stakeholders in the plans, i.e. active employees, inactive employees, retirees, employers. The Trustees of the Pension Funds are responsible for the investment policies with regard to the assets of the funds.

No other post-retirement benefits are provided to these employees.

Switzerland

Employees in Switzerland are entitled to post retirement benefits based on retirement savings accrued until retirement age (Men: 65 years; Women 64 years). The retirement benefits are provided by the accumulation of defined retirement savings contributions with interest until retirement. At retirement, the employee may receive the benefit in lump sum form, or may elect to receive a part of the benefit in the form of a pension payable for life with continuation to a spouse or partner. As with all employee retirement plans in Switzerland the benefits are subject to certain interest, capital and annuity guarantees. The insured salary is limited to 1200% of the state retirement benefit. The insured salary is the difference between the current salary of the employee and 87.5% of the state retirement benefit.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

30. Retirement benefit schemes (continued)

Belgium

Employees in Belgium are entitled to a statutory minimum rate of return on the value of contributions made, which is provided following retirement age (65 years).

The defined benefit schemes require contributions from employees in addition to the contributions made by the Company.

Defined benefit schemes typically expose the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependents of scheme members is re-insured by an external insurance company.

Italy

Pursuant to Article 2120 of the Italian Civil Code, post-employment benefits in Italy (TFR) are due to employees on termination of employment. Following pension law reform, for companies with greater than 50 employees, post-employment benefits accruing since 1 January 2007 are mandatorily transferred to a supplementary pension fund or the special treasury fund set up by INPS (the Italian social security institution) depending on which option the employee has chosen. For companies with less than 50 employees, post-employment benefits accruing since 1 January 2007 are retained by the Company.

Post-employment benefits accruing since 1 January 2007 in companies with greater than 50 employees are considered to be defined contribution plans, including when the employee has opted to transfer the benefits to the INPS treasury fund. These benefits, determined in accordance with Italian Civil Code requirements, are not subjected to actuarial valuation and are recognised as staff costs.

The Group's liability for defined benefits owing to employees therefore relates to those vested up to 31 December 2006 (relevant for International School of Europe S.P.A only), and those benefits accrued in Italian schools with less than 50 employees (International School of Italy S.r.l and Bergamo International Studies Srl).

Indonesia

Employees in Inspired's Indonesia entities are entitled to certain employee benefits according to Indonesian law. When an employee reaches pension age, the relevant employee will be entitled to payment discussed in Article 167 of Law No. 13 of 2003 (the "Manpower Law"). Article 167 of the Manpower Law provides that when an employee reaches pension age (and the employment is ended due to pension age), the relevant employee shall be entitled to a pension package that is not less than 2 x severance pay; 1 x service pay, and 1 x right compensation pay, (together, "Statutory Pension Package").

The Company must ensure that retiring employees received a specified minimum level of benefits. The Company does not use an external fund to manage its future pension liabilities. Instead, the Company would fund the pension benefit directly upon the employee's retirement.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

30. Retirement benefit schemes (continued)

Actuarial valuations

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Actuarial valuations of the plan's assets and the present value of the defined benefit liabilities were carried out at 31 August 2022 for all retirement benefit schemes.

The present value of the defined benefit liabilities, and the related current service cost and past service cost, were measured using the projected unit credit method.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

30. Retirement benefit schemes (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2022				2021			
	Italy	Belgium	Switzerland	Indonesia	Italy	Belgium	Switzerland	Indonesia
	%	%	%	%	%	%	%	%
Key assumptions used:								
Discount rate(s)	2.2%	2.5%	2.0%	7.8%	0.6%	0.8%	0.1%	7.9%
Expected rate(s) of salary increase	3.5%	-	1.0%	5.0%	3.0%	-	0.5%	5.0%

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	2022				2021			
	Italy	Belgium	Switzerland	Indonesia	Italy	Belgium	Switzerland	Indonesia
	€000	€000	€000	€000	€000	€000	€000	€000
Current service cost	167	728	424	6	176	731	425	12
Administration costs	-	-	25	-	-	-	29	-
Net interest expense/(income)	8	3	(1)	8	8	2	3	14
Recognition of Past Service Cost - Vested	-	-	-	31	-	-	-	-
Components of defined benefit costs recognised in profit or loss	175	731	448	45	184	733	457	26

Of the expense (service cost) for the year, €1.3 million (2021: €1.3 million) has been included in the income statement as operating expenses, with the net interest expense included within finance costs (see Note 8). The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

30. Retirement benefit schemes (continued)

The amounts recognised in the statement of comprehensive income are as follows:

	2022				2021			
	Italy €000	Belgium €000	Switzerland €000	Indonesia €000	Italy €000	Belgium €000	Switzerland €000	Indonesia €000
The loss/(return) on plan assets (excluding amounts included in net interest expense)	-	2,594	1,284	-	-	(459)	(1,280)	-
Actuarial losses/(gains) arising from experience adjustments and changes in financial assumptions	22	(2,257)	(911)	(31)	63	397	(172)	13
Remeasurement of the net defined benefit liability	22	337	373	(31)	63	(62)	(1,452)	13

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2022				2021			
	Italy €000	Belgium €000	Switzerland €000	Indonesia €000	Italy €000	Belgium €000	Switzerland €000	Indonesia €000
Present value of defined benefit obligations	(1,433)	(12,892)	(10,178)	(114)	(1,412)	(15,256)	(10,710)	(91)
Fair value of plan assets	-	11,905	9,750	-	-	14,616	10,725	-
Application of asset ceiling	-	-	-	-	-	-	(15)	-
Net liability arising from defined benefit obligation	(1,433)	(987)	(428)	(114)	(1,412)	(640)	-	(51)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

30. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations in the year were as follows:

