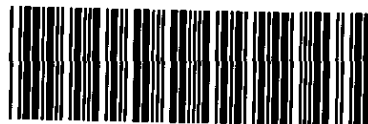


Lernen Bidco Limited

Annual Report and Financial Statements
Registered number 11539402
31 August 2023

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Company Information
for the year ended 31 August 2023

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Strategic report

The Directors submit the Strategic Report, the Directors' Report and the audited consolidated financial statements of Lernen Bidco Limited ("the Company") for the year ended 31 August 2023.

The Company and its subsidiaries are together referred to as the "Group". The consolidated results of the Group are presented for the year ending 31 August 2023.

The Company is a wholly owned subsidiary of Lernen Bondco PLC, a company registered in England and Wales. The ultimate parent undertaking and controlling party is Jacobs Holding AG.

The largest and smallest groups into which these accounts are consolidated are Lernen Midco 2 Limited and Lernen Topco Limited, respectively, both companies registered in England and Wales. The audited, consolidated financial statements of Lernen Midco 2 Limited and Lernen Topco Limited are available to the public from Companies House.

The Group is a leading global system of private-pay K-12 schools. Cognita's strong performance during the year is underpinned by our 4 strategic pillars, delivering exceptional educational outcomes and continued growth, both organically and through the completion of three significant acquisitions. The results of the Group are discussed further below.

Principal activity and review of the year

The principal activity of the Company is to act in the capacity of a Group financing company and investment holding company. The principal activity of the Group during the year was the operation of private-pay K-12 schools and related education and wider learning activities.

Our Business

We are a leading global system of private-pay K12 schools. At the Balance Sheet date, the Group operated 105 schools across Asia, Europe, North America, Latin America and the Middle East with an average total capacity throughout the period of 95,000 places and average enrolments of 79,318 FTE students.

Each Cognita school has its own unique ethos, with curricula and programmes tailored to the needs of the students and parents it serves. Operating a range of curricula in seven languages across 15 countries, the diversity of our global community is our strength. As a global system, each of our unique schools share a common purpose to thrive in a rapidly evolving world. There are four strategic pillars that underpin our success: Holistic Education, Leadership, Operational Excellence and Growth.

- Holistic Education intentionally blends social, emotional, physical and cognitive learning which, in turn, leads to strong academic outcomes, agency, an adaptive mindset and positive attitudes. Effective holistic education is rooted in the concept of self-efficacy, and every one of our students having the belief that 'I can'
- Leadership creates the conditions for success by building culture and capacity in our people resulting in a great place to learn, work and grow. Effective leadership is rooted in the concept of collective efficacy, a belief that 'We can'
- Operational Excellence supports a thriving organisation to continually improve
- Growth drives investment into holistic education, increases our reach to more students and provides opportunities for our people.

Our success in the education sector reflects the underlying strength and favourable dynamics of the developed and developing markets in which we operate. The former, including those in Europe, are characterised by stable market fundamentals, including a large middle class that is looking for alternatives to state schools and a strong private school presence. Our success in developing markets in Asia and Latin America is based on the increasing wealth among local families, as well as mobile (including expatriate) families who value high-quality education for their children that provides access to leading universities. The Group has successfully expanded in the Middle East, North America and Colombia during the year. The vast majority of our revenues are from private-pay sources without exposure to changes in government funding.

We employ a systematic approach to student enrolment and retention across our platform and use our global scale and diverse expertise to build best practice in all our schools.

Strategic report (continued)

Business Overview

The trading performance of the Group has been largely in line with managements expectations and we have continued to observe a much-improved operating environment compared to that of recent years, with all schools fully open for in-class learning throughout the year.

Pupil growth in Asia, notably in Singapore, has rebounded as the region stabilises post-pandemic disruption. Our Singapore schools, in particular, have experienced substantial growth, attributed to the region's overall stability and increased market share throughout the year. Pupil growth within Vietnam hasn't rebounded as quickly post pandemic, however, pupils have grown year over year, highlighting the high quality education offerings of the region.

Thailand has seen significant organic growth in pupil numbers since the prior year, highlighting the resilience of our schools, with this growth expected to continue given the wider market conditions. Our Hong Kong operations previously comprised of Stamford Hong Kong and Woodland, the former characterised by growth during the year. Woodland, the Group's nursery business was disposed of on 16 June 2023. The disposal was structured through a vendor loan agreement, under the terms of which a deferred payment of \$5.75 million is due from the buyer after a period of three years.

For the majority of Europe, steady growth has been observed year on year, a highlight being Spain who has maintained its historical performance of both continued growth in pupils and EBITDA year on year. However, our UK schools have been challenged by the rising cost of living, particularly outside of London, which has impacted pupil numbers adversely in some of these schools. Conversely, we have seen increased demand in other schools and have taken steps, including additional investment for the creation of additional capacity, to fulfil this. During the year, Prince's Garden Preparatory school announced a partnership with Brighton College to establish Brighton College Prep Kensington (BCPK). Brighton College has a very strong brand name, with highlights including being named as "UK School of the Decade", resulting in strong pupil growth for BCPK in year.

Moreover, within Europe, Active Learning Group ("ALG") saw a decline in trading performance due to operational challenges in the early part of the year. As a result, the recoverable amount of the Cash Generating Unit (CGU) has decreased, resulting in an impairment charge which can be seen within Note 11.

The Group continues to expand its geographical footprint and in September 2022 acquired its first school in the United States: York Preparatory School ("YPS"). YPS is a prestigious independent school founded in 1969 and located within downtown Manhattan.

In Latin America, our schools operating on a Southern Hemisphere timetable begin their academic years in February and March. The region has performed well during the year, with higher pupil numbers than the prior year. During FY23 the Group expanded into Colombia, with the acquisition of Redcol Holdings, a group of 9 schools across the country.

The Middle East region has expanded rapidly, with significant pupil growth across our existing schools and entering into a strategic partnership with Repton Schools, United Arab Emirates, during the year. This cluster of three premium schools further strengthens our Middle East portfolio.

During the year, the Group successfully agreed the amendment and extension of debt facilities. The transaction, which had an effective date of 21 July 2023, converted £200 million of existing first lien debt to its euro equivalent, while an additional €125 million first lien debt was raised in order to repay the equivalent amount of second lien debt. The transaction extends the expiry of the first lien debt, which was previously set to expire in Oct-25, to Apr-29, with a margin of 4.75% (previously 4.25%) above EURIBOR. Additionally, the revolving credit facility (RCF) was increased by £94.5 million, to £214.5 million. On 22 September 2023, after the balance sheet date, the Group successfully increased First Lien debt by a further €130 million in order to repay the remaining Second Lien debt of equivalent amount.

Globally, inflation rates remain high. We recognise the challenge this presents to our customers, our employees, and our suppliers, amongst others, and are working hard to balance and mitigate the impact where possible. This includes careful management of our cost base through cost saving initiatives.

We remain very positive about the longer-term outlook for the Group and K-12 private education, The positive future outlook is reinforced by strong satisfaction scores from our parents and staff, ongoing development projects in key markets, attractive acquisitions in the pipeline and robust underlying growth drivers for the sector as a whole.

Strategic report (continued)

Results and performance

The results of the Group and the Company for the year are set out on pages 24 to 29.

The Group has recognised revenue of £858.3m for the year (2022: £624.2m) and the Group's statutory loss before taxation was £130.5m (2022: loss of £37.3m).

In addition to these statutory measures the Group uses Key Performance Metrics ("KPI's") and Alternative Performance Measures ("APM's") to monitor the performance of the Group.

The KPI's used by the business for the year ended 31 August are set out below:

- "Average FTE Students" means the average of full time equivalent ("FTE") students at each month end during the relevant period.
- "Configured Capacity" reflects the number of available classrooms multiplied by the maximum number of pupils (as defined by the school policy).
- "Total Capacity" is the total number of students a particular school can accommodate at any given time.
- "Utilisation" is calculated as the Average FTE Students divided by Total Capacity, expressed as a percentage.

The APM's used by the business for the year ended 31 August are set out below:

- "EBITDA" means operating profit before depreciation and amortisation of intangibles.
- "Adjusted EBITDA" is EBITDA adjusted for certain items that management considers not to be reflective of the true underlying performance of the Group because of their nature as either non-recurring or non-cash items. A reconciliation of Adjusted EBITDA is set out on pages 7 and 8.

These items of income or expenditure are adjusted in order to provide comparability between periods. Adjusting items of income or expenditure include operating income/expenditure which is not related to the core business, including acquisition and business exploration costs, business restructuring costs, impairment of non financial assets, gain or loss on disposal of fixed assets and/or subsidiaries, school pre-opening and ramp up period losses for a period of no more than 2 years from completion of new build and non-cash share-based payments.

EBITDA and Adjusted EBITDA measures are non-GAAP measures and are used for internal performance purposes, are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

- "Regional EBITDA" means EBITDA excluding group central costs.
- "Constant currency basis" means that the movement in a foreign currency amount has been calculated using a fixed exchange rate for both elements of the calculation, to enhance comparability.

Previously, India's results were reported within the Asia region. However, following a comprehensive analysis by management, the performance of India has been integrated with that of the Middle East to establish the new reporting region "Middle East & India". To maintain comparability in the strategic report, all prior year metrics and values for the previously disclosed Asia and Middle East region have been reclassified.

School KPI's

	Schools ¹		Average FTE Students ¹		Configured Capacity ¹		Total Capacity ¹		Utilisation ¹	
	2023 No.	2022 No.	2023 No.	2022 No.	2023 No.	2022 No.	2023 No.	2022 No.	2023 %	2022 %
Asia	11	12	10,275	9,593	14,498	14,705	15,949	15,508	64.4%	61.9%
Europe	52	52	19,969	18,975	25,999	25,170	25,999	25,746	76.8%	73.7%
United States	1	-	342	-	375	-	375	-	91.2%	-
Latin America	33	23	39,189	28,227	44,633	30,416	45,289	31,223	86.5%	90.4%
Middle East & India	8	5	9,543	6,653	9,495	8,715	11,180	8,715	85.4%	76.3%
Total	105	92	79,318	63,448	95,000	79,006	98,792	81,192	80.3%	78.1%

¹ Inclusive of pre-opening and ramp-up period schools.

Strategic report (continued)
Results and performance (continued)

Financial KPI's

	Adjusted Revenue		Adjusted EBITDA		Adjusted EBITDA Margin		Adjusted EBITDA at Constant Currency	
	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000	Year ended 31 August 2023 %	Year ended 31 August 2022 %	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Asia	243,104	205,828	82,370	68,172	33.9%	33.1%	82,370	72,305
Europe	309,367	258,784	59,156	49,079	19.1%	19.0%	59,156	49,854
United States	21,745	-	8,536	-	39.3%	-	8,536	-
Latin America	184,179	101,960	56,663	31,623	30.8%	31.0%	56,663	33,592
Middle East & India	79,721	36,034	22,992	14,404	28.8%	40.0%	22,992	14,976
Group Central	-	-	(12,646)	(11,101)	-	-	(12,646)	(11,099)
Total	838,116	602,606	217,071	152,177	25.9%	25.3%	217,071	159,628
FX Adjustment ¹	-	-	-	-	-	-	-	(7,451)
NUL Revenue ²	20,223	21,623	-	-	-	-	-	-
Per Statement of Comprehensive income/ APM	858,339	624,229	217,071	152,177	-	-	217,071	152,177

¹ FX difference arising from re-translating results for the year ended 31 August 2022 at a constant currency (FY23 average rate).

² NUL Revenue is inclusive of ramp-up period schools for the year ended 31 August 2023.

The directors are satisfied with the performance of the Group for the fiscal year ending August 31, 2023. Our schools in Singapore have performed well after the disruption of the pandemic and pupil numbers have returned to pre-COVID levels. Our UK schools have experienced some challenges with rising costs and inflationary pressures, however we continue to grow in most schools and optimise our cost base where possible. Additionally, Active Learning Group (ALG) experienced a performance shortfall, resulting in the recognition of an impairment charge for the year. For further details, please refer to the Alternative Performance Measures note in the Strategic Report.

In FY23, in line with the market, fee increases were implemented across our schools. In setting the fee levels the Group considers its changing cost base and impact for our customers. This, coupled with pupil growth in all of the Group's regions and growth from M&A, has resulted in higher Group EBITDA year on year.

Average pupil numbers for the year to 31 August 2023 were 79,318, an increase of 15,870 (25.0%) from 31 August 2022. Adjusted revenue was £838.1m, an increase of £235.5m (39.1%) year on year but on a constant currency basis, an increase of £211.2m (33.7%). Adjusted revenue excludes the revenue earned during the ramp up period of newly opened schools.

Adjusted EBITDA for the full year was £217.1m (2022: £152.2m) with a corresponding margin of 25.9% (2022: 25.3%). On a constant currency basis, Adjusted EBITDA was £57.5m (36.0%) higher than the prior year. A reconciliation of Adjusted EBITDA is also provided in the APM section below.

During the year ended 31 August 2023, the total number of schools grew to 105, with the acquisitions of York Preparatory School, New York City; Redcol Holding, Colombia; and the strategic alliance with Repton School, United Arab Emirates.

Strategic report (continued)

Alternative Performance Measures

Alternative Performance Measures are measures used by management to monitor the performance of the business. These non-GAAP measures include adjustments in relation to non-recurring and certain non-cash items.

Reconciliation of above measures to APMs

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Operating Profit/ (Loss)	68,873	(39,397)
Add back:		
Depreciation and amortisation	109,321	103,746
EBITDA	178,194	64,349
Impairment charge in relation to non financial assets	15,101	69,451
Acquisition and business exploration costs	16,299	9,585
Restructuring costs	3,245	3,851
Share based payments	7,251	1,623
Gain on disposal of fixed assets	(272)	(8,930)
Gain on disposal of subsidiary	(5,134)	-
Pre opening and Ramp-up Schools EBITDA ¹	3,276	7,174
Expenses incurred for Hong Kong SALB	-	1,509
Costs in relation to re-financing	-	1,808
GSOP remediation	(889)	1,757
Adjusted EBITDA	217,071	152,177

¹ Inclusive of £0.6m profit relating to Woodland operational performance within the year.

Adjustments to EBITDA are items of income or expenditure which for the Board and internal reporting purposes are disclosed separately because in Management's judgement, due to their nature, size or incidence, they distort the Group's financial performance and comparability between periods.

Impairment charges in relation to non-financial assets are recognised when the carrying amount of a non-financial asset (or group of assets) exceeds the net present value of future cashflows expected to be generated by those assets. Each year, all CGU's and their associated assets are tested or reviewed for indicators of impairment, depending on the nature of the asset. If identified as being impaired, an impairment charge will be made to the income statement. In the event that an impairment loss is subsequently reversed, the reversal is treated consistently with the initial write down and identified separately as an EBITDA adjusting item.

In the current fiscal year, an impairment charge of £15.1m has been recognised for ALG, reflecting ongoing challenges encountered within the camp segment of the business. ALG provides two distinct services—foreign language courses and off-site/residential camps and outdoor learning experiences. The language segment has demonstrated consistent year-on-year growth, driven by the relaxation of COVID-related border restrictions early in the financial year and a heightened demand for language courses.

However, the camp segment continued to face operational challenges, resulting in lower levels of trading and consequently weaker performance than expected. Positive indicators for future performance exist and, although below expectations, performance of the camps business has improved year on year, with an encouraging trend in future bookings. However, the Group maintains a cautiously optimistic outlook for the overall performance of ALG, and the recoverable amount of the Cash Generating Unit (CGU) has been revised to incorporate associated performance risks, leading to the recognition of an impairment charge.

Acquisition and business exploration costs are expenses incurred to seek out and acquire new schools or expansion opportunities, including future business development into new countries and regions. These include any legal and due diligence fees relating to potential or actual acquisitions.

Strategic report (continued)

Reconciliation of above measures to APMs (continued)

Although costs relating to projects can span multiple financial years, key components of expenditure for specific projects are non-recurring, for example financial due diligence, legal due diligence, and market surveys. These costs bear no relation to the operational results of existing schools and are split out to enable the reader of the financial statements to gain greater clarity of the underlying business performance. £9.5m costs incurred during the year to 31 August 2023 relate to the acquisitions detailed in note 2 of these financial statements. The remaining charge predominantly relates to expenses incurred for future expansion and exploration costs of potential future opportunities.

Business restructuring costs mainly relate to employment cessation and associated legal costs. Costs of this nature may arise in consecutive years but are incurred for sufficiently distinct reasons to be considered non-underlying.

For more detail on share-based payments refer to Note 7.

The current year gain on disposal of subsidiary relates to the sale of Woodland Pre-schools and Playgroups ("Woodland") in the last quarter of FY23 by the Group, after determining that the nursery business no longer aligned to the strategic focus of the wider group. On 13 June 2023, the Group disposed of Woodland for consideration of £4.8m. After deducting the associated net fees attributable to the deal and the net liabilities of the subsidiary pre-disposal the transaction resulted in a gain of £5.1m. The gain on disposal of fixed assets within the prior year principally relates to the Group entering into a long-term ground rent financing transaction for Hong Kong.

School pre-opening costs relate to expenses incurred for future expansion or new schools prior to opening. Newly opened schools are often loss making within the first two years of operation (deemed the "ramp-up period") and therefore losses in this period are treated consistently. These loss adjustments are restricted to a maximum period of 2 years after building completion. Pre-opening and ramp up period losses are excluded from underlying performance as they are not reflective of the true performance of a school prior to opening or, for material new builds, during the ramp-up phase prior to reasonable levels of capacity being achieved.

Expenses incurred in respect of the Hong Kong sale and leaseback ("SALB") transaction that occurred in the prior year have been excluded from underlying performance due to their non-operational nature.

Re-financing costs incurred in FY22 are costs incurred in relation to the term loan facility increase of £154.6m secured during the prior year, which were not eligible for capitalisation under IFRS 9. These costs are also considered non-operational in nature and therefore excluded from underlying performance. The current year successful re-financing costs incurred have been recorded within finance expenses as a Loss on extinguishment, in accordance with IFRS 9.

In the previous fiscal year, a provision was established in response to developments with HMRC concerning the potential UK employment tax liability arising from a historical GSOP management incentive plan. In FY23, £0.9m of the costs incurred and provided for in the prior year were successfully recovered.

Capital expenditure

In £m	2023			2022		
	Operating	Development	Total	Operating	Development	Total
Asia	6.5	-	6.5	4.8	1.4	6.2
Europe	8.6	24.3	32.9	3.8	18.0	21.8
United States	0.4	-	0.4	-	-	-
Latin America	16.3	26.6	42.9	4.0	5.6	9.6
Middle East & India	3.7	13.2	16.9	3.7	3.5	7.2
	<u>35.5</u>	<u>64.1</u>	<u>99.6</u>	<u>16.3</u>	<u>28.5</u>	<u>44.8</u>

During the year, the Group incurred £99.6m in capital expenditure (2022: £44.8m) and recognised a further £127.6m (2022: £108.2m) of additions as a result of lease modifications and new leases entered into or acquired through business combinations. Capital expenditure includes operating capital expenditure which is the investment in ensuring our schools maintain their standards and compliance with all regulations. It also includes development capital expenditure, which represents investment made to build new or expand existing capacity in our schools and for construction and development of other facilities which do not directly result in capacity expansion. Additions related to development and operating capital expenditure total £64.1m (2022: £28.5m) and £35.5m (2022: £16.3m), respectively.

Strategic report (continued)

Capital expenditure (continued)

Development capital expenditure in the period includes: the development of BSB City in Spain, which completed in September 2023; the expansion of Charterhouse, UK, which completed in August 2023; the construction of six additional classrooms in Temuco and 9 additional classrooms in Santo Tomas, both increasing capacity within Chile; the development of a new campus in CHIREC, India which will complete in June 2024 and the purchase of a building in Chicauma, Chile.

Net debt and liquidity

Net Debt	2023 £'m	2022 £'m
Cash and cash equivalents	(179.5)	(291.5)
Senior Facility Agreement	884.3	778.9
Second Lien Facility Agreement	111.6	219.1
Revolving Credit Facility	85.6	-
Other bank debt	184.5	59.4
Net debt before lease liabilities	1,086.5	765.9
Lease liabilities	642.5	556.9
Net debt	1,729.1	1,322.8
Accrued interest	19.9	13.0
Debt issue costs	(25.3)	(16.2)
Net debt including accrued interest and debt issue costs	1,723.7	1,319.6

Note: The lease liabilities referred to above represents IFRS 16 lease liabilities. Under IAS 17, finance lease liabilities would be £142.7m (2022: £146.9m) and the resulting net debt would be £1,229.2m (2022: £912.8m), £1,223.8m including accrued interest and debt issue costs (2022: £909.6m).

Liquidity

At 31 August 2023, the Group's total liquidity, comprising cash at hand of £179.5m (2022: £291.5m) and a remaining undrawn Revolving Credit Facility (RCF) of £128.9m (2022: £120.0m) was £308.4m (2022: £411.5m).

On 19 March 2023, Lernen Bidco Limited issued shares to its parent company, Lernen Bondco PLC, resulting in an equity increase of £165.0m.

On 16 June 2023, the Group successfully agreed the amendment and extension of its debt facilities. The transaction, which had an effective date of 21 July 2023, converted £200 million of existing first lien debt to its euro equivalent, while an additional €125 million first lien debt was raised in order to repay the equivalent amount of second lien debt. Gross debt, before the effect of foreign exchange movements, had not changed. The transaction extends the expiry of the first lien debt, which was previously set to expire in Oct-25, until Apr-29, with a margin of 4.75% (previously 4.25%) above EURIBOR. Additionally, the revolving credit facility (RCF) had been increased by £94.5 million, leading to a total available facility of £214.5 million.

The increase within other bank debt is attributed to the acquired bank debt amounting to £74.5 million and the successful issuance of debt within the United Arab Emirates totaling £52.8 million. Further details can be seen within note 16.

Acquisitions

The Group has continued its drive for growth through acquisition with three transactions completed in the year:

Acquisition of York Preparatory School, New York City

On 1 September 2022, the Group acquired York Preparatory School in New York City, USA for £87.7m. The school, founded in 1969, is an independent college and preparatory day school for grades 6-12 with 340 pupils at the time of acquisition, located in the upper west side neighbourhood of Manhattan.

Strategic report (continued)

Acquisition of Redcol Holding, Colombia

On 30 September 2022, the Group acquired an 80% shareholding in Redcol Holding ("Redcol"), Colombia for £95m. Redcol comprises of 9 schools and is a leading K12 schools' group within Colombia with over 7,300 pupils. It has a clear focus on delivering holistic education.

Strategic partnership with Repton, United Arab Emirates

On 20 March 2023, the Group entered a strategic partnership with Excella and Repton for three United Arab Emirates (UAE) schools. They offer the British curriculum and have an excellent reputation with over 5,100 pupils.

Disposal of Woodland

On 13 June 2023, after successfully negotiating change of control on existing lease arrangements, the Group disposed of the nursery business in Hong Kong, Woodland. The disposal was structured through a vendor loan agreement, under the terms of which a deferred payment of USD \$5.75 million is due from the buyer after a period of three years.

Events after the Balance Sheet date

Upsize of first lien facility and repayment of second lien debt

On 22 September 2023, the Group successfully increased First Lien debt by a further €130 million in order to repay the remaining Second Lien debt of equivalent amount. Consequentially, as of the date of approving these financial statements the Group's external bank borrowings consist of a First Lien facility, RCF and bank debt held locally in certain subsidiaries.

Equity Injection

On 16 October 2023, Lernen Bidco Limited issued shares to its parent company, Lernen Bondco PLC, resulting in an equity increase of £35.7m.

Acquisition of Four-Forest Group, Switzerland

On 1 December 2023, the Group acquired Four-Forest Group in Switzerland for £15.6m. Four-Forest Group offer the local Swiss curriculum with elements of the British National Curriculum, educating over 300 students in German and English aged 3 to 16. Four-Forest Group shares Cognita's dedication to holistic education, nurturing an environment that promotes academic excellence and supports students' wellbeing and creativity.

Other Acquisition

The group has entered into a confidential and binding agreement to purchase a school in Kuwait, subject to clearance from the relevant authorities which is expected to be obtained by late December. At closing, Cognita will acquire the operating assets of the school for approximately £103m with over 3,600 pupils.

Future developments

The Group will continue to develop organic and inorganic growth opportunities in all regions, investing in its existing schools and has continuing strategic development projects planned for the year ended 31 August 2024 and beyond.

Statement of Going Concern

The Directors have assessed the ability of the Group and parent company to continue operating as a going concern, considering the current financial position and potential impact of principal risks, particularly considering in year build expected in FY24 within certain regions.

In assessing the position of the Group, the Directors have reviewed detailed cashflow forecasts to 31 August 2025. These cashflow projections are derived largely from the Board approved business plan, however the near-term period is considered the most appropriate base for assessing the Group's status and stress testing forecast assumptions against any severe but plausible downside scenarios.

The forecast cashflows to 31 August 2025 incorporate management's most up to date view of the most sensitive factor in the group's projections, that of pupil numbers. For our schools operating in the Northern Hemisphere where the new academic year is in progress, at the date of signing this report, pupil numbers represent confirmed actuals. Opening pupil numbers in our Southern Hemisphere schools for the period to 31 August 2024, and for all schools from 1 September 2024 to 31 August 2025, reflect the most recent forecast.

In addition to the base case projections, the Directors have considered the potential for further downside risk and considered the following severe but plausible downside scenario:

- In year build expected in FY24 within certain regions has been restricted during the period under question.

Strategic report (continued)

Statement of Going Concern (continued)

If the above scenario were to materialise, Management would firstly define a further set of mitigating actions, such as increased advertising spend to enhance growth as well as a reduction in discretionary spend to limit the EBITDA impact of this. Management also continually manages and monitors its short-term financing arrangements including use of the Revolving Credit Facility. The group can actively manage use of this facility below the covenant threshold by extracting and transferring cash funds between restricted and unrestricted territories to mitigate the risk of any covenant breach.

In both the base forecast and the severe but plausible downside scenario, the Lernen Bidco group is expected to have sufficient cash to meet its liabilities as they fall due and continue operating as a going concern.

The Group has a priority leverage ratio covenant of 7.9x the Group's adjusted EBITDA with respect to its senior debt facility that is relevant upon the drawdown of a specified portion of its revolving credit facility.

The severe plausible downside scenario could have an impact on the Groups cash funds; however, the impact would not be sufficient to cause a breach of the covenant if the facility was drawn.

On the above basis, the financial statements have been prepared on the going concern basis as detailed further in the Basis of Preparation.

Section 172 statement

This section describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its members as a whole.

The Directors consider that the following groups are the Company's key stakeholders: Pupils; Parents; Employees; Investors and Suppliers, as well as the Communities in which we operate. The Board seeks to understand the respective interests of such stakeholder groups so that these may be properly considered in the Board's decisions. This is done through various methods, including direct engagement by Board members; regular management reporting, e.g. "Voice of the Parent" surveys and consideration, where appropriate, in our Board discussions and papers of relevant stakeholder interests with regard to proposed courses of action.

(a) Having regard to the likely consequences of any decision in the long term

The Board actively considers the likely consequences of any decision in the long term: The private education sector continues to be a high growth market, however the service we provide will stay with our pupils throughout their lifetimes. The Board considers the welfare of its students and the quality of education delivered its priority and remains mindful of this in its strategic decision making. The implications for the business and all stakeholders of strategic decisions are carefully assessed.

The continued growth and financial performance of the Group depends on having the right resources in place. Consequently, the Group continually assesses the needs of each region to ensure that the Group's infrastructure continues to expand in line with growth to ensure the necessary resources for current and future development.

A key focus of the Group is to ensure that newly acquired schools are integrated efficiently and effectively. This enables minimal disruption, continuity in educational provision and access to key improvements and benefits which membership of the Group can offer.

(b) Having regard to the interests of the Company's employees

The Board takes active steps to ensure that the suggestions, views and interests of employees are captured and considered in our decision-making. Our Chief Executive Officer exercises a high degree of personal oversight and engagement in the Group's activities, visiting developing and existing locations to develop an acute insight into the mood, culture and views of our teams. These insights are reported back to the wider Board.

In addition to the above:

- The senior leadership team attend key business and performance meetings throughout the year including monthly and quarterly performance reviews;
- Employee engagement surveys are undertaken annually, and the results are reported to the Board
- The Chief Executive Officer regularly delivers video message updates to the entire Group and operates an 'open inbox' policy actively inviting employees to communicate with the Board

The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of its employees.

Recruitment and retention of high-quality staff, both educational and non-educational, is critical to the success of the business. The Group's employment policies, remuneration and benefits packages are regularly reviewed to ensure we can attract and retain the best staff.

Strategic report (continued)
Section 172 statement (continued)

Cognita is committed to preserving and promoting equality of opportunity in all aspects of the conduct of its business and at all stages of the working relationship. No member of staff or any applicant for employment with Cognita will be discriminated against, harassed or victimised because of their personal characteristics.

Health and safety

The prevention of injury to employees, students, parents and other customers in the Group is of utmost importance. The Group has clear policies and procedures which are in place and aligned to regulatory standards.

(c) Having regard to the need to foster the Group's business relationships with pupils, suppliers and others

Our pupils

As noted above, our pupils, their wellbeing and the education that they receive is our priority. We strive to ensure that the education we provide is second to none and offer an open communication channel with parents of pupils across the Globe.

Similar to our employee engagement survey, an annual survey is carried out across our parent population to ensure we are achieving the standards we set out to and these results are shared with the Board.

Child protection and safeguarding

The Group may be liable for certain acts that affect the health and safety of students and staff at schools, or which breach the duty of care towards students, which may harm the Group's reputation and adversely affect the business and financial results. To mitigate this risk, the Group has policies and procedures in place which are aligned to regulatory standards and are globally consistent. It also has an independent review framework to monitor the performance of schools and to ensure policies and procedures are being followed.

Our suppliers

With regards to our suppliers, the Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money for our investors and the desired quality and service levels for our customers. The Board is committed to ethical trading and engaging appropriate suppliers as part of maintaining a reputation for high standards of business conduct in all of our operations.

(d) Having regard to the impact of the Company's operations on the community and the environment

The core elements of a Cognita Education are closely aligned with Environmental, Social and Governance principles and good practice. We have unique opportunity to provide our students with Global Perspective – the appreciation of the world as an exciting place with limitless and changing opportunities, underpinned by a respect for diversity, and embed a foundation of Social Responsibility – the commitment to help others and make a positive difference.

Environmental and social factors are a key consideration in our business activities. Some examples of initiatives that we have been working on recently to limit our environmental impact and carbon footprint include:

- The Group has recently completed a materiality assessment led by external ESG consultants TRC. This is helping to guide the Group's strategy on ESG including identifying Key Pillars and KPIs that we intend to track, aligned with Sustainable Development Goals.
- Earlier this year the Group completed its first Sustainability Rating process and is pleased with its first year rating of 15.2, putting Cognita in the low risk category. Sustainability methodology uses a two dimensional Materiality Framework to assess the magnitude of a company's unmanaged ESG risks. The final report has helped the Group to identify areas of risk within the business upon which to focus resource and attention.
- This year the Group has also completed its first GHG Emissions Inventory (Scope 1 and 2) and Water Use Tracking exercise. In addition to providing overall energy consumption data across the Group, the process has also helped to identify the source of those emissions.
- In the UK the Group has been working with catering supplier, Chartwell, to create healthier, more sustainable menus. The initiative involves menu reformulation, to exhibit the carbon impact of choices, and food waste targets to target both kitchen and plate waste. Topics such as supply chain impacts and recycling will also be covered to give pupils a wider understanding of sustainability.
- In Madrid, students and staff at Hastings embarked on a project to plant more than 800 trees as part of a plantation, helping to celebrate the school's 50 year anniversary. The whole school community had the chance to sponsor a tree in Hastings Forest, which meant that each sponsor received a certificate and had their names put up on a special honours board. This not only helps generate awareness of climate change in a practical and direct way but also means that the school becomes an active part of the solution, by creating a new ecosystem of native trees.

Strategic report (continued)
Section 172 statement (continued)

(d) Having regard to the impact of the Company's operations on the community and the environment (continued)

Recently, our pupil centred activities in support of environmental and social initiatives have included:

- In September, the Group celebrated Global Be Well day with this year's focus of 'Diet through the lens of Sustainability' to help schools continue to make a positive impact in their schools and local communities.
- In the UAE Cognita schools partnered with The Sparkle Foundation which is providing training resources to teachers in Malawi. The Partnership includes fundraising by Cognita schools in the UAE, development of a teacher mentor programme supported by the Cognita teacher volunteer team, and curriculum development. Cognita's support for the Foundation helps to elevate the education in a community by directly training teachers.

We also consider the environmental impact of all our business operations including the implementation of an active waste management policy in our schools and our regional offices, through approved suppliers.

(e) Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct

Authorisation to operate as an education provider

The Group requires authorisation to operate as an education provider from the relevant government department for education in each country in which it operates. The Group also needs to comply with the policies, laws and regulations for school operations in each country and obtain the necessary licences, permits, visas, accreditations, certifications and other authorisations for operating our schools and employing our teachers. The Group monitors compliance with such policies, laws and regulations in each of the jurisdictions in which we operate.

Political environment

The Group is subject to the political conditions of each country in which it operates. Political events and unrest can lead to issues such as sudden changes in laws, regulations, taxes and price volatility. Political unrest can also impact the environments in which the school operates and destabilise a country, impacting on the performance of schools. The Group monitors political risk to ensure compliance with local requirements and minimises exposure to changes through maintaining and modifying appropriate business procedures as necessary.