	2022				2021			
	Italy €000	Belgium €000	Switzerland €000	Indonesia €000	Italy €000	Belgium €000	Switzerland €000	Indonesia €000
Opening defined benefit obligation	(1,412)	(15,256)	(10,710)	(91)	(1,324)	(15,107)	(10,553)	-
Acquired during the year	(55)	-	-	-	-	-	-	-
Transfer from employment provisions	-	-	-	(96)	-	-	-	(141)
Current service cost	(167)	(728)	(424)	(37)	(176)	(731)	(425)	(12)
Interest cost	(8)	(114)	(10)	(8)	(8)	(142)	(31)	(13)
Actuarial (losses)/gains arising from experience adjustments	(175)	115	911	26	(57)	(76)	186	(20)
Benefits paid from plan assets	230	786	1,491	4	158	95	425	55
Contributions from plan participants	-	-	(400)	-	-	-	(350)	-
Exchange differences on foreign schemes	-	-	(1,011)	83	-	-	67	(1)
Insurance premiums for risk benefits	-	47	-	-	-	62	-	-
Taxes included in the defined benefit obligation	-	84	-	-	-	78	-	-
Actuarial gains and losses arising from financial adjustment	154	2,142	-	5	(5)	(321)	-	6
Administrative costs	-	32	(25)	-	-	30	(29)	-
Change in benefit plans	-	-	-	-	-	-	-	35
Closing defined benefit obligation	(1,433)	(12,892)	(10,178)	(114)	(1,412)	(15,256)	(10,710)	(91)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

30. Retirement benefit schemes (continued)

Movements in the fair value of plan assets in the year were as follows:

	2022				2021			
	Italy €000	Belgium €000	Switzerland €000	Indonesia €000	Italy €000	Belgium €000	Switzerland €000	Indonesia €000
Opening fair value of plan assets	-	14,616	10,725	-	-	14,469	9,196	-
Interest income	-	111	11	-	-	140	27	-
The (loss)/return on plan assets (excluding amounts included in net interest expense)	-	(2,594)	(1,284)	-	-	459	1,280	-
Exchange differences on foreign schemes	-	-	989	-	-	-	(54)	-
Contributions from the employer	-	720	400	-	-	669	350	-
Contributions from plan participants	-	-	400	-	-	-	350	-
Benefits paid	-	(786)	(1,491)	-	-	(951)	(424)	-
Administrative expenses paid from plan assets	-	(32)	-	-	-	(30)	-	-
Taxes paid from plan assets	-	(84)	-	-	-	(78)	-	-
Insurance premiums for risk benefits	-	(46)	-	-	-	(62)	-	-
Closing fair value of plan assets	-	11,905	9,750	-	-	14,616	10,725	-

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

30. Retirement benefit schemes (continued)

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

	2022				2021		
	Italy	Belgium	Switzerland	Indonesia	Italy	Belgium	Switzerland
Money market (unquoted)	-	-	-	-	-	-	1%
Fixed income (quoted)	-	-	33%	-	-	-	34%
Equity (quoted)	-	-	39%	-	-	-	39%
Real Estate (unquoted)	-	-	28%	-	-	-	26%
Assets held by insurance company (unquoted)	-	100%	-	-	-	100%	-
Total	-	100%	100%	-	-	100%	100%

The significant actuarial assumption for the determination of the defined benefit obligation is the discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 50 basis points higher, the defined benefit obligation would decrease by €0.5 million for Switzerland (2021: €0.5 million), decrease by €0.3 million for Belgium (2021: €0.8 million), decrease by €0.05 million for Italy (2021: €0.02 million) and decrease by €0.01 million for Indonesia (2021: €0.01 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The Group's subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed per cent of pensionable salary. Apart from paying the costs of the entitlements, the Group's subsidiaries are not liable to pay additional contributions in case the scheme does not hold sufficient assets. In that case the scheme should take other measures to restore its solvency such as a reduction of the entitlements of the scheme members.

The average duration of the benefit obligation at the end of the reporting period for is 9 years (2021: 9 years). This number can be subdivided into the duration related to:

- active members: 8 years (2021: 9 years)
- retired members: 10 years (2021: 12 years)

The Group expects to make contributions of €1.3 million (2021: €1.2 million) to the defined benefit schemes during the next financial year.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

31. Deferred revenue

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Arising from receipt of school fees in advance of services rendered	254,436	208,828
	<u>254,436</u>	<u>208,828</u>
Current	252,972	208,765
Non-current	1,464	63
	<u>254,436</u>	<u>208,828</u>

Of the deferred revenue at the start of the period, €208.8 million was recognised during the year (2021: €191.2 million). Deferred revenue has increased as a result of increased revenues in the year from both existing operations and new acquisitions in the period.

32. Financial instruments

The Board of Directors has overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

This note represents information about the Group's exposure to each of the following risks; the objectives, policies and processes for measuring and managing risk; and the Group's management of capital.

Capital risk management

The capital structure of the Group consists of net debt (bank loans and borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in Notes 23 to 26).

The Group's capital management objective is to achieve an optimal weighted average cost of capital while continuing to safeguard the Group's ability to meet its liquidity requirements (including its commitments in respect of capital expenditure); repay borrowings as they fall due; and continue as a going concern.

Categories of financial instruments

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Financial assets		
Cash	192,494	111,865
Loans and receivables at amortised cost	81,297	68,997
Derivative financial instruments	4,962	-
Financial liabilities		
Payables and loans at amortised cost	1,219,458	944,900
Deferred consideration for a business combination	42,447	31,327
Lease liability	<u>385,241</u>	<u>305,843</u>

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Financial risk management objectives

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). Whilst much of the Group's foreign exchange exposure is mitigated through local currency denominated expenses providing a natural hedge to local currency denominated revenues, the Group considers the use of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including interest rate swaps to mitigate the risk of rising interest rates.

During the year ended 31 August 2022, the Group entered into foreign exchange instruments, to manage the foreign exchange risk of the Euro translated value of consideration payable in Brazilian Real. The Group also purchased interest rate swaps to fix the interest payable under its €1,045 million Term Loan B debt, up to 31 May 2024.

Foreign currency risk management

The Group operates internationally and is therefore affected by movements in foreign exchange rates. This is largely through the retranslation of the Group's foreign operations' results and balances into Euros.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows. Note that monetary liabilities include lease liabilities, but right of use assets are not included as they do not constitute monetary assets.