Anti-bribery and corruption

During the year the Group has maintained and reviewed its anti-bribery and corruption policy which encompasses existing controls as well as additional procedures. Anti-bribery and corruption procedures are reviewed and updated on an ongoing basis to ensure continued compliance.

IT infrastructure, cyber risk and data protection

Information security is a major priority for the business, with controls and disaster recovery plans in place in case of a significant system failure. The Group is committed to continually enhancing the provision of ICT systems through ongoing investment, including new systems for Finance, HR, Learning Development and Customer Relationship Management.

The Group collects and retains personal data. Unauthorised disclosure of this data due to a systems failure or otherwise could have a damaging effect on the business. The Group has policies and procedures in place which are aligned to regulatory standards, has implemented additional controls and processes and undertaken suitable staff training, with the introduction of the EU General Data Protection Regulation.

(f) Having regard to the need to act fairly as between members of the Company

The Company has just one class of share in issue and so all shareholders benefit from the same rights. The Board recognises its legal and regulatory duties and does not take any decisions or actions that would provide any shareholder with any unfair advantage or position compared to the shareholders as a whole.

During the year, the Chief Executive Officer and Chief Finance Officer regularly held one-to-one meetings and calls with our shareholders and our debt investors.

Strategic report *(continued)*
Section 172 statement *(continued)*

(f) Having regard to the need to act fairly as between members of the Company *(continued)*

We have engaged with shareholders on a range of topics, including:

- Annual planning and longer term growth ambition
- Executive remuneration
- The wellbeing of our pupils and satisfaction of our parent community
- The environments in which we operate and sustainability
- Company performance against its strategy

The Board receives regular feedback from our shareholders through various means, and our debt investors are engaged at least quarterly as the Board provide a performance update to this stakeholder group.

Principal Risks and Uncertainties

Principal and Emerging Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are reviewed by the Board of Directors and appropriate processes put in place to monitor and mitigate them. The key business risks for the Group are described in more detail below:

Market forces

Market forces have implications on pricing, demand for the Group's services and ultimately the Group's return on investment. The Group invests in market research across all regions to ensure that it has a detailed and current knowledge and understanding of the sector in which it operates and the related risks arising from market forces.

To minimise the possible impact of market forces, the Group focuses on delivering the highest standard of education, to ensure that Cognita schools are competitive in their respective markets, even when market forces cause unfavourable economic conditions.

Financial capital risk

The Group uses various financial instruments. These include loans, cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to facilitate the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

In order to manage the Group's exposure to those risks, in particular the Group's exposure to exchange rate and interest rate risk, the Group has entered into cross-currency coupon-only interest rate swaps.

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, foreign exchange risk, interest rate risk and credit risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Macroeconomic environment

Our operations are affected by the general economic conditions in each of the countries in which we operate. These macroeconomic conditions are monitored on an ongoing basis along with the impact on our current and future financial performance. Risks considered during the year included the impact of the high inflation levels seen globally albeit at a lower level than the prior year.

Within the current fiscal year, the higher inflation levels observed have had a marginal impact on our financial performance. The Group has sustained stable organic growth, attributed to the significance of parental investments in education, market stability, and a diligent approach to cost control. Management consistently evaluates the associated risks, incorporating up-to-date assessments into our expected credit loss provisioning and other considerations. While we believe our revenue and profitability demonstrate resilience to macroeconomic fluctuations, we remain vigilant, monitoring developments and potential associated risks.

Strategic report (continued)

Principal Risks and Uncertainties (continued)

UK VAT

The Group recognises that a change in political leadership of the UK could result in a change to the tax regime applied to private school tuition fees. The Group has considered the impact of VAT becoming applicable for UK private schools and deems the risk to the overall business to be low. Over the years the Cognita Group portfolio has become more geographically diverse, resulting in lower dependency on legacy areas of the business over time. Coupled with the high-quality education offered by our UK schools, the Group doesn't consider this to be a key risk.

Foreign exchange risk

The Group's results are reported in pounds sterling. The Group has assessed its hedging arrangements and in July 2023 entered cross-currency coupon-only interest rate swaps to manage foreign exchange and interest rate risk in relation to debt service costs. Further details are disclosed in note 18 of the financial statements.

Although the Group carries out operations through several foreign subsidiaries, Group exposure to currency risk at a transactional level is minimal. The day-to-day transactions of overseas subsidiaries are usually carried out in local currency.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably.

The Group maintains financial support from its ultimate parent company and additional minority shareholders to ensure seamless funding continuity. On 19 March 2023, Lernen Bidco Limited augmented its equity by £165.0m through the issuance of shares to its parent company, Lernen Bondco PLC. Subsequent to the balance sheet date, on 16 October 2023, Lernen Bidco Limited issued additional shares to its immediate parent, Lernen Bondco PLC, resulting in an additional equity injection of £35.7m.

The maturity of borrowings at the Balance Sheet date is set out in note 16 to the financial statements. In total, as at 31 August 2023, the Lernen Bidco Limited Group had drawn borrowings of £1,260.6m (2022: £1,054.2m) of which £1,145.3m (2022: £1,028.4m) would be repayable after 31 August 2024. The Group has a strong working capital position as student contracts require cash payment in advance of tuition services on an annual, termly or monthly basis. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

Interest rate risk

The Group finances its operations through floating rate Second Lien and Senior Facility Agreements, bank borrowings and Revolving Credit Facilities. The Group's exposure to interest rate fluctuations on its bank borrowings is managed with cross-currency coupon-only interest rate swaps. At the date of signing this report, the Group was financed through a Senior Facility Agreement with interest calculated at a margin of 4.75% over EURIBOR, drawn RCF and local principal debt facilities totalling £184.5m with interest rate margins ranging from 0% to 5.5% over its local index rates.

Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit rating agencies. The principal credit risk therefore arises from its trade receivables.

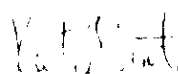
In order to manage credit risk, management sets limits for customers in accordance with prudent general practice in the independent education sector. Credit limits are reviewed by credit controllers on a regular basis in conjunction with debt ageing and collection history.

On behalf of the Board



A Tolpeit
Director

15 December 2023



K Blunt
Director

15 December 2023

Registered Office Address: Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

Directors' Report

The Directors submit their report together with the audited financial statements of Lernen Bidco Limited for the year ended 31 August 2023.

Results and dividends

The Group's loss for the financial year amounted to £146.1m (2022: £53.1m). The Company's loss for the financial year was £0.4m (2022: Profit of £52.2m). The Directors do not recommend the payment of a final dividend. (2022: £nil)

Directors

The Directors who served throughout the year and to the date of this report were as follows:

P De Maeseneire

J Pinchbeck

A Tolpeit

K Blunt

J De Roquemaurel Appointed 28 October 2022

Directors' third party indemnity insurance

Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Political Contributions

The Group made no political donations (2022: £nil) or incurred any political expenditure (2022: £nil) during the financial year.

Environmental Reporting

Environmental reporting for the Group as required by The Companies and LLPs Climate-related Financial Disclosure Regulations 2022 and the Streamlined Energy and Carbon Reporting requirements is included in the consolidated financial statements of an intermediate parent company, Lernen Midco 2 Limited, and therefore the Group has claimed exemption from disclosure.

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing these financial statements, based on an expectation that the Group and parent company has adequate resources to continue in operational existence for at least 12 months from the date of signing these accounts.

In determining whether the financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position.

As detailed in the Strategic report, the impact of restricted in year build in some of the Group's regions have been considered in detail, focusing on a base case and relevant severe but plausible downside scenario, to assess the Group's ability to continue in operation.

In the severe but plausible downside scenario considered, the Group has adequate liquid resources and would not cause a breach of its priority leverage ratio covenant.

Engagement with stakeholders

The Directors regularly and actively engaged with the Company's employees, customers, suppliers, shareholders and other relevant stakeholders to understand relevant stakeholder views. This is to ensure that all decision making is sufficiently informed and is supportive of Directors' duties under Section 172 of Companies Act 2006. Further details on how the Company's relationships with stakeholders shapes and influences strategic consideration around issues material to them can be found in the Strategic Report.

Employees

The Group regards its employees as its most valuable asset and puts great emphasis on the wellbeing and morale of the employees. Regular engagement helps the Company understand the areas of importance with regards to the working environment and Company culture.

The Group regularly updated its intranet website during the year. Through this, employees can access information, updates and articles about the Group and the Company, undertake e-learning courses, manage performance and appraisal matters and can give and receive feedback and recognition to and from colleagues.

Directors' report (*continued*)

Engagement with stakeholders (*continued*)

Customers and Suppliers

The Group, its Directors and relevant business personnel proactively and continuously engage with its customers and suppliers through both face to face meetings and digital platforms. The Directors also regularly participate in industry events to foster new business relationships.

Shareholders

The Group regularly engages with its shareholders via board meetings; providing regular updates on business performance, strategies and plans for future years as well as participating in other regular meetings.

Other stakeholders

The Group also regularly engages with its lenders, government agencies and service providers to provide them with the required regulatory information to comply with laws and regulations. The Company has actively participated in the surveys conducted by the Office for National Statistics during the year.

Future developments

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

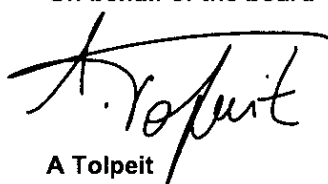
Independent auditor and disclosure of information to auditor

Each of the Directors as at the date of approval of this annual report has confirmed 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 steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

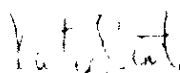
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board



A Tolpeit
Director

15 December 2023



K Blunt
Director

15 December 2023

Registered Office Address: Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

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

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LERNEN BIDCO LIMITED

Opinion

We have audited the financial statements of Lernen Bidco Limited ("the Company") for the year ended 31 August 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 August 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LERNEN BIDCO LIMITED

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the audit committee, as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Our forensic specialists assisted us in identifying key fraud risks. This included holding a discussion with the engagement partner, engagement manager and Limited scope engagement quality control reviewer, and assisting with designing and executing relevant audit procedures to respond to the identified fraud risks.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to all in-scope component audit teams of relevant fraud risks identified at the Group level and request to all in-scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment across multiple jurisdictions, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk that revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all components in scope based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts in relation to cash, external loans, revenue and material post close entries;
- Assessing the appropriateness of deferred and accrued revenue at the period end with reference to billings in advance, and assessing compliance with the Group's accounting policy with revenue recognised in line with the school term.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the management the policies and procedures regarding compliance with laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LERNEN BIDCO LIMITED

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to all in-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for all in-scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety (including safeguarding), data protection laws, anti-bribery, employment law and education related regulation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you 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 these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LERNEN BIDCO LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 19, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E145GL

15 December 2023

Consolidated Statement of Comprehensive Income

for the year ended 31 August 2023

		Year ended 2023	Year ended 2022
	Note	£'000	£'000
Revenue	3	858,339	624,229
Employee benefits expense	5,6,7	(430,632)	(331,562)
Other operating expense	4	(228,911)	(154,006)
Net impairment of financial assets	22b	(2,256)	(1,010)
Restructuring costs		(3,245)	(3,851)
Net impairment charge in relation to non-financial assets	10,11	(15,101)	(69,451)
EBITDA	1	178,194	64,349
Depreciation and amortisation	4	(109,321)	(103,746)
Operating profit/ (loss)		68,873	(39,397)
Finance income	8	9,260	79,843
Finance expense	8	(208,593)	(77,749)
Loss before taxation		(130,460)	(37,303)
Taxation	9	(15,616)	(15,842)
		(146,076)	(53,145)
Loss attributable to:			
Equity holders of the parent		(146,027)	(52,503)
Non-controlling interest		(49)	(642)
Loss for the year		(146,076)	(53,145)
Other comprehensive income / (expense)			
Items that are or may be reclassified to profit or loss:			
Foreign operations:-			
Foreign currency translation differences		(90,497)	123,657
Total comprehensive (expense) / income for the year		(236,573)	70,512
Attributable to:			
Equity holders of the parent		(236,524)	71,154
Non-controlling interest		(49)	(642)
Total comprehensive (expense) / income for the year		(236,573)	70,512

The accompanying notes on pages 30 - 84 form part of these financial statements.

Consolidated Balance Sheet

at 31 August 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment	10	1,503,243	1,312,919
Intangible assets	11	1,839,709	1,505,752
Trade and other receivables	14	35,912	29,723
Deferred tax assets	12	13,188	13,899
		<u>3,392,052</u>	<u>2,862,293</u>
Current assets			
Inventories	13	1,849	1,013
Tax receivable		4,510	3,634
Trade and other receivables	14	153,388	119,965
Cash and cash equivalents	15	179,490	291,506
Other financial assets	18	-	12,394
		<u>339,237</u>	<u>428,512</u>
Total assets		<u><u>3,731,289</u></u>	<u><u>3,290,805</u></u>
Current liabilities			
Other interest-bearing loans and borrowings	16	(129,043)	(39,354)
Trade and other payables	17	(188,946)	(143,428)
Contract liabilities	3	(324,554)	(235,592)
Tax payable		(14,150)	(15,755)
Other financial liabilities	18	(6,318)	-
Provisions	20	(5,023)	(8,605)
		<u>(668,034)</u>	<u>(442,734)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	16	(1,774,120)	(1,571,780)
Other payables	17	(154,936)	(77,969)
Contract liabilities	3	(14,818)	(13,322)
Provisions	20	(10,344)	(4,709)
Deferred tax liabilities	12	(105,262)	(105,263)
		<u>(2,059,480)</u>	<u>(1,773,043)</u>
Total liabilities		<u><u>(2,727,514)</u></u>	<u><u>(2,215,777)</u></u>
Net assets		<u><u>1,003,775</u></u>	<u><u>1,075,028</u></u>
Equity attributable to equity holders of the parent			
Share capital	21	176	159
Share premium	21	1,771,363	1,606,380
Other reserves		(81,683)	30,041
Retained deficit		(714,590)	(567,709)
		<u>975,266</u>	<u>1,068,871</u>
Non-controlling interest		<u>28,509</u>	<u>6,157</u>
Total equity		<u><u>1,003,775</u></u>	<u><u>1,075,028</u></u>

The accompanying notes on pages 30 - 84 form part of these financial statements.

These financial statements were approved by the board of Directors on 15 December 2023 and were signed on its behalf by:

A Tolpeit
Director

K Blunt
Director

Company registered number: 11539402

Company Balance Sheet

at 31 August 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Investments in subsidiaries	29	867,287	867,287
Trade and other receivables	14	-	1,133
		867,287	868,420
Current assets			
Trade and other receivables	14,22	1,633,776	1,368,456
Cash and cash equivalent	15	14	19
Other financial assets	18	-	12,394
		1,633,790	1,380,869
Total assets		2,501,077	2,249,289
Current liabilities			
Other interest bearing loans and borrowings	16	(96,558)	(13,021)
Trade and other payables	17	(718)	(175)
Other financial liabilities	18	(6,318)	-
		(103,594)	(13,196)
Non-current liabilities			
Other interest bearing loans and borrowings	16	(978,510)	(981,682)
		(978,510)	(981,682)
Total liabilities		(1,082,104)	(994,878)
Net assets		1,418,973	1,254,411
Equity attributable to equity holders of the parent			
Share capital	21	176	159
Share premium	21	1,771,363	1,606,380
Retained deficit	21	(352,566)	(352,128)
Total equity		1,418,973	1,254,411

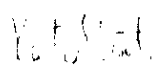
The accompanying notes on pages 30 - 84 form part of these financial statements.

The company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The individual profit and loss account was also approved in accordance with section 414 (1) (approval by Directors).

The loss of the Company for the year was £0.4m (2022: profit of £52.2m).

These financial statements were approved by the board of Directors on 15 December 2023 and were signed on its behalf by:


A Tolpeit
Director


K Blunt
Director

Company registered number: 11539402

Consolidated Statement of Changes in Equity

Group	Note	Share capital £'000	Share premium £'000	Translation reserve £'000	Equity reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 31 August 2021		153	1,578,383	(114,282)	19,043	(515,206)	968,094	6,229	974,323
Total comprehensive expense for the year									
Loss for the year		-	-	-	-	(52,503)	(52,503)	(642)	(53,145)
Other comprehensive income		-	-	123,657	-	-	123,657	-	123,657
Transactions with owners, recorded directly in equity									
Issue of shares		3	27,997	-	-	-	28,000	-	28,000
Equity-settled share based payment transactions		-	-	-	1,623	-	1,623	-	1,623
Total contributions by and distributions to owners		3	27,997	-	1,623	-	29,623	-	29,623
Changes in ownership interests									
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	570	570
Balance at 31 August 2022		159	1,606,380	9,375	20,666	(567,709)	1,068,871	6,157	1,075,028
Total comprehensive expense for the year									
Loss for the year		-	-	-	-	(146,027)	(146,027)	(49)	(146,076)
Other comprehensive income		-	-	(90,497)	-	-	(90,497)	-	(90,497)
Transactions with owners, recorded directly in equity									
Issue of shares		17	164,983	-	-	-	165,000	-	165,000
Equity-settled share based payment transactions		-	-	-	7,251	-	7,251	-	7,251
Total contributions by and distributions to owners		17	164,983	-	7,251	-	172,251	-	172,251
Changes in ownership interests									
Acquisition of subsidiaries with non-controlling interests	2	-	-	-	(22,168)	-	(22,168)	22,168	-
Changes in ownership of non-controlling interests		-	-	-	-	(854)	(854)	233	(621)
Change in present value of equity purchase agreements	2	-	-	-	(6,310)	-	(6,310)	-	(6,310)
Balance at 31 August 2023		176	1,771,363	(81,122)	(561)	(714,590)	975,266	28,509	1,003,775

The accompanying notes on pages 30 - 84 form part of these financial statements.

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total parent equity £'000
Balance at 31 August 2021	156	1,578,383	(404,304)	1,174,235
<i>Total comprehensive income for the year</i>				
Profit for the year	-	-	52,176	52,176
<i>Transactions with owners, recorded directly in equity</i>				
Issue of shares	3	27,997	-	28,000
Total contributions by owners	3	27,997	-	28,000
Balance at 31 August 2022	159	1,606,380	(352,128)	1,254,411
<i>Total comprehensive expense for the year</i>				
Loss for the year	-	-	(438)	(438)
<i>Transactions with owners, recorded directly in equity</i>				
Issue of shares	17	164,983	-	165,000
Total contributions by owners	17	164,983	-	165,000
Balance at 31 August 2023	176	1,771,363	(352,566)	1,418,973

The accompanying notes on pages 30 - 84 form part of these financial statements.

Consolidated Cash Flow Statement

for year ended 31 August 2023

		Year ended 2023		Year ended 2022	
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Group operating profit/(loss) for the year		68,873		(39,397)	
Add back/(deduct):					
Depreciation, amortisation and impairment	10,11	124,422		173,197	
Gain from sale of property, plant and equipment and subsidiary undertakings		(6,384)		(8,930)	
Effect of exchange rate change		(320)		268	
Equity settled share based payment expense	7	7,251		1,623	
Operating profit before changes in working capital and provisions			193,842		126,761
Increase in trade and other receivables		(10,468)		(5,898)	
(Increase) / Decrease in inventories		(341)		112	
Increase / (Decrease) in trade and other payables		927		(3,177)	
Increase in contract liability		21,014		19,185	
Decrease in provisions		(2,112)		(1,251)	
Operating cashflows before tax			202,862		135,732
Tax paid			(24,767)		(13,909)
Net cash inflow from operating activities			178,095		121,823
Cash flows from investing activities					
Interest received		5,867		2,479	
Acquisition of subsidiary, net of cash acquired	2,17	(351,510)		(154,404)	
Acquisition of property, plant and equipment		(94,653)		(43,235)	
Proceeds from sale of property, plant and equipment		428		141,956	
Net cash outflow from investing activities			(439,868)		(53,204)
Cash flows from financing activities					
Proceeds from borrowings	16	161,102		244,305	
Repayment of borrowings	16	(18,984)		(94,881)	
Movement in parent company loan	26	(1,391)		(11,417)	
Interest paid	16	(87,046)		(50,197)	
Derivative gain	16	20,744		2,114	
Refinancing transaction costs	16	(31,546)		(5,144)	
Capital element of lease payments	16	(46,992)		(33,552)	
Proceeds from issue of shares	21	165,000		28,000	
Net cash inflow from financing activities			160,887		79,228
Net increase in cash and cash equivalents			(100,886)		147,847
Cash and cash equivalents at beginning of year	15	291,506		134,018	
Effect of changes in exchange rate		(11,130)		9,641	
Cash and cash equivalents at 31 August	15	179,490		291,506	

The accompanying notes on pages 30 - 84 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

(a) General information

Lernen Bidco Limited (the "Company") is a company incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Lernen Bondco PLC. The ultimate parent undertaking and controlling party at the date of the balance sheet was Jacobs Holding AG, a company incorporated in Switzerland.

The principal activity of the Company and its subsidiaries (together referred to as the "Group") during the year was the operation of private-pay K-12 schools and related education activities. These financial statements are for this Company and the Group.

(b) Basis of preparation

The Group financial statements have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of UK-adopted international accounting standards ("UK Adopted IFRS"). The Company has elected to prepare its parent company accounts in accordance with FRS 101, which are presented on page 26. On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements are prepared on the historical cost basis with the exception of the following assets and liabilities which are stated at their fair value in accordance with the relevant Adopted IFRSs:

- Derivative financial instruments
- Liabilities for equity-settled share based payments.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these consolidated financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed within section 1e below.

The principal accounting policies are set out below.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interests having a deficit balance.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

(d) Going concern

The financial statements have been prepared on a going concern basis, as set out in the statement of Directors responsibilities. Having considered the ability of the Group to continue as a going concern, the Directors have a reasonable expectation that the Group and parent company has adequate resources to continue in existence for the foreseeable future.

In assessing the position of the Group, the Directors have reviewed detailed cashflow forecasts to 31 August 2025 and stress tested the forecast assumptions against a severe but plausible downside scenario.

The forecast cashflows to 31 August 2025 incorporate management's most up to date view of the most sensitive factor in the group's projections, that of pupil numbers. For our schools operating in the Northern Hemisphere where the new academic year is in progress, at the date of signing this report, pupil numbers represent confirmed actuals. Opening pupil numbers in our Southern Hemisphere schools for the period to 31 August 2024, and for all schools from 1 September 2024 to 31 August 2025, reflect the most recent forecast.

In addition to the base case projections, the Directors have considered the potential for further downside risk and considered the following severe but plausible downside scenario:

- In year build expected in FY24 within certain regions has been restricted during the period under question.

Whilst the Directors believe certain mitigating options are available to address the severe but plausible downside scenario, the Group has a priority leverage ratio covenant of 7.9x the Group's adjusted EBITDA with respect to its senior debt facility that is relevant upon the drawdown of a specified portion of its revolving credit facility. As at 31 October 2023, the Group held senior facilities maturing in April 2029 amounting to £1,012.2m, along with an RCF drawdown of £10.2m of an available £214.5m and cash stood at £169.1m. When considering local bank debt and excluding accrued interest and capitalised transaction costs, the total bank debt stood at £1,208.0m. The severe plausible downside scenario could have an impact on the Groups cash funds including additional drawdown of the RCF facility; however, the impact would not be sufficient to cause a breach of the covenant if the facility was drawn.

On this basis the Directors believe it remains appropriate to prepare the accounts on a going concern basis.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

(e) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are set out and described in note 1(f), 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.

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 the financial statements.

Fair value of assets and liabilities attributable to business combinations

All business combinations are accounted for under IFRS 3 which involves recording all the assets and liabilities of the acquired entity at their fair value as at the date of acquisition. As part of this exercise, significant judgement is needed to determine the valuation of the separable intangibles acquired in the business combination.

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if those assets are identifiable and their fair value can be measured reliably. The judgements involve determining the types of intangibles which exist, their expected useful economic lives, the future cash flows expected to be generated from the assets and the appropriate discount rate to use. When assessing the values of the intangible assets, management is required to exercise judgment in determining the future profitability and cash flows of those assets, royalty rates, life of customer base and the appropriate weighted average cost of capital. The subsequent impairment reviews require assessment of the above factors as well as ongoing assessment of the assets' lives.

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

The initial identification of intangible assets requires considerable judgment in respect of the classification of the assets and in the assessment of their life. The total value of other intangibles recognised during the year ended 31 August 2023 due to business combinations was £67.1m (2022: £28.3m). The impact of making different judgements regarding these intangible assets would be to increase or decrease goodwill by the equivalent amount.

Key sources of estimation uncertainty

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

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

Share-based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 7.

The fair-value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with the corresponding adjustment to equity reserves.

Impairment of non-financial assets

The Group makes judgements in considering whether the carrying amounts of its non-financial assets are recoverable and estimates their recoverable amounts.

Goodwill arising on consolidation represents the difference between the cost of acquisition and the fair value of the identifiable assets and liabilities at the date of acquisition.

Goodwill acquired in a business combination is allocated, at the date of acquisition, to the CGU that benefitted from that business combination. The allocation of goodwill to a CGU or group of CGUs is judgmental and the Directors consider that goodwill is usually attributable to a grouping of similar schools in the same geography. For the purposes of testing for impairment to goodwill annually, each CGU or group of CGUs to which goodwill has been allocated is tested individually.

The recoverable amounts of the CGUs to which goodwill has been allocated is calculated on a fair value less cost of disposal basis ("FVLCD"). As FVLCD is derived from estimates of future cash flows discounted at an appropriate post tax rate, the impairment testing of goodwill is also subject to these estimates. Further details on the Group's goodwill balances, key assumptions used in determining recoverable amounts and the impairment charge recognised during the year is provided in note 11. As impairment calculations are sensitive to changes in key inputs to estimates (such as growth rates and discount rates applied), sensitivity analysis considering the impact of reasonably possible change in these inputs is also provided at note 11.

In the current year, the group recognised an impairment charge of £15.1m (2022: charge of £69.5m).

The Group's other non-financial assets predominantly relate to our school buildings and associated tangible and intangible assets. Each school is considered a separate CGU for impairment testing purposes and reviewed for indicators of impairment at least annually. An indicator of impairment is usually an actual or forecast decline in pupil numbers or profitability of a school. The recoverable amount of schools that are tested for impairment is usually calculated on a value in use ("VIU") basis which, similar to goodwill impairment testing, utilises estimates of future cashflows and therefore the impairment testing of our schools is subject to these estimates. Further details of impairment testing performed over our schools can be found at note 11.

From time to time, the Group considers whether it should continue the operation of certain schools in their current form and, in doing so, this may result in an impairment to their recoverable value. The conclusion at any year end is uncertain, however could result in a range of outcomes which may lead to a subsequent impairment loss.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

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

Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which assets can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. The Group is subject to income taxes in numerous jurisdictions and judgement is required in determining the level of losses to recognise as deferred tax assets for the Group. Management approved forecasts are used to estimate future taxable profits over a reasonable timescale to determine the level of asset that is appropriate to recognise.

Impairment of non-current asset investments and intercompany debtors (company only)

On an annual basis the company assesses assets not carried at fair value to determine whether there is an indication that the asset may be impaired. This assessment, which involves a degree of judgement and assumptions about future prospects, is performed for investments. The recoverable amount of the investment is the higher of the fair value less costs to sell and value in use.

The financial asset impairment requirements included in IFRS 9 are applicable to intercompany debtors. The net assets of the debtor company are considered and, if not sufficient to repay the loan balance at the balance sheet date, consideration is given to the future cash flows generation potential of the debtor to assess the recoverability of amounts owed.

(f) Other accounting policies

Foreign currency

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 purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the Group.

i) Foreign currency transactions

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency 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. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

ii) Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's presentational currency at foreign exchange rates prevailing on the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising are reported as an item of other comprehensive income and accumulated in the translation reserve, attributed to non-controlling interests as appropriate.

Exchange differences arising from monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

(f) Other accounting policies (continued)

Financial instruments: Classification of financial instruments

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

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Financial instruments: Measurement

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within the statement of comprehensive income in the period in which it arises.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade and other receivables

Trade and other receivables are recognised initially at fair value, which is usually the invoice amount unless the Group does not have an unconditional right to consideration or does not expect to recover the full amount. They are subsequently measured at amortised cost using the effective interest method less an allowance for impairment losses. In accordance with the provisions of IFRS 9 applicable to trade receivables, expected credit losses are determined by applying the simplified approach and the lifetime expected credit loss provided for. When certainty is obtained that a receivable is not recoverable, the specific receivable is written off.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in debt securities, cash and cash equivalents, trade and other receivables, trade and other payables, and other interest bearing loans and borrowings.

Investments in equity securities

Investments in subsidiaries are carried at cost less impairment in the parent company accounts.

Cash and cash equivalents

Cash and cash equivalents comprise short term deposits, cash in hand and current bank balances with banking institutions. In the cash flow statement, cash and cash equivalents includes bank overdrafts that are repayable on demand.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Trade and other payables

Trade and other payables are recognised initially at fair value. Due to their short-term nature, the carrying value of trade and other payables approximates their fair value.

Interest-bearing borrowings

Interest bearing bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Where amortised cost using straight line amortisation approximates the outcome under the effective interest method, the straight line method is adopted.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the removal of borrowings is recognised in the income statement.

Borrowings with terms that have been substantially modified results in the extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss resulting from this treatment is recognised in the income statement.

Derivative financial instruments and hedging

The Group uses interest rate swaps to hedge its exposure to fluctuations in exchange and interest rates of bank borrowings. Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps are based on Mark to Market values provided by the issuing financial institutions. These values are mid-market levels as at close of business on the balance sheet date. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. The Group has not adopted hedge accounting in relation to these instruments.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, using the straight-line method over the useful economic life of that asset. Land is not depreciated. The estimated useful lives of property, plant and equipment are as follows:

Freehold buildings	- 20 to 70 years
Leasehold land and buildings	- the remaining life of the lease
Fixtures, fittings and equipment	- 1 to 10 years
Computer equipment	- 2 to 5 years

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

Assets in the course of construction are not depreciated. Upon completion the asset will be transferred into the relevant category of property, plant and equipment and will be depreciated over its estimated useful life.

Business combinations

All business combinations are accounted for by applying the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at fair value or the proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Goodwill and Intangible assets

Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the net assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Deferred consideration that is fixed at the acquisition date is recognised as a liability within trade and other payables, discounted to its present value.

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 the Group enter into agreements with an obligation to purchase shares from Non-controlling interests a liability is recognised within trade and other payables, discounted at the present value of the exercise price. For the offsetting entry an assessment is made whether the Non-controlling interest have effectively lost their ownership position. Where the ownership position has been lost the offsetting entry is made to Non-Controlling interest in the Statement of Changes in Equity. Where the ownership has been retained the offsetting entry is made to Equity reserves in the Statement of Changes in Equity.

Intangible assets

Intangible assets acquired as part of a business combination are capitalised separately from goodwill at fair value if those assets are separately identifiable and their fair value can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangibles with an indefinite useful life are not amortised but are tested for impairment at each balance sheet date. Capitalised software and other intangible assets are amortised from the date they are available for use.

The estimated useful lives of other intangibles are as follows:

Computer software	- 3-5 years
Customer relationships	- average tenure of a student at relevant school
School licences	- over the length of the licence
Brands	- 10 - 50 years

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Impairment of non-financial assets

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is assessed for impairment at least annually.

Indications of impairment are identified by reviewing events or changes in circumstance which suggest that the carrying amount of an asset is not recoverable. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is deemed to be the higher of fair value less costs of disposal and value in use.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to each cash-generating unit ("CGU") or group of cash generating units. Impairment testing is performed at the lowest level at which goodwill is monitored for internal reporting purposes. Therefore a group of CGU's represents each geographical region in which we operate with the exception of a number of schools, as detailed further at note 11.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, an impairment loss is recognised in the income statement. Impairment losses in respect of a CGU are initially allocated against the carrying amount of goodwill allocated to the units and then subsequently against the carrying amounts of other assets within the CGU.

Impairment losses recognised in respect of goodwill are irreversible. Impairment losses recognised against other assets can be subsequently reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses recognised in prior periods are therefore assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Revenue

The Group applies IFRS 15 "Revenue from Contracts with Customers" in determining its accounting policies for recognising revenue.

The Group analyses its contracts and relevant revenue streams using the 5-step approach included within IFRS 15 as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the Group satisfies a performance obligation.

As a result the Group only recognises revenue when a performance obligation is satisfied which may be at a point in time or over a period of time.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the student simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the student controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Revenue *(continued)*

Most of the Group's revenue arises from the provision of school fees and related services. School fees includes tuition and supervision at schools, camps and clubs; administrative and ancillary charges applied for applications, enrolment, registration and examinations; and for extra-curricular activities.

Revenue from school fees and related services is recognised over the period in which the tuition and related services are provided, typically over the term/semester or across the academic year. School fees and related services are generally considered together to represent a single performance obligation, which is satisfied over the related period.

Other one-off or annual fees such as application fees, registration fees, enrolment fees, capital, maintenance and facilities fees, are a series of distinct performance obligations which are satisfied over time. In the majority of cases the performance obligation is deemed to be satisfied in line with the provision of tuition services in the related academic year, as the fees give rise to the ability to secure a place to receive the related tuition.

Where payment is received ahead of revenue being recognised, a contract liability is recognised and presented within deferred revenue.

Where a student leaves a school ahead of the full annual tuition being provided, or ahead of the end of the period for which related fees are being recognised and if there is no recourse to repay any amounts, it is deemed that the performance condition has been satisfied and all remaining revenue is recognised at this time.