	Liabilities 2022	Assets 2022	Liabilities 2021	Assets 2021
	€'000	€'000	€'000	€'000
South African Rand	75,511	5,540	71,392	4,483
Kenyan Shilling	2,386	6,922	2,332	7,514
Pound Sterling	30,887	14,871	25,286	15,740
Swiss Franc	40,066	9,987	34,076	8,402
Colombian Peso	399	526	440	903
Peruvian Sol	4,000	4,811	3,489	3,727
Australian Dollar	23,493	3,862	23,279	3,758
Costa Rican Colon	4,018	2,898	3,594	1,789
Bahraini Dinar	42,762	8,295	32,434	8,369
Mexican Peso	6,602	4,396	6,153	2,771
New Zealand Dollar	19,247	10,960	24,953	9,779
Vietnamese Dong	13,257	27,497	12,473	21,807
Indonesian Rupiah	220	2,999	196	1,479
Panamanian Balboa	865	760	1,170	1,019
Omani Rial	4,485	3,180	1,670	2,117
Lebanese Pound	-	-	185	153
United Arab Emirates Dirham	-	-	16	1,249
United States Dollar	2,530	1,069	9	5
Brazilian Real	99,857	4,607	-	-
Moroccan Dirham	3,181	21	-	-
Egyptian Pound	10	39	-	-

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10 per cent increase and decrease in Euro against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	2022 €'000		2022 €'000	
	Impact on profit before tax		Impact on equity	
	+10%	-10%	+10%	-10%
Pound Sterling	(117)	107	25,705	(23,368)
Swiss Franc	232	(211)	2,023	(1,840)
South African Rand	1,120	(1,019)	3,961	(3,601)
Kenyan Shilling	577	(525)	6,300	(5,727)
Colombian Peso	95	(86)	1,725	(1,568)
Peruvian Sol	359	(326)	2,541	(2,310)
Australian Dollar	861	(783)	3,044	(2,768)
Costa Rican Colon	261	(238)	605	(550)
Bahraini Dinar	864	(785)	10,208	(9,280)
New Zealand Dollar	2,722	(2,475)	34,432	(31,302)
Vietnamese Dong	1,072	(975)	22,362	(20,329)
Indonesian Rupiah	(14)	13	1,100	(1,000)
Mexican Peso	326	(296)	795	(723)
Panamanian Balboa	47	(43)	2,273	(2,066)
Omani Rial	(136)	123	974	(886)
United Arab Emirates Dirham	37	(34)	-	-
United States Dollar	(223)	202	(389)	354
Brazilian Real	(3)	3	29,012	(26,374)
Moroccan Dirham	(62)	57	410	(373)
Egyptian Pound	(14)	13	(7)	6
Lebanese Pound	(18)	16	-	-
Total	7,986	(7,262)	147,074	(133,705)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

	2021 €'000		2021 €'000	
	Impact on profit before tax		Impact on equity	
	+10%	-10%	+10%	-10%
Pound Sterling	190	(173)	22,663	(20,603)
Swiss Franc	57	(52)	42	(38)
South African Rand	533	(485)	5,424	(4,931)
Kenyan Schilling	516	(469)	3,793	(3,448)
Colombian Peso	26	(23)	(819)	745
Peruvian Sol	436	(396)	1,082	(984)
Australian Dollar	634	(577)	846	(769)
Costa Rican Colon	187	(170)	(288)	262
Bahraini Dinar	650	(591)	4,266	(3,878)
New Zealand Dollar	2,210	(2,009)	40,189	(36,535)
Vietnamese Dong	626	(570)	1,907	(1,733)
Indonesian Rupiah	-	-	811	(737)
Mexican Peso	116	(105)	202	(183)
Panamanian Balboa	9	(9)	50	(46)
Omani Rial	42	(38)	(809)	736
Lebanese Pound	10	(9)	132	(120)
United Arab Emirates Dirham	(17)	15	440	(400)
United States Dollar	(48)	44	(33)	30
Chinese Yuan	3	(3)	-	-
Total	6,180	(5,620)	79,898	(72,632)

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit before tax for the year ended 31 August 2022 would decrease by €5.9 million (2021: decrease by €4.3 million). If interest rates had been 100 basis points lower and all other variables were held constant, the Group's profit before tax for the year ended 31 August 2022 would increase by €0.1 million (2021: increase by €0.1 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The increase in profit before tax is limited due to the existence of EURIBOR floors on EURO denominated debt.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Trade receivables consist of a widespread customer base. Ongoing credit evaluation is performed on the financial condition of accounts receivable and assessment of the credit quality of each customer.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, The Group maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and utilised borrowing facilities are monitored.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Liquidity and interest risk table

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

31 August 2022	Weighted average effective interest rate %	Less than 1 year €'000	1-5 years €'000	5+ years €'000	Total €'000
Non-interest bearing	-	132,499	20,517	-	153,016
Variable interest rate liabilities	3.1	65,243	1,198,082	8,282	1,271,607
Fixed interest rate liabilities	1.0	1,275	3,188	-	4,463
Lease liability	9.4	55,312	216,127	505,186	776,625
Total		<u>254,329</u>	<u>1,437,914</u>	<u>513,468</u>	<u>2,205,711</u>

31 August 2021	Weighted average effective interest rate %	Less than 1 year €'000	1-5 years €'000	5+ years €'000	Total €'000
Non-interest bearing	-	111,269	9,992	-	121,261
Variable interest rate liabilities	3.1	41,281	127,928	801,822	971,031
Fixed interest rate liabilities	0.8	655	4,470	-	5,125
Lease liability	7.8	40,167	158,372	362,031	560,570
Total		<u>193,372</u>	<u>300,762</u>	<u>1,163,853</u>	<u>1,657,987</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the reporting date.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Cash flow hedges

Hedging instruments

	Average contracted fixed interest rate		Notional principal value		Carrying amount of the hedging instrument assets/(liabilities)		Change in fair value used for calculating hedge ineffectiveness	
	31 st August 2022	31 st August 2021	31 st August 2022	31 st August 2021	31 st August 2022	31 st August 2021	31 st August 2022	31 st August 2021
	%	%	€'000	€'000	€'000	€'000	€'000	€'000
	2.05	N/A	1,045,000	-	1,625	-	1,625	-
Less than 1 year					-	-	-	-
1 to 2 years					1,625	-	-	-
Total					1,625	-	-	-

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) **For the year ended 31 August 2022**

32. Financial instruments (continued)

The Group has access to financing facilities as described in Note 18. The Group expects to meet its other obligations from operating cash flows and proceeds from financial assets.

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Type of instrument	financial instrument	Contingent consideration	Consideration to settle options for non-controlling interests	put Interest rate swaps	Foreign exchange rate swaps
Classification		Financial liability	Financial liability	Financial asset	Financial asset
Fair value as at 31 August 2022		€19.3 million	€20.1 million	€1.6 million	€3.3 million
Fair value as at 31 August 2021		€Nil	€26.0 million	€nil	€nil
Fair value hierarchy		Level 3	Level 3	Level 2	Level 2
Valuation technique(s) and key input(s)		Discounted cash flow	Multiple of earnings	The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates	The fair value is calculated as the present value of the estimated future cash flows. This is done using externally sourced foreign exchange rates from highly liquid markets.
Significant unobservable input(s)		Completion of subsequent business combination.	Future profitability of business.	N/A	N/A
		Forecast profitability.			

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Relationship of unobservable inputs to fair value	Fair value will increase / decrease with higher/lower profitability.	Fair value will increase / decrease as future profitability increases / decreases.	N/A	N/A
	Fair value will increase / decrease with probability of completion of business combination increasing / decreasing.			

The Group has entered into master netting agreements with Morgan Stanley & Co International plc. Derivatives subject to offsetting and master netting agreements are presented below. The derivative assets and liabilities meet the offsetting criteria in IAS 32. Consequently, the gross derivative liabilities are offset against the gross derivative assets, resulting in the presentation of a net derivative asset of €4.9 million in the Group's Balance Sheet.

	Year ended August 2022 €'000	Year ended August 2021 €'000
Derivative assets	9,943	-
Derivative liabilities	(5,025)	-
Net amount of financial assets presented in the Balance Sheet	4,918	-

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

32. Financial instruments (continued)

Fair value measurements recognised in the statement of financial position

	2022			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
<i>Financial assets at FVTOCI</i>				
Interest rate swaps	-	1,625	-	1,625
<i>Financial assets at FVTPL</i>				
Foreign exchange rate swaps	-	3,293	-	3,293
<i>Financial liabilities at FVTPL</i>				
Consideration to settle put options for non-controlling interests	-	-	20,137	20,137
Contingent consideration	-	-	19,328	19,328
Total	-	-	39,465	39,465
q				
	2021 (restated)			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
<i>Financial liabilities at FVTPL</i>				
Consideration to settle put options for non-controlling interests	-	-	26,036	26,036
Total	-	-	26,036	26,036

The 2021 comparative has been restated to reflect €2.2m of consideration for Bergamo previously not disclosed.

There were no transfers between Level 1 and Level 2 during any of the periods.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

The movement in Level 3 Financial liabilities at FVTPL is as follows:

	As at 31 August 2022 €'000	As at 31 August 2021 (restated) €'000
Balance at the beginning of the year	26,036	5,232
Paid in the year	(20,099)	(4,932)
Arising on acquisition of subsidiary	32,747	22,961
Disposal of subsidiaries	(2,862)	-
Revaluation in the period	3,379	2,775
Foreign exchange translation gains and losses	265	-
Total	39,466	26,036

The 2021 comparative has been restated to reflect consideration to settle put options previously excluded.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

33. Events after the balance sheet date

On 2 September 2022, the Group's committed revolving credit facility was increased by €70 million to €155 million.

On 19 October 2022, the Group acquired 100% of the share capital of CPD Ballito School (Pty) Ltd, for consideration of Rand 95.1 million (€5.3 million). The company owns the land and buildings used by the Reddam House Ballito school in South Africa.

On 15 November 2022, the Group acquired 100% of the share capital of My Online Schooling Ltd, a company operating a global online school, for provisional consideration of £7.4 million (€8.5 million).

On 29 November 2022, the Employee Benefit Trust sold 709,902 H Ordinary shares for consideration of €0.3 million.

On 1 December 2022, the Group acquired 100% of the share capital of Balboa Academy S.A, a company operating a school in Panama, for USD 36.0 million (€36.3 million).

On 6 December 2022, the Group acquired 100% of the share capital of Escola Vitruviano Ltda, a company operating a school in Brazil, for provisional consideration of BRL 120 million (€21.8 million).

On 14 December 2022, the Company issued 6,984 H Ordinary shares for consideration of €0.0 million.

34. Related party transactions

Balances and transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Short-term employee benefits	3,468	918
Post-employment benefits	22	17
	<u>3,490</u>	<u>935</u>

Aggregate Directors' remuneration

The total amounts for Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Salaries, fees, bonuses and benefits in kind	3,468	918
Money purchase pension contributions	22	17
	<u>3,490</u>	<u>935</u>

In 2022, two (2021: one) Directors were members of a money purchase scheme.

The highest paid director received short term employee benefits (fee, bonus) of €2.9 million (2021 - €0.5 million) and money purchase pension contributions of €Nil (2021 - €Nil) for the year. In addition, share based payment expense of €0.4 million (2021 - €0.1 million) was recognised in the year in relation to shares that were issued to this director.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 August 2022

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

34. Related party transactions (continued)

Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group.

	Year ended 31 August 2022 €'000	Year ended 31 August 2021 €'000
Property rental paid to entities subject to significant influence by G Crawford	7,120	6,317
Property rental paid to entities of which G Crawford and N Nsouli are beneficiaries	511	470
Ancillary school services provided by non-controlling interests	-	278
Rent paid to non-controlling interests	252	-
Salary paid to non-controlling interests	405	201
Property rental paid to an entity which is controlled by an individual who has significant influence over a subsidiary entity	4,082	3,732
Consulting services provided to an entity controlled by N Nsouli	3,000	3,000
	<u>15,370</u>	<u>13,998</u>

Loans from related parties

The Group held the following receivables/(payables) due from/(to) non-controlling interests

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Receivables	1,011	-
Payables	(935)	(842)

In addition to the above, as at 31 August 2022, the Group had a receivable due from an entity which is controlled by an individual who has significant influence over a subsidiary entity of €0.2 million (2021 – €0.1 million).