Trade receivables are recognised for unsettled invoices raised for our services to students where there is an unconditional right to receive the consideration under the contract in place. If any element of the contract could be cancelled, without penalty, leading to the receivable not being recoverable, the trade receivable is not recognised and there is no associated deferred revenue balance.

A small proportion of the Group's revenue arises from the Sale of Goods, predominantly the sale of school uniforms, books and equipment. Sales of goods are recognised when the related performance condition has been met, which is typically in line with when the risks and rewards of ownership have transferred to the customer and the revenue can be measured reliably.

All revenue is presented net of discounts and the net amount represents the consideration which the Group expects to recover.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions to a separate pension scheme and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Multi-employer plans

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), in respect of certain teaching staff. This is a multi-employer defined benefit pension plan and it is not possible for the Group to use defined benefit accounting as sufficient information is not available. Accordingly, no provision can be made for any under or over provision of funding within the plan as required under IAS 19 and the scheme is therefore accounted for in the same way as if it were a defined contribution plan. For further detail on the TPS see note 19.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 7.

The fair-value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with the corresponding adjustment to equity reserves.

Leases

In accordance with IFRS 16, at inception of a contract the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether all of the 3 criteria below are met:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of an asset if not physically distinct. If the supplier has a substantive substitution right, then the asset is not identifiable;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Upon meeting the above criteria, the Group measures lease liabilities at the present value of future lease payments by discounting contractual payments at the incremental borrowing rate (IBR) applicable to that particular lease. The associated right-of-use asset is recognised at an amount equal to the lease liability plus any direct costs of obtaining the lease, and adjusted for prepaid or accrued amounts.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Leases (continued)

Right-of-use assets are presented in Property, plant and equipment on the Group Balance Sheet. Lease liabilities are included in Current and Non-current other interest-bearing loans and borrowings.

Lease components

The Group separates lease and non-lease components of a contract, at inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Key judgements

Key judgements in the application of IFRS 16 include:

- The determination of an appropriate incremental borrowing rate: The group engages external advisors to assist with the determination of appropriate rates to be applied to its lease portfolio
- For leases of property, whether options to extend or terminate existing leases will be exercised. The long term duration of most property leases means that this assessment can often have a material impact on the right-of-use assets and lease liabilities recognised on the balance sheet, but may not have a material impact on the income statement: In determining whether or not an extension or termination option will be exercised, management considers all facts and circumstances including plans and intentions for the school or location under lease, how far into the future the option arises, as well as any factors that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Provisions

A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle 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.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Expenses

Financing income and expenses

Financing expenses comprise interest payable on bank borrowings and leases, unwinding of the discount on provisions, fair value losses on derivative contracts and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the result for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Alternative Performance Measures ("APMs")

In addition to statutory measures, the Group uses APMs to monitor performance.

"EBITDA" means operating profit before depreciation and amortisation of intangibles.

EBITDA measures are non-GAAP measures and are used for internal performance purposes, are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

The primary APM used by the Group is Adjusted EBITDA. Adjusted EBITDA is EBITDA adjusted for certain items that management considers not to be reflective of the true underlying performance of the Group because of their nature as either non-recurring or non-cash items. Those items are adjusted for in order to provide comparability between periods and they comprise of income and expenditure which is not related to the Group's core business activities. Such items amongst others include acquisition and business exploration costs, business restructuring costs, impairment of non-financial assets, gain or loss on disposal of fixed assets, gain or loss on disposal of subsidiaries, school pre-opening losses (these include losses incurred prior to the opening of new schools as well as for two years thereafter) and non-cash share based payment expense.

APMs are non-GAAP measures.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

(g) Standards issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Amendments which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted in the UK). The Directors anticipate that the adoption of the remaining standards and interpretations in future periods will have no material impact on the financial statements of the Group.

IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS17 and IFRS 9 – Comparative Information (effective date 1 January 2023).

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date to be confirmed).

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023).

Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries

Acquisitions in the current year

During the year, the Group completed three acquisitions: York Preparatory School in New York City, Redcol in Colombia and Repton Schools in the United Arab Emirates.

The Group incurred costs of £9.5m relating to legal and financial due diligence and transaction costs on these acquisitions during the year ended 31 August 2023. These costs have been included in acquisition and business exploration costs in the Group's consolidated Statement of Comprehensive Income.

Goodwill recognised on acquisition is mainly attributable to the value of synergies of integrating the operations of the business with those of the Group as well as the skills and knowledge of the employees of the schools acquired.

Cash outflows from operations are reflected in the Consolidated Cash flow Statement on page 29. Cash outflows relating to acquisitions are shown net of cash acquired and include deferred consideration of £28.5m paid in respect of previous years acquisitions.

If all of the current year acquisitions had occurred on 1 September 2022, the Group Revenue would have been £909.2m and the Group net loss would have been £136.3m. In determining these amounts, management has assumed that the fair value adjustment that arose on the dates of acquisitions would have been the same if the acquisitions had occurred on the 1 September 2022.

The acquisition of Olinca took place towards the end of the prior year and, therefore, provisional fair values were included in the financial statements for the year ended 31 August 2022. In the current year, and in accordance with IFRS 3, the Group completed the acquisition accounting within the 12 month post acquisition measurement period. There are no material changes to the provisional balances presented in the prior year.

Further detail is provided on each acquisition below:

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

Olinca, Mexico

On 30 June 2022, the Group acquired a 100% shareholding of Instituto Educativo Olinca SC ("Olinca") for a total consideration of MXN 833.7m (£34.1m). £20.2m was paid at the acquisition date, the remaining balance of £13.9m was paid in November 2022.

Olinca, is a school based in Mexico City, Mexico. The school had a capacity of c. 1,700 at the date of the acquisition.

Effect of acquisitions

The acquisition of Olinca had the following effect on the Group's assets and liabilities:

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	5,020	32,994	38,014
Fair value of intangible assets			
Brands and licences	1,203	1,379	2,582
Trade and other receivables	520	-	520
Indemnification asset	-	176	176
Cash and cash equivalents	1,338	-	1,338
Tax recoverable	593	-	593
Trade and other payables	(1,534)	-	(1,534)
Other loans and borrowings	(3,146)	-	(3,146)
Deferred revenue	(1,113)	-	(1,113)
Current tax liabilities	(372)	(176)	(548)
Deferred tax liability	-	(10,313)	(10,313)
Net identifiable assets acquired	2,509	24,060	26,569
Cash consideration relating to business combination and acquisition payment			20,250
Deferred consideration			13,623
Total consideration cash			33,873
Value of consideration in excess of net assets acquired attributed to Goodwill			7,304

As the acquisition of Olinca took place towards the end of the prior financial year, provisional fair values were included within the financial statements for the year ended 31 August 2022. In accordance with IFRS 3, the Group finalised the acquisition accounting within the 12 month measurement period post acquisition. Finalisation of the acquisition accounting resulted in an overall decrease in goodwill of £2.5m and the recognition of £2.6m brand and licence assets, along with an associated £0.1m deferred tax liability.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued) York Preparatory School, New York City, USA

On 1 September 2022, the Group acquired a 100% shareholding of York Preparatory School Inc ("YPS") for a total consideration of USD \$101.6m (£87.7m). £44.1m was paid at the acquisition date, the remaining balance of £43.6m was paid during the financial year.

York Preparatory School is a school based in central Manhattan, New York City. The school had a capacity of c. 375 at the date of the acquisition.

In the period from acquisition to 31 August 2023, York Preparatory School contributed £21.7m of revenue and £5.2m of profit to the consolidated net loss for the year.

Effect of acquisitions

The acquisition of York Preparatory School had the following effect on the Group's assets and liabilities:

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	47,501	(23,318)	24,183
Fair value of intangible assets			
Brands and licences	-	5,268	5,268
Customer relationships	-	4,923	4,923
Trade and other receivables	9,241	-	9,241
Cash and cash equivalents	11,227	-	11,227
Deferred tax asset	-	3,973	3,973
Trade and other payables	(6,650)	-	(6,650)
Deferred revenue	(21,937)	-	(21,937)
Other loans and borrowings	(1,555)	-	(1,555)
Net identifiable assets acquired	37,827	(9,154)	28,673
Cash consideration relating to business combination and acquisition payment			44,132
Deferred and contingent consideration			43,614
Total consideration cash			87,746
Value of consideration in excess of net assets acquired attributed to Goodwill			59,073

Property, plant and equipment includes a property with a book value of £45.8m. An assessment of the fair value of the property valued the asset at £22.5m.

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

Redcol, Colombia

On 30 September 2022, the Group acquired a 80% shareholding of Redcol Holdings SAS ("Redcol") for a total consideration of COP 486bn (£95.0m). £48.8m was paid at the acquisition date, the remaining balance of £46.2m was paid during the financial year. Redcol, is a group of nine schools spread across Colombia. The schools had a capacity of c. 8,800 at the date of the acquisition. In the period from acquisition to 31 August 2023, Redcol contributed £32.4m of revenue and £0.3m of loss to the consolidated net loss for the year.

If this acquisition had occurred on 1 September 2022, the contribution to Group revenue would have been £35.6m, and contribution to Group net loss would have been £0.3m profit. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 September 2022.

Effect of acquisitions

The acquisition of Redcol had the following effect on the Group's assets and liabilities:

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	65,173	(4,671)	60,502
Fair value of intangible assets			
Brands and licences	3,283	371	3,654
Customer relationships	-	15,888	15,888
Right of educational establishment	645	(645)	-
Software	20	-	20
Inventory	293	-	293
Trade and other receivables	1,856	-	1,856
Cash and cash equivalents	3,400	-	3,400
Other financial assets	1,563	-	1,563
Trade and other payables	(2,052)	-	(2,052)
Deferred revenue	(2,345)	-	(2,345)
Other loans and borrowings	(56,926)	-	(56,926)
Current tax liabilities	(1,173)	-	(1,173)
Deferred tax liability	(469)	(3,830)	(4,299)
Net identifiable assets acquired	13,268	7,113	20,381
 Cash consideration relating to business combination and acquisition payment			48,855
Deferred and contingent consideration			46,236
Non-Controlling interest			22,161
 Total consideration cash			117,252
 Value of consideration in excess of net assets acquired attributed to Goodwill			96,871

Property, plant and equipment includes freehold properties with a book value of £33.9m and right of use assets relating to leased properties with a book value of £28.6m. An assessment of the fair value of the properties valued the freehold assets at £41.6m, and the leasehold properties at £16.2m.

The total consideration and goodwill value are the amounts attributable to a 100% shareholding in Redcol, an adjustment of £22.2m has been made in the Statement of Changes in Equity to represent the Non-controlling interest share of the fair value of assets at acquisition.

The transaction includes a put and call option over the remaining 20% shares of Redcol which can be exercised by either party. Under IAS 32, the existence of a put option represents an obligation to purchase the remaining 20% and the standard requires the obligation to be recognised at the present value of the redemption amount. In recognition of the non-controlling interests continuing influence on the business, the Group has adopted the present-access method recognising a liability of £22.2m in contingent consideration and equity purchase agreements with the offsetting entry being recognised in equity reserves.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Repton Schools, United Arab Emirates

On 20 March 2023, the Group entered a strategic partnership with Excella and Repton for three United Arab Emirates (UAE) schools ("Repton Schools") for a total consideration of AED \$1,175.7m (£262.8m). £148.1m was paid at the acquisition date, the remaining balance of £114.7m is due within two years.

Repton Schools is a group of three schools based in the UAE. The schools had a capacity of c. 6,735 at the date of the acquisition.

In the period from acquisition to 31 August 2023, Repton Schools contributed £27.2m of revenue and £1.0m of loss to the consolidated net loss for the year.

If this acquisition had occurred on 1 September 2022, the contribution to Group revenue would have been £75.0m, and contribution to Group net loss would have been £8.2m profit. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 September 2022.

Effect of acquisitions

The acquisition of Repton Schools had the following effect on the Group's assets and liabilities:

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	138,469	(7,555)	130,914
Fair value of intangible assets			
Customer relationships	-	37,395	37,395
Inventory	224	-	224
Trade and other receivables	19,290	-	19,290
Cash and cash equivalents	7,264	-	7,264
Trade and other payables	(3,092)	-	(3,092)
Provisions	(4,686)	-	(4,686)
Deferred revenue	(44,078)	-	(44,078)
Other loans and borrowings	(114,486)	(2,570)	(117,056)
Deferred tax liability	-	(2,682)	(2,682)
Net identifiable assets acquired	<u>(1,095)</u>	<u>24,588</u>	<u>23,493</u>
Cash consideration relating to business combination and acquisition payment			139,805
Deferred consideration			46,850
Contingent consideration			49,755
Non-Controlling interest			26,375
Total consideration cash			<u>262,785</u>
Value of consideration in excess of net assets acquired attributed to Goodwill			<u>239,292</u>

Property, plant and equipment includes properties with a book value of £82.5m and right of use assets relating to property leases with a book value of £45.6m. An assessment of the fair value of the properties valued the assets at £45.1m, an assessment of the fair value of property leases valued the assets at £79.5m.

The total consideration and goodwill value are the amounts attributable to a 100% shareholding. On the 20 March 2023, the Group entered into agreements to purchase the minority interest of Repton Schools which completes when approval is obtained from the relevant authorities. Under IAS 32, a contract with an obligation to purchase these shares is recognised at the present value of the redemption amount. The Group has therefore adopted the anticipated-acquisition method, recognising a liability of £26.5m in contingent consideration and equity purchase agreements with an offsetting entry being made in the Statement of Changes in Equity to Non-controlling interests.

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

The contingent consideration payable is recognised at fair value at the acquisition date. Substantially all contingent consideration as at 31 August 2023 is capped at the maximum exposure amount under the contract terms based on the expected performance of the acquiree.

3 Revenue

	Year ended 31 August 2023 £'000	Year Ended 31 August 2022 £'000
School fees and related services	853,961	621,138
Sale of goods	4,378	3,091
Total revenue	858,339	624,229

The Group's revenue by destination is summarised below:

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Europe	311,586	272,617
United States	21,745	-
Asia	248,243	209,477
Latin America	184,179	101,960
Middle East and India ¹	92,586	40,175
	858,339	624,229

The key economic factors impacting the nature, timing and uncertainty of revenue and cash flows are considered to be predominantly driven by the type of revenue, as disclosed above, and the academic timetable a country operates on may also impact the timing and uncertainty of revenue.

¹ In the year ended 31 August 2023 the Group revised the classification and made a decision to present India revenue within Middle East & India. This resulted in a decrease of Asia revenue and increase in Middle East & India revenue by £12m in the comparative period.

The Group's IFRS 15 Contract Liabilities are as follows:

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Balance at 1 September	248,914	206,656
New contract liabilities	944,419	663,396
Amounts recognised as revenue in year	(853,961)	(621,138)
	339,372	248,914

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Current liabilities	324,554	235,592
Non-current liabilities	14,818	13,322
	339,372	248,914

Notes to the Financial Statements *(continued)*

4 Expenses and auditor's remuneration

		Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
<i>Expenses:</i>			
	Note		
Cost of inventories recognised as expense		171	243
Depreciation of property, plant and equipment	10	82,049	77,743
Amortisation of other intangibles	11	27,272	26,003
<i>Impairment charge:</i>			
Goodwill	11	4,829	62,945
Other intangible assets	11	6,022	5,468
Property, plant and equipment	10	4,250	1,038

Auditor's remuneration:

Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

The remuneration to the Group's auditors reflected in these financial statements is shown below:

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Audit of these financial statements	862	533
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	1,082	827
Audit-related assurance services	2	203
Taxation compliance services	-	56
	1,946	1,619

Notes to the Financial Statements *(continued)*

5 Staff numbers and costs

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

	Number of employees 2023	Number of employees 2022
Number of teachers	9,135	6,792
Number of administrative staff	4,588	3,648
	13,723	10,440

The aggregate payroll costs of these staff were as follows:

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Wages and salaries	369,742	288,024
Social security costs	32,999	25,756
Contributions to defined contribution plans	20,640	16,159
Share based payments	7,251	1,623
	430,632	331,562

6 Directors' and other key management personnel remuneration

The remuneration paid or payable to the Directors of the Group, as part of their service contract with Cognita Limited was:

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Aggregate emoluments and fees (including benefits in kind)	849	958
Performance bonuses	754	625
	1,603	1,583

No Directors have benefits accruing under defined benefit pension schemes. Two directors had benefits accruing under a defined contribution pension scheme. During the year, the Group contributed £16,346 (2022: £9,202) to defined contribution pensions schemes on behalf of the Directors of the Company.

The above emoluments include amounts paid to the highest paid Director as follows:

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Aggregate emoluments and fees (including benefits in kind)	455	405
Performance bonuses	540	285
	995	690

Notes to the Financial Statements (continued)

6 Directors' and other key management personnel remuneration (continued)

Some of the directors (2 Jacobs Holding AG representatives) are not employed from Cognita group companies. These directors' services to the Group headed by Lernen Bidco Limited do not occupy a significant amount of their overall time and, as such, the directors do not consider that they have received any remuneration for their incidental services as directors to the company and the group during the years ended 31 August 2022 and 31 August 2023. The Group has not paid any remuneration to these directors.

Transactions with other key management personnel

In addition to Directors remuneration, the compensation of other key management personnel of the Group is as follows:

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Key management remuneration including social security costs	6,372	5,802
Termination costs	177	417
Company contributions to money purchase pension schemes	160	154
	6,709	6,373

In the current year, Key Management Personnel includes the executive leadership teams within Asia, Europe, LatAm and the Middle East as well as those individuals performing a Group wide leadership role, such as establishing our Education strategy.

7 Share based payments

In October 2018, a management incentive plan ("MIP") was introduced whereby certain Directors and senior managers purchased C shares in Lernen Midco 2 Limited for their nominal value which varies dependent on the specific sub-class of the shares. The C shares are ordinary shares and rank pari passu with all other ordinary shares. C1 shares carry the right to 5% of the total votes per holder, but C2 shares are non-voting.

During the current year, 16,140 (2022: 443,847) additional shares have been issued to both existing and new members of the MIP. Total shares within the scheme are 1,614,000 (2022: 1,614,000).

Share issues

The fair value of the shares issued is assessed at each of the grant dates. Due to the complex features of the awards, the fair value of all shares at the grant date were derived using the Black-Scholes Option Pricing Model, and based on an assumed equity value.

The following assumptions were applied in determining the fair value of the awards granted at each date:

	Oct-18	Jul-21	Jan-22	Jul-22 & Jul-23
General	Assumed realisation event date of 25 October 2023	n/a	n/a	n/a
Risk free rate of return	1.01%	0.1-0.2%	1.06%-1.07%	1.84-1.91%
Future volatility rate ¹	52.0%	30.0%	25.1%	27.6%
Weighted average fair value of each share issued	£32.30	£19.73	£12.38	£16.58
Period over which charge is recognised (vesting period)	5 years	3.3 years	2.8 years	2.3 years / 3 years

¹based on the historical volatility of comparable public companies adjusted for unique or significant events not expected to affect future volatility

Notes to the Financial Statements *(continued)*

7 Share based payments *(continued)*

The MIP is an equity settled share based payment scheme and the annual vesting charge is not amended for changes in market factors. The charge recognised in the current year of £7.3m (2022: £1.6m) includes the reversal of £3.0m (2022: £10.0m) in respect of 201,750 (2022: 863,484) shares forfeited during the year.

8 Finance income and expense

Recognised in income statement

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Finance income:		
Bank interest	5,869	2,344
Other interest receivable	1,402	142
Exchange gain on foreign currency balances	-	61,171
Gain on fair value of forward contracts	1,989	16,186
Total finance income	9,260	79,843

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Finance expense:		
Interest payable on bank borrowings	101,447	54,791
Other similar charges payable	17,725	3,462
Exchange loss on foreign currency balances	37,293	-
Finance charges in respect of leases	34,224	19,496
Loss on extinguishment ¹	17,904	-
Total finance expense	208,593	77,749

Interest payable on bank borrowing represents interest payable on bank loans held around the Group. Interest accrues at different rates, on a fixed or floating basis, according to the currency and draw down date of the debt. Further information can be found in note 16.

¹ The Group successfully refinanced its existing term loans during the year. Although the total gross debt remained unchanged, the £200m first lien term loan GBP was converted to its Euro equivalent, along with an additional €125 million first lien debt raised in order to repay the equivalent amount of second lien debt. Additionally, the maturity date of the Group's first lien facility was extended from October 2025 to April 2029. The transaction represented a loan modification under IFRS 9 and resulted in the recognition of a loss on extinguishment of £17.9m.

Notes to the Financial Statements *(continued)*

9 Taxation

Recognised in the income statement

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Current tax expense		
Current year	28,214	19,303
Adjustments for prior years	(3,334)	(178)
Current tax expense	24,880	19,125
Origination and reversal of temporary differences	(8,331)	(2,958)
Recognition of previously unrecognised tax losses	(933)	(325)
Deferred tax income	(9,264)	(3,283)
Total tax expense	15,616	15,842

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Loss excluding taxation	(130,460)	(37,303)
Tax using the UK corporation tax rate of 21.50% (2022: 19.00%)	(28,049)	(7,088)
Effect of tax rates in foreign jurisdictions	8,273	3,624
Non-deductible expenses - Goodwill impairment	1,038	11,960
Non-deductible expenses - Other	6,733	10,877
Current year losses for which no deferred tax asset was recognised	31,299	2,472
Unrelieved withholding tax	589	464
Over provided in prior years	(4,267)	(503)
Group relief outside consolidation	-	(6)
Recognition of previously unrecognised tax losses	-	(5,958)
Total tax expense	15,616	15,842

The main rate of UK Corporation tax increased from 19% to 25% on 1 April 2023. Deferred tax assets and liabilities within the UK have been calculated based on the rate of 25% (2022: 25%).

Notes to the Financial Statements (continued)

10 Property, plant and equipment - Group

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Cost						
Balance at 1 September 2021	207,106	909,743	80,084	36,174	104,413	1,337,520
Acquisitions through business combinations	146,728	13,392	614	393	-	161,127
Additions	3,534	94,205	11,958	7,488	18,384	135,569
Disposals	-	(131,157)	(626)	(1,324)	-	(133,107)
Asset reclassification	2,354	3,351	471	(218)	(5,958)	-
Effect of movements in foreign exchange	17,074	88,769	6,639	3,842	11,453	127,777
Balance at 31 August 2022 and 1 September 2022	376,796	978,303	99,140	46,355	128,292	1,628,886
Acquisitions through business combinations	102,482	99,949	2,992	1,863	8,313	215,599
Additions	10,850	37,129	15,981	9,324	56,365	129,649
Disposals	-	(24,638)	(2,206)	(2,155)	-	(28,999)
Asset reclassification	69,343	8,285	2,521	697	(80,846)	-
Effect of movements in foreign exchange	(17,904)	(47,116)	(4,293)	(2,404)	(4,572)	(76,289)
Balance at 31 August 2023	541,567	1,051,912	114,135	53,680	107,552	1,868,846
Depreciation and impairment						
Balance at 1 September 2021	44,967	128,194	33,191	22,388	376	229,116
Depreciation charge for year	6,872	54,225	8,746	7,900	-	77,743
Impairment charge	-	1,038	-	-	-	1,038
Asset reclassification	(23)	(39)	39	23	-	-
Disposals	-	(23,577)	(625)	(1,321)	-	(25,523)
Effect of movements in foreign exchange	1,452	24,301	4,837	3,003	-	33,593
Balance at 31 August 2022 and 1 September 2022	53,268	184,142	46,188	31,993	376	315,967
Depreciation charge for year	8,246	55,138	10,125	8,540	-	82,049
Impairment charge ¹	-	1,702	2,167	381	-	4,250
Asset reclassification	-	-	-	-	-	-
Disposals	-	(13,610)	(2,206)	(1,927)	-	(17,743)
Effect of movements in foreign exchange	(1,137)	(12,731)	(3,271)	(1,781)	-	(18,920)
Balance at 31 August 2023	60,377	214,641	53,003	37,206	376	365,603
Net book value						
At 31 August 2022	323,528	794,161	52,952	14,362	127,916	1,312,919
At 31 August 2023	481,190	837,271	61,132	16,474	107,176	1,503,243

Disclosure of capital commitments can be found in note 24 of the financial statements.

¹ Refer to Note 11 for details of impairment recognised during the year.

Notes to the Financial Statements (continued)

10 Property, plant and equipment - Group (continued)

Right-of-use assets included within property, plant and equipment

The table below provides further details of the Group's right-of-use assets:

	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost				
Balance as at 1 September 2021	442,416	277	5,063	447,756
Additions	106,463	1,263	435	108,161
Effect of movements in foreign exchange	29,112	9	81	29,202
Balance as at 31 August 2022 and 1 September 2022	577,991	1,549	5,579	585,119
Additions ¹	127,346	-	262	127,608
Disposals ²	(23,793)	-	-	(23,793)
Effect of movements in foreign exchange	(20,140)	2	(38)	(20,176)
As at 31 August 2023	661,404	1,551	5,803	668,758
Depreciation				
Balance as at 1 September 2021	43,724	61	286	44,071
Depreciation charge for the year	29,734	86	500	30,320
Effect of movements in foreign exchange	3,948	4	32	3,984
Balance as at 31 August 2022 and 1 September 2022	77,406	151	818	78,375
Depreciation charge for the year	33,844	309	1,032	35,185
Disposals ²	(13,576)	-	-	(13,576)
Effect of movements in foreign exchange	(2,586)	(1)	(53)	(2,640)
As at 31 August 2023	95,088	459	1,797	97,344
Net book value				
At 31 August 2022	500,585	1,398	4,761	506,744
At 31 August 2023	566,316	1,092	4,006	571,414

¹ Of the additions in the current year, £24.6m (2022: £7.5m) arose from lease modifications and £96.9m (2022: £17.1m) right-of-use assets were acquired through acquisitions.

During the year, £6.1m (2022: £83.6m) of new right-of-use assets arose from lease agreements entered into during the year.

² On 16 June 2023, the Group disposed of its nursery business in Hong Kong, Woodland, subsequently right of use assets with a net book value of £10.2m were derecognised from the Group's consolidated statement of financial position.

In prior year, right of use additions included £74.1m of assets from the sale and leaseback of freehold property within Hong Kong. The sale and lease back transaction completed on 20th July 2022 and was considered a true sale in accordance with IFRS 15. Accordingly, the Group derecognised existing assets of £115.0m and at the same time recognised right of use assets and lease liabilities of £74.1m and £91.4m respectively.

Notes to the Financial Statements (continued)

11 Intangible assets - Group

	Goodwill	Software	Favourable leases	Customer relationships	Brands and licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 September 2021	1,273,632	21,475	458	88,277	218,956	1,602,798
Acquisitions through business combinations	122,721	-	-	18,564	9,690	150,975
Additions	-	245	-	-	44	289
Assets reclassification	(1,761)	-	-	1,761	-	-
Effect of movements in foreign exchange	121,287	175	1	11,149	21,631	154,243
Balance at 31 August 2022 and 1 September 2022	1,515,879	21,895	459	119,751	250,321	1,908,305
Acquisitions through business combinations	395,236	20	-	58,206	8,922	462,384
Additions	-	663	-	-	12	675
Disposals	-	(18)	-	(1,365)	(9,641)	(11,024)
Assets reclassification ¹	(2,492)	-	-	-	2,492	-
Effect of movements in foreign exchange	(86,546)	(117)	-	(8,409)	(11,019)	(106,091)
Balance at 31 August 2023	1,822,077	22,443	459	168,183	241,087	2,254,249
Amortisation and impairment						
Balance at 1 September 2021	232,360	9,782	112	18,701	28,779	289,734
Amortisation for the year	-	3,913	53	12,904	9,133	26,003
Impairment charge	62,945	18	-	422	5,028	68,413
Effect of movements in foreign exchange	12,240	189	1	2,670	3,303	18,403
Balance at 31 August 2022 and 1 September 2022	307,545	13,902	166	34,697	46,243	402,553
Amortisation for the year	-	3,151	40	15,784	8,297	27,272
Impairment charge	4,829	63	19	5,940	-	10,851
Disposals	-	(18)	-	(1,365)	(9,641)	(11,024)
Effect of movements in foreign exchange	(10,746)	(101)	(1)	(2,225)	(2,039)	(15,112)
Balance at 31 August 2023	301,628	16,997	224	52,831	42,860	414,540
Net book value						
At 31 August 2022	1,208,334	7,993	293	85,054	204,078	1,505,752
At 31 August 2023	1,520,449	5,446	235	115,352	198,227	1,839,709

¹ Finalisation of the acquisition accounting for Olinca resulted an increase in brands and licences of £2.5m, refer to note 2 for further details.

Notes to the Financial Statements *(continued)*

11 Intangible assets - Group *(continued)*

CGUs (Group of CGUs) containing goodwill

Goodwill and other intangible assets are spread across the Group's regions. The carrying value of goodwill is monitored by reference to CGU's. A group of CGU's is typically each geographical region in which the business operates, with the exception of the UK, Chile and Singapore which are further split into types of business.

The Group tests the groups of CGU's to which goodwill is allocated on an annual basis in accordance with IAS 36.

Impairments recognised during the year

For the year ended 31 August 2023, the Group recognised a total impairment charge of £15.1m in relation to the ALG CGU. Key values are shown below.

	Year Ended 2023		Year ended 2022	
	Recoverable Amount ¹	Goodwill impairment recognised	Recoverable Amount ¹	Goodwill impairment recognised
	£'000	£'000	£'000	£'000
UK Active Learning Group	4,168	4,829	17,334	14,220
Hong Kong Woodland	n/a	-	-	15,694
Singapore Australian International School	n/a	-	382,697	16,076
Singapore Stamford American International School	n/a	-	386,186	16,955
As at 31 August	4,168	4,829	786,217	62,945

¹ The recoverable value of the CGUs in question has been measured under a Fair Value Less Cost of Disposal (FVLCD) approach.

Active Learning Group (ALG)

In the current fiscal year, an impairment charge of £15.1m has been recorded for ALG, reflecting challenges encountered within the camp segment. £4.8 million of the charge specifically relates to the complete write-down of goodwill and a further £6m has been recognised against other intangible assets held. The remaining £4.3m of impairment has been allocated against property, plant and equipment.

ALG provides two distinct services—foreign language courses and off-site/residential camps and outdoor learning experiences. The language segment has demonstrated consistent year-on-year growth, driven by the relaxation of COVID-related border restrictions early in the financial year and a heightened demand for language courses.

However, the camp segment faced unanticipated challenges due to lingering staff shortages from the preceding year, resulting in numerous cancellations and performance falling below expectations. Consequently, the recoverable amount of the Cash Generating Unit (CGU) has been revised to incorporate associated risks, leading to the impairment charge.

Despite the above, there are positive indicators; the EBITDA performance for camps has improved year on year, and there is an encouraging trend in future bookings. The Group maintains a cautiously optimistic outlook for the overall performance of ALG, recognising the resilience of the language segment and the promising trajectory in camp bookings. Confidence is upheld in the potential for recovery and sustained growth beyond the current fiscal year.

Notes to the Financial Statements (continued)

11 Intangible assets - Group (continued)

Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to groups of cash generating units as follows:

	2023 £'000	2022 £'000
UK Schools	104,034	104,034
UK Active Learning Group	-	4,829
Spain ¹	102,272	102,339
Switzerland	21,017	20,675
Chile	72,488	75,395
Brazil	30,958	32,163
Thailand	64,027	66,753
Vietnam	158,440	176,131
Hong Kong Stamford	175	191
Hong Kong Woodland	-	-
Singapore Australian International School	208,363	223,816
Singapore Stamford American International School	212,740	219,212
CHIREC	32,865	37,198
Middle East ¹	79,893	87,012
Italy	796	796
Dunalastair schools, Chile ²	45,647	47,598
Mexico	8,379	10,192
York Preparatory School, United States	53,771	-
Redcol, Colombia	95,402	-
Repton Schools, United Arab Emirates	229,182	-
As at 31 August	1,520,449	1,208,334

¹ Goodwill arising on prior year acquisitions has been allocated to the Group's existing CGUs during the year, reflecting the full integration of these assets within the relevant country.

² The prior year acquisition of Dunalastair schools has not been integrated in the existing Chile CGU due to these assets being separately managed and targeting a different segment of the market.

The recoverable amount of each CGU has been determined on the basis of fair value less cost of disposal ("FVLCD"). In the current year, FVLCD has been calculated by discounting the forecast future cashflows associated with each of the groups of CGUs to their present value and deducting estimated costs of disposal. The future forecast cashflows are based on management's internal forecasts for a minimum period of 5 years from the balance sheet date as approved by the Board and adjusted, where appropriate, to reflect market participant's assumptions. Adjustments include extending the cashflow forecast period up to a maximum of 10 years. All valuations are considered to be Level 3 within the IFRS 13 fair value hierarchy.

Key assumptions

Revenue growth is the primary driver of EBITDA growth for each of our CGUs and arises through a combination of increases in tuition fees per pupil and growth in pupil numbers. Moreover, forecasted future costs, long term growth and discount rates are key assumptions in determining the recoverable amount of the Group's CGU's. Further details on these can be seen below which applies to all CGU's unless explicitly stated otherwise:

Key Assumption	Management Rationale
Revenue growth - Driver: Fee increases	Unless restricted by regulatory guidelines, internal forecasts incorporated within the fair value calculations assume annual fee increases over the relevant DCF period appropriate to the markets in which we operate. Fee increases for all CGUs are based on inflation, adjusted for circumstances specific to that CGU, and in line with historical growth.