No interest expense was incurred on these balances.

Inspired Education Holdings Limited

Notes to the consolidated financial statements (continued) For the year ended 31 August 2022

35. Operating lease arrangements

On 1 September 2019, the Group implemented IFRS 16 Leases, and consequently most leases previously categorised as an operating lease have now been accounted for under IFRS 16 with the leases being recognised as a right of use asset and a lease liability. These leases are disclosed in Note 14. The Group has elected to treat leases with a liability of less than 12 months or leases where the underlying asset has a value of less than €5,000 as operating leases.

The Group as lessee

	2022 €'000	2021 €'000
Short term and low value leases	1,263	2,159

36. Capital commitments

	2022 €'000	2021 €'000
Acquisition of property, plant and equipment	686	-
Acquisition of business	23,012	-

On 6 May 2022 the Group agreed to acquire a school in Latin America for consideration of BRL 120.0 million subject to receipt of various government approvals. Completion occurred on 6 December 2022.

37. Ultimate controlling party or parent company

In the opinion of the Directors, there is not considered to be any one party that is the ultimate controlling party or ultimate parent company of the Group.

Inspired Education Holdings Limited

Company balance sheet At 31 August 2022

		As at 31 August 2022	As at 31 August 2021
	Notes	€'000	€'000
Non-current assets			
Investment in subsidiaries	40	722,740	572,740
Property, plant and equipment	41	3	10
Intangible assets	42	918	479
		<u>723,661</u>	<u>573,229</u>
Current assets			
Amounts owed by Group undertakings	43	3,840	4,054
Cash and bank balances		1,287	1,561
Trade and other receivables		1,964	1,441
		<u>7,091</u>	<u>7,056</u>
Current liabilities			
Trade and other payables	44	(1,430)	(2,429)
Current tax liabilities		(12)	(12)
Amounts due to Group undertakings	45	(36,928)	(14,372)
		<u>(38,370)</u>	<u>(16,813)</u>
Net current assets		<u>(31,279)</u>	<u>(9,757)</u>
Total assets less current liabilities		<u>692,382</u>	<u>563,472</u>
Net assets		<u>692,382</u>	<u>563,472</u>
Equity			
Share capital	46	11,017	10,992
Share premium account	46	717,007	575,993
Retained losses	47	(37,607)	(23,373)
Other reserves		1,965	(140)
Equity attributable to owners of the Company		<u>692,382</u>	<u>563,472</u>

The Company reported a loss for the year ended 31 August 2022 of €14.2 million (2021: loss of €13.0 million).

The financial statements of Inspired Education Holdings Limited (registered number 10392529) were approved by the Board of Directors and authorised for issue on 16 December 2022.

They were signed on its behalf by:



N M Nsouli
Director

Inspired Education Holdings Limited

Company statement of changes in equity For the year ended 31 August 2022

	Equity attributable to equity holders of the Company				
	Share capital €'000	Share premium account €'000	Retained earnings €'000	Other reserves €'000	Total €'000
Balance at 1 September 2020	10,992	575,993	(10,381)	(1,250)	575,354
Loss for the year	-	-	(12,992)	-	(12,992)
Total comprehensive loss for the year	-	-	(12,992)	-	(12,992)
Share issue costs	-	-	-	1,110	1,110
Balance at 31 August 2021	10,992	575,993	(23,373)	(140)	563,472
Loss for the year	-	-	(14,234)	-	(14,234)
Total comprehensive loss for the year	-	-	(14,234)	-	(14,234)
Issue of share capital	458	-	-	-	458
Share premium on issue of share capital	-	153,939	-	-	153,939
Costs of share premium issue	-	(12,925)	-	-	(12,925)
Share buy-back	(433)	-	-	433	-
Share based payments	-	-	-	1,672	1,672
Balance at 31 August 2022	11,017	717,007	(37,607)	1,965	692,382

Inspired Education Holdings Limited

Notes to the Company financial statements For the year ended 31 August 2022

38. Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 3 to the consolidated financial statements, except as noted below.

- Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

Adoption of new and revised standards

In the year ended 31 August 2022, the Company has applied a number of new standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. Refer to Note 3 for further detail.

Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing the financial statements, no significant judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations (listed below), that have had a significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Carrying value of investments and other intangible assets

The Company tests annually whether investments have suffered any impairment. The recoverable amounts of cash-generating units (CGUs) or groups of CGUs have been determined based on value in use calculations. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from each investment and a suitable discount rate in order to calculate present value. Central costs are not allocated to individual investments, refer Note 40.

39. Profit for the year

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of other comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in Note 6(b) to the consolidated financial statements.

The Company has no employees.

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries

	€'000
Cost	
At 31 August 2021	572,740
Additional investment in subsidiary	150,000
	<hr/>
At 31 August 2022	722,740
	<hr/>
Net book value	
At 31 August 2021	572,740
	<hr/>
At 31 August 2022	722,740
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Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

Details of the Company's subsidiaries at 31 August 2022 are as follows:

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
Inspired Finco Holdings Ltd	-	100	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Academy 21 Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Fulham Prep School Holdings. Ltd	100	-	UK	200 Greyhound Road, Fulham Prep School, London, W14 9SD, UK
Inspired APAC Holdings Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired Brazil Finco Limited	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired Education (Oman) Ltd	75	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired Education Online Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired Europe Holdings Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired ME Holdings Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired NZ Finco Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired UK Holdings Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Interhigh Education (No 1) Ltd ¹	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Interhigh Education Ltd ¹	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
KCO Commercial Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
KCO Holdco Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
KCO Tech (UK) Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
King's Education International Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
King's Education Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Reddam House (Berkshire) Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Reddam House Events Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Septimo Ltd	100	-	UK	Reddam House, Bearwood, Wokingham, RG41 5GB, UK
			UK	Reddam House, Bearwood, Wokingham, RG41 5GB, UK
			UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK

¹ In liquidation

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
Saint Michael's College (Tenbury) Limited [†]	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
The Fulham Prep School (2002) Ltd	100	-	UK	200 Greyhound Road, Fulham Prep School, London, W14 9SD, UK
The Fulham Prep School Ltd	100	-	UK	200 Greyhound Road, Fulham Prep School, London, W14 9SD, UK
Wey Education Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Wey Education Services Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired Australia Bondi Holdings Pty Ltd	100	-	Australia	62 Edgecliff Road, Woollahra, NSW 2025, Australia
Inspired Australia Holdings Pty Ltd	100	-	Australia	62 Edgecliff Road, Woollahra, NSW 2025, Australia
Inspired Australia Pty Ltd	100	-	Australia	62 Edgecliff Road, Woollahra, NSW 2025, Australia
Krypton Early Learning Pty Ltd	100	-	Australia	62 Edgecliff Road, Woollahra, NSW 2025, Australia
Inspired Bahamas Property Ltd	100	-	Bahamas	Lyford Manor, Western Road, Lyford Cay, P. O. Box CB-13007, Nassau, Bahamas
Kings College School Bahamas Ltd	100	-	Bahamas	Lyford Manor, Western Road, Lyford Cay, P. O. Box CB-13007, Nassau, Bahamas
BSB Hawafiz W.L.L	100	-	Bahrain	Building 1080, Road 1425, Block 1014, Hamala and Kingdom of Bahrain
Interhigh International W.L.L	100	-	Bahrain	Unit 1652, Building 1565, Road 1722, Block 317, Manama, Kingdom of Bahrain
The British School of Bahrain	100	-	Bahrain	Building 1080, Road 1425, Block 1014, Hamala and Kingdom of Bahrain
SJIS Management Services SRL	100	-	Belgium	146 Dreve Richelle Waterloo, Belgium
St Johns International School ASBL	100	-	Belgium	146 Dreve Richelle Waterloo, Belgium
SJIS Property SRL	100	-	Belgium	146 Dreve Richelle Waterloo, Belgium

[†] Dissolved on 22 September 2022

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
Inspired Brazil Participacoes Ltda	100	-	Brazil	Alameda Santos, 74, Andar 7, Conj 72, sala 94 - Cerqueira Cesar - São Paulo - SP - CEP: 01.418-000, Brazil
Escolas Globais do Brasil S.A.	100	-	Brazil	Rua da Passagem, 123 Sala 501 - Botafogo - Rio de Janeiro - RJ - cep: 22.290-031, Brazil
Colégio Elewa Educação Ltda.	100	-	Brazil	Rua General Severiano, 159 – Botafogo – Rio de Janeiro – RJ - CEP: 22.290-040
Os Batutinhas Espaço de Educação Infantil Ltda.	100	-	Brazil	Rua Redentor, 265, Ipanema, Rio de Janeiro - RJ - CEP: 22.421-030
Casa Amarela Espaço de Educação Infantil Ltda.	100	-	Brazil	Rua Vilhena De Moraes, 251, Barra Da Tijuca, Rio De Janeiro - RJ - CEP: 22.793-140
Guriândia Holding S.A.	51	-	Brazil	Avenida Cardeal da Silva, 1451 - Edif Escola Guriândia Sala 3 1 Subsolo , Salvador - BA - CEP: 40.231-305, Brazil
Educandário Nossa Senhora D'AjudaLtda.	51	-	Brazil	Avenida Cardeal da Silva, 1451/I - Edifício Escola Guriândia, Salvador - BA - CEP: 40.231-250
Australian International Schools Ltd	100	-	British Virgin Islands	2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands
Grimms Kindergarten S.A.S	100	-	Colombia	Calle 215, 50-24, Colombia
San Mateo Apostol S.A.S.	100	-	Colombia	Calle 215, 50-24, Colombia
Colegio Del Valle, S.A	100	-	Costa Rica	Guachipelin, Escazu, San José, Costa Rica
Inspired ME Management FZ LLC	100	-	Dubai	Executive Office No 7, Floor 7, Building Aurora Tower, Dubai
Inspired Education (Egypt) S.A.E	51	-	Egypt	Smart Village, 6th of October City, Giza, Egypt
King's College Frankfurt GmbH	100	-	Germany	Hugentottenstrasse, 119, 61381 Friedrichsdorf, Germany
PT Awal Cakrawala Gemilang	100	-	Indonesia	Jl. Warung Jati Barat No. 19, Ragunan, South Jakarta, Indonesia
Yayasan Awal Cakrawala Gemilang Internasional	-	-	Indonesia	Jl. Warung Jati Barat No. 19, Ragunan, South Jakarta, Indonesia

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
International School of Europe S.P.A	100	-	Italy	Via Manfredo Camperio N.14, 20123, Milano, Italy
International School of Italy S.r.l	100	-	Italy	Via Adda 25, 22075 Fino Vornasco, Italy
SLS S.P.A	100	-	Italy	Via Caviglia N.1, 20139, Milano, Italy
SLS Properties S.r.l	51	-	Italy	Vicolo San Giovanni Sul Muro N.9, 20121, Milano, Italy
Bergamo International Studies S.r.l	60	-	Italy	Via Teodoro Frizzini 19/A CAP 24121, Italy
Nido di SLS Srl	100	-	Italy	Viale Teodorico 8P01 20149, Milano, Italy
SLS Teodorico Srl	100	-	Italy	Via Olmetto 3 20123, Milano, Italy
Brookhouse Schools Limited	100	-	Kenya	L.R 209/4393/24, Deloitte Place, Waiyaki Way, P.O. Box 30029 00100, Nairobi, Kenya
Wey Education Limited	100	-	Kenya	Dykio Plaza, Plot Number 209/409/6, Ngong Lane, Off Ngong Road, Nairobi, Kenya
King's College Latvia S.A	100	-	Latvia	Turaides street 1, Pinki, Babites distr., LV-2107, Latvia
Berkshire Property	100	-	Mauritius	10 th Floor, Standard Chartered, 19 Cyberville, Ebène, Mauritius
Kenya Education Ltd	100	-	Mauritius	10 th Floor, Standard Chartered, 19 Cyberville, Ebène, Mauritius
Inspired Africa	100	-	Mauritius	10 th Floor, Standard Chartered, 19 Cyberville, Ebène, Mauritius
Reddam Property UK	100	-	Mauritius	10 th Floor, Standard Chartered, 19 Cyberville, Ebène, Mauritius
Kenya K-12 Holdings	100	-	Mauritius	10 th Floor, Standard Chartered, 19 Cyberville, Ebène, Mauritius
Reddam House ELS Australia	100	-	Mauritius	10 th Floor, Standard Chartered, 19 Cyberville, Ebène, Mauritius
AIM Servicios Educativos S.A. de C.V	100	-	Mexico	Perseverancia 100, Balcones del Valle, 66280 San Pedro Garza Garcia, N.L., México
Institut Khalil Jabran S.A	76	-	Morocco	4 Avenue Bir Kacem, Souissi Rabat, Morocco
Inspired Morocco Holdings LLC	100	-	Morocco	4 Avenue Bir Kacem, Souissi Rabat, Morocco

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
ACG Early Childhood Education Group Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Education Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG New Zealand International College Jakarta Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Pamell College Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Pamell College Property Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Property Holdings (NZ) Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Schools Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Strathallan College Property Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Strathallan Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Sunderland Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Sunderland Property Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Tauranga Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
ACG Tauranga Property Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
Asia Investment Holdings Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
Global Academic Group Holdco Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
Inspired NZ Holdings Ltd	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
Inspired Vietnam Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
International Schools Investments Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
New Zealand International College Limited	100	-	New Zealand	Unit 117, 23 Edwin Street, Mt Eden, Auckland, New Zealand
Comprehensive Educational Projects LLC	52.5 ¹	-	Oman	PO Box. 1656, PC. 114, CPO. Seeb, Way no. 2947, Sultanate of Oman
King's Training Panama S.A	100	-	Panama	Clayton, Avenida al hospital, Edificio 518, Panamá República de Panamá
King's College Panama S.A	100	-	Panama	Clayton, Avenida al hospital, Edificio 518, Panamá República de Panamá

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
Centro Educativo Particular Altair S.A.C	100	-	Peru	La Arboleda 385 Avenue, La Molina, Peru
Cambridge College Lima S.r.l	100	-	Peru	Alameda de los Molinos 728-730, Chorrillos, Lima, Peru
O Parque – Ensino de Crianças SA	100	-	Portugal	Av. das Descobertas, nº21, 1400-091 Lisboa, Portugal
Socieduca – Sociedade De Educacao, SA	100	-	Portugal	Quinta dos Barreiros, CCI 3952 - Volta da Pedra, 2950-201 Palmela, Setubal, Portugal
Inspired Portugal Holding, Unipessoal Lda	100	-	Portugal	Av. das Descobertas, nº21, 1400-091 Lisboa, Portugal
IPH Propco, SA	100	-	Portugal	Estrada de Alfragide 94, 2610-015 Amadora, Portugal
A-Star-Education Schools SG Holdco Pte Ltd	100	-	Singapore	77 Robinson Road, #13-00, Robinson 77, 068896, Singapore
Chesterhouse Properties (Pty) Limited	100	-	South Africa	55 Belper Road, Wynberg, 7800, South Africa
Inspired Schools Pty Ltd	100	-	South Africa	Reddam Avenue, Constantia, 7800, South Africa
K2015231345 (South Africa) Pty Ltd	100	-	South Africa	Reddam Avenue, Constantia, 7800, South Africa
British School of Alicante SL	100	-	Spain	Avda. Pio XII, 92, 28036 Madrid, Spain
Centro de Formacion Mestral SL	100	-	Spain	07840-Santa Eulalia del Río (Islas Baleares), Carretera de Ibiaya a San Antonio, Km. 2.200, Poligono Can Bufi, Spain
Ceroal ITG, S.L	100	-	Spain	Calle Serrano, 41-4º Madrid, Spain
Ciudad Infantil Mirabal S.A	100	-	Spain	Monte Almenara Street, Boadilla del Monte (Madrid), 28660, Spain
INSDE, S.L.	100	-	Spain	C/ SIL, 58 28002 Madrid, Spain
Integral International School at Sotogrande S.L	100	-	Spain	Avd de la Reserva s/n San Roque, Sotogrande, 11310 Cádiz Spain
International School of Sotogrande S.L.	100	-	Spain	Avd de la Reserva s/n San Roque, Sotogrande, 11310 Cádiz Spain
Inspired Spain Finco S.L	100	-	Spain	Avda. Pio XII, 92, 28036 Madrid, Spain
Kensington School SA	100	-	Spain	Avda. de Bularas 2, Pozuelo de Alarcon, Madrid, Spain
King's College International Studies SL	100	-	Spain	Avda. Pio XII, 92, 28036 Madrid, Spain
King's College Murcia SL	100	-	Spain	Avda. Pio XII, 92, 28036 Madrid, Spain
King's College School SL	100	-	Spain	Avda. Pio XII, 92, 28036 Madrid, Spain

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
King's College SL	100	-	Spain	Avda. Pio XII, 92, 28036 Madrid, Spain
King's Infant School SL	100	-	Spain	Avda. Pio XII, 92, 28036 Madrid, Spain
Latam Education Holdings S.L.	100	-	Spain	Calle Serrano, 41-4º Madrid, Spain
Mirabal School S.L.	100	-	Spain	Monte Almenara Street, Boadilla del Monte (Madrid), 28660, Spain
Miran SA.	100	-	Spain	08960-Sant Just Desvern, calle Dos de Maig, números 7-11, Barcelona, Spain
Nexalia Services S.L.	100	-	Spain	Avda. Pio XII, 92, 28036 Madrid, Spain
Ecole Internationale St Georges SA	100	-	Switzerland	Chemin de St Georges 19, 1815 Clarens, Switzerland
International School of Ticino S.r.l	100	-	Switzerland	Via alla Campagna, Lugano, CH 6900, Switzerland
ACG Australian International Education Services Company Ltd	100	-	Vietnam	264 Mai Chi Tho, An Phu Ward, District 2, Ho Chi Minh City, Vietnam
European International Education Services Company Ltd	100	-	Vietnam	730 Le Van Mien, Thao Dien, District 2, Ho Chi Minh City, Vietnam
Thuy Chau Joint Stock Company	100	-	Vietnam	264 Mai Chi Tho, An Phu Ward, District 2, Ho Chi Minh City, Vietnam

¹ 74.999% economic interest

All companies' principal activity is the provision or facilitation of private education services.