Notes to the Financial Statements (continued)

11 Intangible assets - Group (continued)

Key assumptions (continued)

Key Assumption	Management Rationale
Revenue growth - Driver: Pupil numbers	Pupil numbers are determined based on past performance and additional capacity that is created as a result of expansion projects. Assumptions incorporate current market trends where relevant and specific to the market in which the CGU operates. For the Group's schools operating in the Northern Hemisphere, opening pupil numbers are known for the following academic year at the date of performing the impairment test. Annual fee increases vary by country and sometimes by school and are based on the economic and competitive environment in which the school operates.
Revenue growth - Driver: Additional capacity	Utilisation assumptions range from a small decline to moderate growth in most of our schools. Exceptions relate to schools where a significant amount of incremental capacity has recently been or is currently being developed, as detailed below: <ul style="list-style-type: none"> CHIREC - Development of an additional campus increasing capacity by 2,400 in June 2024.
Cost base	Future costs within the forecast period have been determined based on previous spends observed whilst incorporating future expected inflationary increases and the incremental costs associated with an increase in organic growth.
Long term growth rate	The long-term growth rates disclosed below have been determined based on the long-term inflation rate expected within the country the CGU operates in.
Discount rates	Based on the estimated weighted average cost of capital of a "market participant" within the geographical regions where the CGU operates, these are drawn from market data and business in similar sectors.
Sale of property	For certain CGUs, it has been assumed as part of the recoverable amount of the CGU, that the sale of property would occur with an associated rental charge applied in line with market conditions for future periods.

The cashflow forecasts utilised by management in determining FVLCD are also sensitive to the following material assumptions, discount rates and terminal growth rates. The post-tax discount rates, terminal growth rates and cashflow forecast period used in each of the FVLCD calculations are detailed in the table below:

	Discount Rate Applied (%)		Terminal Growth Rate Applied (%)		Cashflow Forecast Period (Years)	
	2023	2022	2023	2022	2023	2022
UK Schools	9.8%	8.6%	2.0%	1.9%	5	5
UK Active Learning Group	10.4%	8.6%	2.0%	1.9%	5	10
Spain	9.5%	9.8%	2.0%	1.8%	5	5
Switzerland	7.5%	7.8%	1.2%	1.1%	5	5
Chile	11.1%	12.9%	2.8%	3.0%	5	5
Brazil	13.0%	13.2%	3.5%	3.0%	10	10
Thailand	11.3%	11.0%	1.8%	1.5%	10	10
Vietnam	13.0%	14.6%	3.9%	4.0%	10	10
Singapore Australian International School	9.6%	9.9%	2.4%	2.5%	10	10
Singapore Stamford American International School	9.6%	9.9%	2.4%	2.5%	10	10
CHIREC	13.9%	14.4%	4.2%	5.0%	10	10
Middle East	11.4%	11.6%	2.0%	2.0%	5	5
Italy	9.6%	8.3%	1.8%	1.5%	5	5
Dunalastair schools, Chile	11.1%	12.9%	2.8%	3.0%	10	10
Mexico	13.7%	13.1%	3.3%	3.2%	10	10
York Preparatory School, United States	10.1%	N/A	2.1%	N/A	10	N/A
Redcol, Colombia	13.1%	N/A	3.3%	N/A	10	N/A
Repton Schools, United Arab Emirates	11.4%	N/A	2.0%	N/A	10	N/A

Notes to the Financial Statements (continued)

11 Intangible assets - Group (continued)

Sensitivity analysis

Impairment calculations are sensitive to changes in underlying forecast cashflows, in particular to changes in discount rates and EBITDA projections.

Assuming all other assumptions held are constant:

- A 1 percentage point increase in discount rates would give rise to an additional impairment charge of £73.7m.
- An absolute 10% shortfall in FY24 EBITDA lower than forecast, which is not clawed back during the DCF period would give rise to an additional impairment charge of £39.7m.

This would impact the relevant CGUs as follows:

	1 Percentage Point Higher Discount Rate	10% shortfall in FY24 EBITDA
	Impairment £'000	Impairment £'000
UK Active Learning Group	699	1,046
Vietnam	4,991	-
Singapore Stamford American International School	28,954	9,750
Italy	972	1,754
York Preparatory School, United States	3,930	405
Redcol, Colombia	2,967	431
Repton Schools, United Arab Emirates	24,592	19,742
	67,105	33,128

Additional Sensitivities

Certain CGUs are sensitive to other specific assumptions. These assumptions and the impact of change in these are shown below:

CGU	Key Assumption	Sensitivity	Impairment £'000
Thailand	Utilisation is expected to increase by 16% across the DCF period.	Expected utilisation increases within the plan period have been halved.	19,599
Redcol, Colombia	CAGR pupil growth of 2.4% is expected across the plan period.	No pupil growth has been assumed to occur within the DCF period.	14,352
Repton Schools, UAE	Sale of the property would occur in FY24 with an associated rental charge in line with market conditions.	An additional rental yield charge of 2% has been applied.	3,930
Redcol, Colombia		An additional rental yield charge of 5% has been applied.	6,306
		Total	44,187

Impairment – Additional considerations

UK Schools

In evaluating potential future impacts on the UK Schools CGU, we have considered various factors, including the possibility of changes in VAT regulations. Our analysis, based on plausible scenarios and drawing on management experience, market environment, and customer dynamics, currently indicates that the CGU is not expected to be impaired.

Impairment - Other assets

In addition to the annual impairment testing of goodwill, management considers annually (or more often where circumstances require) whether indicators of impairment exist in relation to other assets, including our school CGU's. Where an indicator of impairment exists, the assets or school have been tested for impairment. Similarly, where performance of previously impaired assets (including schools) has exceeded expectations, these assets have been tested to assess the need to reverse previously recognised impairment charges.

No impairment losses or reversals have been recognised in the current year.

Notes to the Financial Statements *(continued)*

12 Deferred tax assets and liabilities - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2023 £'000	Assets 2022 £'000	Liabilities 2023 £'000	Liabilities 2022 £'000
Property, plant and equipment	8,872	3,748	(51,677)	(64,948)
Intangible assets	1,316	1,200	(65,044)	(56,135)
Provisions	4,731	3,462	(11,355)	-
Tax losses	10,530	13,437	-	-
Other	10,759	8,787	(206)	(915)
Tax assets/(liabilities)	36,208	30,634	(128,282)	(121,998)
Net of tax (liabilities)/assets	(23,020)	(16,735)	23,020	16,735
Net tax assets/(liabilities)	13,188	13,899	(105,262)	(105,263)

Movement in deferred tax during the year:

	2023 £'000	2022 £'000
At beginning of year	(91,364)	(49,873)
Recognised on acquisition	(2,774)	(39,685)
Credit to the income statement in respect of current year	9,264	3,283
Foreign exchange movement	(7,200)	(5,089)
At end of year	(92,074)	(91,364)

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which assets can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. The Group is subject to income taxes in numerous jurisdictions and judgement is required in determining the level of losses to recognise as deferred tax assets for the Group. Management approved forecasts are used to estimate future taxable profits over a reasonable timescale to determine the level of asset that is appropriate to recognise.

The Group has determined that it cannot recognise deferred tax assets on £279.4m (2022: £171.3m). If the Group was able to recognise all unrecognised deferred tax assets equity would have increased by £67.5m (2022: £40.3m) net based on the statutory tax rate of each respective country. This would lead to a total deferred tax asset of £80.7m (2022: £54.2m)

The Company has no unrecognised deferred tax assets.

Notes to the Financial Statements (continued)

13 Inventories

	Group 2023 £'000	Group 2022 £'000
Goods for resale	1,849	1,013
	1,849	1,013

14 Trade and other receivables

	<i>Note</i>	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Non-current					
Other receivables		35,912	29,723	-	1,133
		35,912	29,723	-	1,133
Current					
Trade receivables		92,946	74,942	-	-
Other receivables		20,407	16,209	-	694
Prepayments and accrued income		23,842	14,009	-	-
Amount due from parent company		14,120	11,715	14,120	11,715
Amounts owed by subsidiary undertakings	22	-	-	1,619,656	1,356,047
Amounts receivable in respect of finance leases		2,073	3,090	-	-
		153,388	119,965	1,633,776	1,368,456

Amounts owed by subsidiary undertakings represents loans extended to other Group subsidiaries by the Company, all of which carry a fixed rate of interest of 8.25%.

Amounts due from parent company represents a loan which carries a fixed rate of interest of 8.25%.

15 Cash and cash equivalents

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Cash and cash equivalents	179,490	291,506	14	19

Notes to the Financial Statements *(continued)*

16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 22.

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Non-current liabilities				
Bank loans	1,145,280	1,028,374	978,510	981,682
Lease liabilities	628,840	543,406	-	-
	<u>1,774,120</u>	<u>1,571,780</u>	<u>978,510</u>	<u>981,682</u>
Current liabilities				
Bank loans	115,308	25,812	96,558	13,021
Lease liabilities	13,735	13,542	-	-
	<u>129,043</u>	<u>39,354</u>	<u>96,558</u>	<u>13,021</u>
Total interest-bearing loans and borrowings	<u>1,903,163</u>	<u>1,611,134</u>	<u>1,075,068</u>	<u>994,703</u>

As at 31 August 2023, the Group had a Term Loan B Facility totalling £884.3m (2022: £778.9m) and a £111.6m (2022: £219.1m) Second Lien Facility. The Group also had a £214.5m (2022: £120.0m) Revolving Credit Facility which was drawdown £85.6m at 31 August 2023 (2022: undrawn).

Included in non-current liabilities within Secured Bank Loans is £25.3m (2022: £16.2m) of debt issue costs.

Included in current liabilities within Secured Bank Loans is accrued interest of £19.9m (2022: £13.0m).

Notes to the Financial Statements (continued)

16 Other interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

Group

Type	Currency	Interest rate	Year of maturity	Carrying Amount		Loan Principle Value	
				2023 £'000	2022 £'000	2023 £'000	2022 £'000
Bank Loans	CLP	2.5% to 5.5%	Mar 22 to Jul 33	37,949	40,960	37,895	40,975
Bank Loans	EUR	Fixed 1.4% to 1.5%	Apr 22 to Apr 28	5,636	9,747	5,636	9,747
Bank Loans	EUR	EURIBOR + 1.5 to 1.9%	Apr 24 to Nov 25	7,656	7,657	7,657	7,657
Term Loan B	GBP	SONIA + 5%	Oct 25	-	199,921	-	200,000
Term Loan B	EUR	EURIBOR + 4.25%	Oct 25	5,826	422,483	-	424,215
Second Lien	EUR	EURIBOR + 7.5%	Jan 27 ¹	114,763	219,817	111,605	219,068
Government Loan	EUR	0%	Sep 26	157	223	157	223
Government Loan	CHF	0%	Mar 25	362	477	362	477
Term Loan B1	EUR	EURIBOR + 4.25%	Oct 25	-	152,482	-	154,636
Corporate Loan	GBP	6.47%	Nov 24	241	419	241	400
Bank loans	AED	EIBOR + 4.0%	Sep 32	52,822	-	53,517	-
Bank Loans	AED	EIBOR + 3.75%	May 27 to May 29	39,216	-	38,379	-
Bank loans	MXN	TIIE + 3.25%	Jul 30	14,113	-	14,113	-
Bank loans	COP	CIBR + 5%	Jun 29	27,368	-	26,618	-
Term loan B2 & B3	EUR	EURIBOR + 4.75%	Apr 29	875,316	-	884,255	-
RCF - GBP Facility	GBP	SONIA + 4.25%	Oct 28	41,220	-	47,613	-
RCF - USD Facility	USD	SOFR + 4.25%	Oct 28	37,943	-	37,943	-
				<u>1,260,588</u>	<u>1,054,186</u>	<u>1,265,991</u>	<u>1,057,398</u>

Company

Type	Currency	Interest rate	Year of maturity	Carrying Amount		Loan Principle Value	
				2023 £'000	2022 £'000	2023 £'000	2022 £'000
Term loan B	GBP	SONIA + 5%	Oct 25	-	199,921	-	200,000
Term Loan B	EUR	EURIBOR +4.25%	Oct 25	5,826	422,483	-	423,639
Second Lien	EUR	EURIBOR + 7.5%	Jan 27 ¹	114,763	219,817	111,605	218,771
Term Loan B1	EUR	EURIBOR +4.25%	Oct 25	-	152,482	-	-
Term loan B2 & B3	EUR	EURIBOR+ 4.75%	Apr 29	875,316	-	884,255	-
RCF - GBP Facility	GBP	SONIA + 4.25%	Oct 28	41,220	-	47,613	-
RCF - USD Facility	USD	SOFR + 4.25%	Oct 28	37,943	-	37,943	-
				<u>1,075,068</u>	<u>994,703</u>	<u>1,081,416</u>	<u>842,410</u>

¹ On 22 September 2023, the Group successfully increased First Lien debt by a further €130 million in order to repay the remaining Second Lien debt of equivalent amount. Consequently, as of the date of approving these financial statements the Group's external bank borrowings consist of a First Lien facility, RCF and bank debt held locally in certain subsidiaries.

Notes to the Financial Statements *(continued)*

16 Other interest-bearing loans and borrowings *(continued)*

Finance lease liabilities

Total lease payments made during the year were £47.0m (2022: £33.6m) and interest charges with respect to IFRS 16 totalled £34.2m for the year (2022: £19.5m).

The maturity analysis of lease liabilities are shown below:

Group	Present value of minimum lease payments 2023 £'000	Interest 2023 £'000	Future minimum lease payments 2023 £'000	Present value of minimum lease payments 2022 £'000	Interest 2022 £'000	Future minimum lease payments 2022 £'000
Less than one year	13,735	34,637	48,372	13,542	28,779	42,321
Between one and five years	43,737	153,501	197,238	45,303	111,075	156,378
More than five years	585,103	984,031	1,569,134	498,103	679,364	1,177,467
	642,575	1,172,169	1,814,744	556,948	819,218	1,376,166

Amounts recognised in consolidated statement of comprehensive income

	Year ended 31 August 2023 £'000	Year ended 31 August 2022 £'000
Interest expense on lease liabilities	34,224	19,496
Expenses relating to short term leases	745	652
Expenses relating to variable lease payments not included in the measurement of lease liabilities	140	123
Gains from sale and leaseback transactions	-	(8,930)
	35,109	11,341

Notes to the Financial Statements (continued)

16 Other interest-bearing loans and borrowings (continued)

Changes in liabilities from financing activities for the year ended 31 August 2023

	Loans and borrowings £'000	Finance lease liabilities £'000	Derivative financial instruments £'000	Total £'000
Balance at 1 September 2022	1,054,186	556,948	(12,394)	1,598,740
Changes from financing cash flows				
Proceeds from loans and borrowings	161,102	-	-	161,102
Crystallised derivative gain	-	-	20,744	20,744
Repayment of borrowings	(18,984)	-	-	(18,984)
Repayment of capital element of lease liabilities	-	(46,992)	-	(46,992)
Transactions costs related to loans and borrowings	(31,546)	-	-	(31,546)
Interest paid	(87,046)	-	-	(87,046)
Total changes from financing cash flows	23,526	(46,992)	20,744	(2,722)
Effects of foreign exchange rates	(10,961)	(23,195)	-	(34,156)
Other changes				
Interest expense	101,446	34,224	-	135,670
Loss on extinguishment	17,904	-	-	17,904
Unrealised gain on derivatives	-	-	(2,032)	(2,032)
Modifications of existing leases	-	24,643	-	24,643
New leases entered into in the year	-	6,114	-	6,114
Disposals during the year	-	(10,217)	-	(10,217)
Financial liabilities acquired through acquisitions	74,487	101,050	-	175,537
	193,837	155,814	(2,032)	347,619
Balance at 31 August 2023	1,260,588	642,575	6,318	1,909,481

	Loans and borrowings £'000	Finance lease liabilities £'000	Derivative financial instruments £'000	Total £'000
Balance at 1 September 2021	898,075	405,611	1,789	1,305,475
Changes from financing cash flows				
Proceeds from loans and borrowings	244,305	-	-	244,305
Crystallised derivative gains	-	-	(2,114)	(2,114)
Repayment of borrowings	(94,881)	-	-	(94,881)
Repayment of capital element of lease liabilities	-	(33,552)	-	(33,552)
Transactions costs related to loans and borrowings	(5,144)	-	-	(5,144)
Interest paid	(50,197)	-	-	(50,197)
Total changes from financing cash flows	94,083	(33,552)	(2,114)	58,417
Effects of foreign exchange rates	314	15,987	-	16,301
Other changes				
Interest expense	61,714	19,496	-	81,210
Unrealised gain on derivatives	-	-	(12,069)	(12,069)
Modifications of existing leases	-	7,448	-	7,448
New leases entered into in the year	-	104,018	-	104,018
Financial liabilities acquired through acquisitions	-	37,940	-	37,940
	62,028	184,889	(12,069)	234,848
Balance at 31 August 2022	1,054,186	556,948	(12,394)	1,598,740

Notes to the Financial Statements (continued)

17 Trade and other payables

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Non-current				
Other payables	14	1,307	-	-
Deferred consideration	90,025	74,759	-	-
Contingent consideration and Equity purchase agreements	64,667	1,813	-	-
Accruals	161	21	-	-
Deposits	69	69	-	-
	154,936	77,969	-	-
Current				
Trade payables	19,397	16,806	-	-
Other taxes and social security	6,150	5,370	-	-
Other payables	19,230	11,593	-	-
Deferred consideration	22,354	23,197	-	-
Contingent consideration and Equity purchase agreements	39,068	3,497	-	-
Accruals	63,608	66,489	718	175
Deposits	19,139	16,476	-	-
	188,946	143,428	718	175

18 Other financial (liabilities) / assets

Group and Company	2023 £000	2022 £000
Non-current		
Financial (liabilities) / assets designated as fair value through profit or loss	-	-
Current		
Financial (liabilities) / assets designated as fair value through profit or loss	(6,318)	12,394
	(6,318)	12,394

Prior year coupon-only foreign currency interest rate swaps on the Senior Facility crystallised in July 2023 resulting in a realised gain of £20.7m within comprehensive income.