All shares held directly by the Group are ordinary shares.

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

The investment in subsidiaries is stated at cost less provision for impairment. The Directors have assessed the carrying amounts of the investment in subsidiaries and are of the opinion that the investment has not suffered any impairment.

Further information about subsidiaries, including disclosures about non-controlling interests, is provided in Note 15 to the consolidated financial statements.

UK registered subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 August 2022. Unless otherwise stated, the undertakings listed below are all 100% owned, either directly or indirectly by Inspired Education Holdings Limited. The Company will guarantee the debts and liabilities of the UK subsidiaries listed below at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
Academy 21 Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Fulham Prep School Holdings Ltd	100	-	UK	200 Greyhound Road, Fulham Prep School, London, W14 9SD, UK
Inspired APAC Holdings Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired Education (Oman) Ltd	75	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired Education Online Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired Europe Holdings Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired ME Holdings Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired NZ Finco Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Inspired UK Holdings Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Interhigh Education (No 1) Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Interhigh Education Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
KCO Commercial Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
KCO Holdco Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
KCO Tech (UK) Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Kings Education International Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

40. Investment in subsidiaries (continued)

Name of Company	% of shares held directly by Group	% of shares held directly by the Company	Place of business	Registered office
Inspired Brazil Finco Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Kings Education Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Reddam House Events Ltd	100	-	UK	Reddam House, Bearwood, Wokingham, RG41 5GB, UK
Septimo Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Wey Education Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Wey Education Services Ltd	100	-	UK	6 th Floor, 3 Burlington Gardens, Mayfair, London, W1S 3EP, UK
Australian International Schools Ltd	100	-	British Virgin Islands	2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

41. Property, plant and equipment

	Fixtures and fittings €'000	Computer equipment €'000	Total €'000
Cost			
At 31 August 2021	28	23	51
Additions	-	2	2
	<hr/>	<hr/>	<hr/>
At 31 August 2022	28	25	53
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 September 2020	(16)	(12)	(28)
Charge for the year	(6)	(7)	(13)
	<hr/>	<hr/>	<hr/>
At 31 August 2021	(22)	(19)	(41)
Charge for the year	(5)	(4)	(9)
	<hr/>	<hr/>	<hr/>
At 31 August 2022	(27)	(23)	(50)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 August 2022	1	2	3
	<hr/>	<hr/>	<hr/>
At 31 August 2021	6	4	10
	<hr/>	<hr/>	<hr/>

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

42. Intangible assets

	Software development €'000	Other €'000	Total €'000
Cost			
At 1 September 2020	652	787	1,439
Additions	177	-	177
Disposals	(53)	-	(53)
	<u>776</u>	<u>787</u>	<u>1,563</u>
At 31 August 2021			
Additions	668	-	668
Disposals	-	(787)	(787)
	<u>1,444</u>	<u>-</u>	<u>1,444</u>
At 31 August 2022			
Depreciation			
At 1 September 2020	(158)	(219)	(377)
Charge for the year	(155)	(568)	(723)
Disposals	16	-	16
	<u>(297)</u>	<u>(787)</u>	<u>(1,084)</u>
At 31 August 2021			
Charge for the year	(229)	-	(229)
Disposals	-	787	787
	<u>(526)</u>	<u>-</u>	<u>(526)</u>
At 31 August 2022			
Net book value			
At 31 August 2022	<u>918</u>	<u>-</u>	<u>918</u>
At 31 August 2021	<u>479</u>	<u>-</u>	<u>479</u>

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

43. Amounts owed by Group undertakings

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Amounts owed by Group undertakings	3,840	4,054

Amounts repayable from subsidiaries are short term and carry interest of between 0 per cent and 2.5 per cent per annum charged on the outstanding loan balances.

44. Trade and other payables

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Trade payables and accruals	1,430	2,429

45. Amounts due to Group undertakings

	As at 31 August 2022 €'000	As at 31 August 2021 €'000
Amounts due to Group undertakings	36,928	14,372

Intercompany loans are held with various Group undertakings and are repayable on demand. Interest rates vary from 6.0% to 7.5%.

46. Share capital and share premium account

The movements on these items are disclosed in Notes 23 and 24 to the consolidated financial statements.

47. Retained earnings

	€'000
Balance at 1 September 2020	(10,381)
Net loss for the year	(12,992)
Balance at 31 August 2021	(23,373)
Net loss for the year	(14,234)
Balance at 31 August 2022	(37,607)

Inspired Education Holdings Limited

Notes to the Company financial statements (continued) For the year ended 31 August 2022

Appendix 1: Non IFRS measures

This section, which does not form part of the consolidated financial statements of the Company, makes reference to various non-IFRS measures, which are defined below. All performance-based measures are presented to provide insight into ongoing profit generation, both individually and relative to other companies.

EBITDA

EBITDA represents profit before tax, interest, depreciation, and amortisation.

Margin

Calculated as EBITDA as a percentage of Revenue.

EBITDA before highlighted items

Calculated as EBITDA excluding highlighted items. In the current year, highlighted items comprise:

- Pre-opening/start-up operating loss
- Acquisition and transaction related costs
- Bargain gain on acquisition
- Litigation costs
- FX gains / (losses) arising on financing and derivatives re: acquisitions and disposals
- Restructuring and integration costs
- Loss on disposal of subsidiary

Highlighted EBITDA Margin

Calculated as EBITDA before highlighted items as a percentage of Revenue.

Adjusted EBITDA

Calculated as EBITDA before highlighted items, less cash payments for leases.

Adjusted margin

Calculated as Adjusted EBITDA as a percentage of Revenue.