Other financial liabilities for the year ended 31 August 2023 relate to coupon-only foreign currency interest rate swaps which were entered into in July 2023 with counterparty banks which are lenders in the Senior Facility Agreement as part of the re-financing process. The coupon-only foreign currency interest rate swaps mitigate the Group's exposure to future fluctuations in interest rates and the Singapore Dollar/EUR and USD/Euro exchange rates, respectively, in relation to debt service costs.

Notes to the Financial Statements *(continued)*

19 Employee benefits - Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans. The assets of these schemes are held separately from those of the Group in funds under the control of the various investment companies.

The total expense relating to these plans in the current year was £20.6m (Year ended 2022: £16.2m), see note 5.

Multi-employer defined benefit plan

Teachers' Pension Scheme

The Group participates in the TPS for some of its teaching staff. The defined contribution pension charge for the period includes contributions payable to the TPS of £9.3m (2022: £8.5m) and at the period end £0.8m (2022:£0.7m) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pension Scheme Regulations 2014. Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate was set following scheme valuations undertaken by the Government Actuary Department. The latest actuarial valuation of the TPS was prepared at 31 March 2016 and the valuation report, which was published in March 2019, confirmed an employer contribution rate for the TPS of 23.68% from 1 September 2019. This includes the administration levy of 0.08%.

Notes to the Financial Statements *(continued)*

20 Provisions

Group

	Property £'000	End-of-Service £'000	Other £'000	Total £'000
Balance at 1 September 2022	2,834	1,467	9,013	13,314
Amount arising from acquisitions	-	4,686	-	4,686
Provisions made during the year	8	3,829	271	4,108
Provisions used during the year	(8)	(1,048)	(3,085)	(4,141)
Provisions reversed during the year	(557)	(80)	(1,357)	(1,994)
Foreign exchange movement	(187)	(376)	(43)	(606)
Balance at 31 August 2023	2,090	8,478	4,799	15,367
Non-current	1,623	8,478	243	10,344
Current	467	-	4,556	5,023
	2,090	8,478	4,799	15,367

Group

	Property £'000	Severance Allowance £'000	Other £'000	Total £'000
Balance at 1 September 2021	791	1,387	12,157	14,335
Provisions made during the period	2,164	999	1,934	5,097
Provisions used during the period	(10)	(579)	(3,551)	(4,140)
Provisions reversed during the period	(214)	(539)	(1,585)	(2,338)
Foreign exchange movement	103	199	58	360
Balance at 31 August 2022	2,834	1,467	9,013	13,314
Non-current	2,177	1,467	1,065	4,709
Current	657	-	7,948	8,605
	2,834	1,467	9,013	13,314

Property

The property provision represents the anticipated costs of returning certain leased properties to their original state as required by the terms of the lease. The level of provision is based upon an annual review of the current condition of the building. The review is based upon internal and external examinations of the property.

End-of-service

End of service benefits represent amounts due to employees either on retirement or cessation of employment with Cognita, as prescribed by regulation in the country of employment. The amount provided for is determined with reference to local employment law. Prior year amounts included under severance allowance have been included under this classification to achieve a clearer presentation of the items.

Other

Other includes a provision for indemnification assets with respect to prior period acquisitions are also included in other provisions.

Notes to the Financial Statements *(continued)*

21 Capital and reserves

Share capital

Authorised called up and fully paid

Class of share	Number 2023	Number 2022	Nominal value per share	Total share nominal value 2023 £'000	Total share nominal value 2022 £	Share consideration 2023 £'000	Share consideration 2022 £'000
Ordinary	1,756,749,807	1,591,749,807	£0.0001	176	159	1,771,539	1,606,539
				<u>176</u>	<u>159</u>	<u>1,771,539</u>	<u>1,606,539</u>

During the year 165,000,000 shares were issued for total consideration of £165m (2022: 28,000,000 shares were issued for total consideration of £28m).

Rights of shares

Ordinary shares have attached to them full voting, dividend and capital distribution rights; they do not confer any rights of redemption.

Reserves

Equity reserve

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of when the shares will vest and adjusted for the effect of non market-based vesting conditions. The corresponding impact is a credit to the Equity Reserve.

IAS 32 requires a contract with an obligation to purchase its own equity instruments to be recognised at the present value of the redemption amount, the corresponding impact of recognising these instruments is a credit to the Equity reserve or Non-controlling interests depending on the nature of the equity instrument.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Notes to the Financial Statements (continued)

22 Financial instruments

The Group uses various financial instruments. These include loans, cash, equity investments and various items, such as trade receivables and trade payables that arise directly from its operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to interest rate risk, the Group enters into a number of derivative transactions including, but not limited to, forward currency contracts. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign exchange risk, and interest rate risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Categories of financial instruments

	Note	Group carrying amount 2023 £'000	Group carrying amount 2022 £'000	Company carrying amount 2023 £'000	Company Carrying amount 2022 £'000
Financial assets measured at amortised cost					
Trade and other receivables	14	165,458	135,679	1,633,776	1,369,589
Cash and cash equivalents	15	179,490	291,506	14	19
Financial assets measured at fair value					
Forward currency contracts and interest rate swaps	18	-	12,394	-	12,394
Total financial assets		344,948	439,579	1,633,790	1,382,002
	Note	Group carrying amount 2023 £'000	Group carrying amount 2022 £'000	Company carrying amount 2023 £'000	Company Carrying amount 2022 £'000
Financial liabilities measured at amortised cost					
Interest-bearing loans and borrowings	16	1,903,163	1,611,134	1,075,068	994,703
Trade and other payables	17	273,963	149,517	-	-
Financial liabilities measured at fair value					
Forward currency contracts and interest rate swaps	18	6,318	-	6,318	-
Total financial liabilities		2,183,444	1,760,651	1,081,386	994,703
Total net financial liabilities / (assets)		1,838,496	1,321,072	(552,404)	(387,299)

a) Fair values of financial instruments

The Company's financial instruments measured at amortised cost consist of cash and cash equivalents, trade and other receivables, interest-bearing loans and borrowings, trade and other payables and provisions. The carrying amounts of these financial instruments approximate their fair values which are measured using Level 3 inputs.

The Company financial instruments measured at fair value are forward currency contracts and interest rate swaps which are measured based on Level 1 inputs (2022: Level 1).

Notes to the Financial Statements *(continued)*

22 Financial instruments *(continued)*

b) Credit risk

Financial risk management

Group

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's principal financial assets are bank balances and trade receivables and the maximum exposure to credit risk at the balance sheet date is represented by the carrying value of these assets.

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

- Trade receivables and accrued income
- Other financial assets
- Other receivables; and
- Cash and cash equivalents.

The credit risk associated with bank balances is limited as the counter-parties have high credit ratings assigned by international credit-rating agencies. For other receivables and accrued income the Group has experienced no significant historic losses and there are no indicators of significant increases in credit risk since inception. As a result, any expected credit loss associated with cash and cash equivalents and other receivables is considered to be minimal.

The principal credit risk in the Group therefore arises from trade receivables, which represent outstanding fees receivable. In order to limit the risk surrounding outstanding fees, student fees are reviewed on a regular basis in conjunction with debt ageing and collection history.

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

The expected loss rates are based on historic payment profiles and the corresponding credit losses experienced. These loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On the above basis, the loss allowance as at 31 August 2023 has been determined as follows for trade receivables:

Group	Year ended 31 August 2023				Year ended 31 August 2022			
	Expected Loss Rate 2023 %	Gross 2023 £'000	Provision for Expected Credit Losses 2023 £'000	Total 2023 £'000	Expected Loss Rate 2022 %	Gross 2022 £'000	Provision for Expected Credit Losses 2022 £'000	Total 2022 £'000
Not past due	0.5%	78,015	(382)	77,633	0.7%	53,371	(362)	53,009
Past due 0-30 days	4.7%	6,913	(327)	6,586	5.2%	14,960	(781)	14,179
Past due 31-120 days	28.6%	9,623	(2,751)	6,872	31.4%	9,476	(2,971)	6,505
Past due by more than 120 days	90.3%	19,082	(17,227)	1,855	91.9%	15,384	(14,135)	1,249
		<u>113,633</u>	<u>(20,687)</u>	<u>92,946</u>		<u>93,191</u>	<u>(18,249)</u>	<u>74,942</u>

Notes to the Financial Statements *(continued)*

22 Financial instruments *(continued)*

b) Credit risk *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023 £'000	2022 £'000
Balance at 1 September	(18,249)	(15,477)
Provisions made during the year	(4,496)	(4,101)
Provisions used during the year	647	319
Provisions reversed during the year	1,583	2,557
Amounts arising from acquisition/disposal	(662)	(1,054)
Amounts written off	10	215
Foreign exchange movement	480	(708)
Balance at 31 August	<u>(20,687)</u>	<u>(18,249)</u>

The net £2.3m impairment charge on financial assets (2022: £1.0m) recognised in the income statement during the year excludes the effects of foreign exchange movements and acquired provisions.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Company

The Company has a number of receivable intercompany balances that are repayable on demand. Substantially all of these amounts owed by subsidiary undertakings are expected to be settled in over 12 months. Management have assessed these balances and concluded that any expected credit losses would be immaterial should repayment be demanded.

c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably.

The cash position at the balance sheet date remains strong at £179.5m. Cash collection trends have remained encouraging and we continue to monitor this closely over the coming months to identify any deviation.

Notes to the Financial Statements *(continued)*

22 Financial instruments *(continued)*

c) Liquidity risk *(continued)*

As at 31 August 2023, the Group had a Term Loan B Facility totalling £884.3m (2022: £778.9m) and a £111.6m (2022: £219.1m) Second Lien Facility. The Group also had a £214.5m (2022: £120m) Revolving Credit Facility which was drawn by £85.6m at 31 August 2023 (2022: undrawn).

During the year ended 31 August 2023, the Groups liquidity benefitted from the receipt of equity funding of £165m.

The maturity of borrowings at the balance sheet date is set out in note 16 to the financial statements. In total, as at 31 August 2023, the Lernen Bidco Limited Group had drawn borrowings of £1,260.6m (2022: £1,054.2m) of which £1,145.3m (2022: £1,028.4m) would be repayable after 31 August 2024. The Group has a strong working capital position as student contracts require cash payment in advance of tuition services on an annual, termly or monthly basis. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

Liquidity risk - Group

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

2023					
Phasing of contractual cash flows					
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	2 to 5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
Secured bank loans	1,260,588	2,064,987	209,241	667,808	1,187,938
Lease liabilities	642,575	1,814,744	48,372	197,238	1,569,134
Trade and other payables	273,963	303,329	119,564	183,765	-
	<u>2,177,126</u>	<u>4,183,060</u>	<u>377,177</u>	<u>1,048,811</u>	<u>2,757,072</u>
2022					
Phasing of contractual cash flows					
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	2 to 5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
Secured bank loans	1,054,186	1,250,183	81,490	1,155,808	12,885
Lease liabilities	556,948	1,376,166	42,321	156,378	1,177,467
Trade and other payables	149,517	163,112	71,569	91,543	-
	<u>1,760,651</u>	<u>2,789,461</u>	<u>195,380</u>	<u>1,403,729</u>	<u>1,190,352</u>

Notes to the Financial Statements (continued)

22 Financial instruments (continued)

d) Market risk

Market risk as applicable to the Group is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Group's income or the value of its holdings of financial instruments. These two elements of Market risk are covered separately below.

Market risk - Foreign exchange risk

The Group's results are reported in pounds sterling. Where possible, the Group seeks to manage the effect of any exposure that may arise from the translation of the foreign currency assets by borrowing funds denominated in the local currency of the entity it acquires, or will use hedging instruments to mitigate the exchange risk.

Although the Group carries out operations through a number of foreign subsidiaries, Group exposure to currency risk at a transactional level is prevalent given intercompany loan balances held with foreign subsidiaries in their respective local currencies. The day to day transactions of overseas subsidiaries are usually carried out in their local currency.

Market risk - Foreign exchange risk - Company

The Company had limited exposure to foreign currency risk at 31 August 2023 as it holds third party borrowings designated in Euro but has extended loans also designated in Euro to other Group entities worth EUR 1,094.4m (2022: EUR 928.8m).

Sensitivity analysis - Group

If sterling had been 10% stronger / weaker at 31 August 2023, Group equity would have increased / decreased by £126.1m (2022: £85.4m) as a result of third party borrowings designated in Euro. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Market risk – Interest rate risk

The Group finances its operations through third party borrowings and in the form of the Senior Facility Agreement and Second Lien Facility.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2023 is shown in the table below. The table includes trade debtors and creditors which do not attract interest but are subject to fair value interest rate risk.

	Interest rate - 2023				Interest rate - 2022			
	Fixed £'000	Floating £'000	Zero £'000	Total £'000	Fixed £'000	Floating £'000	Zero £'000	Total £'000
Financial assets:								
Cash		179,490	-	179,490		291,506	-	291,506
Trade and other receivables	-		165,458	165,458	-		135,679	135,679
Financial liabilities:								
Bank loans	-	-	-	-	-	-	-	-
Trade and other payables	-	-	(273,963)	(273,963)	-	-	(149,517)	(149,517)
Revolving Credit Facility	-	(79,163)	-	(79,163)	-	-	-	-
Secured bank loans	(43,825)	(1,137,082)	(518)	(1,181,425)	(51,126)	(1,002,360)	(700)	(1,054,186)
Finance leases	-	-	(642,575)	(642,575)	-	-	(556,948)	(556,948)

All financial assets and liabilities identified as fixed rate instruments in the above table are accruing interest at rates that are fixed for the life of the instrument.

Sensitivity analysis

At 31 August 2023, the Group had exposure to interest rate sensitivity in respect of variable rate loans. In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have decreased / increased the result for the year by £12.1m (2022: £10.0m).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates.

Notes to the Financial Statements *(continued)*

22 Financial instruments *(continued)*

e) Capital management

Group and Company

The Group manages its capital to safeguard its ability to operate as a going concern and to optimise returns to shareholders. Overdraft and revolving credit facilities will be used to finance the working capital cycle if required.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 16 after deducting cash and cash equivalents, and equity attributable to the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The debt and equity balance in some parts of the Group are subject to externally imposed capital requirements such as those imposed by third party loan providers. The local tax treatment is also taken into consideration when determining the most appropriate capital structure for investments in subsidiaries.

23 Leases

Group

During the year £0.7m was recognised as an expense in the income statement in respect of variable lease payments not included in the lease liability (2022: £0.4m).

24 Capital Commitments

Group

As at 31 August 2023, the Group had total capital commitments of £28,057,000 (2022 - £33,249,000).

At the end of the period, there were ongoing building projects within the UK to increase class capacity and the expansion of a new arts centre, the contractual commitment of these works totalled £2,984,000 (2022: £3,516,000).

Within the year, the Group settled its requirement to purchase the freehold property of a school within Chile due to performance criteria being met (2022: £7,789,000).

As at 31 August 2023, the Group had capital commitments pertaining to the following:

- £2,640,000 (2022: £2,940,000) for the construction of a school in Vietnam (Hanoi) as well as the expansion of an existing campus (Hanoi)
- £11,866,000 (2022: £10,721,000) for the expansion of a campus within India
- £2,896,000 for construction across Barcelona (BSB and BSV) (2022: £8,283,000 for the construction of a new campus in Barcelona (BSB City, Spain)
- £4,985,000 for secondary relocation and site upgrades within IZSN (Switzerland)
- £2,686,000 pertaining to earthquake resistance improvements in Redcol (Colombia).

Notes to the Financial Statements *(continued)*

25 Contingencies

Group Guarantees

During the year ended 31 August 2023, the Group held a Senior Facilities Agreement and a Second Lien Facility. Lernen Bidco Limited and certain subsidiary undertakings are guarantors of the Senior Facility Agreement. Under this arrangement, the facilities are secured on the group assets.

The total gross exposure in relation to the Senior Facility and Second Lien Facility was £1,013.3m (2022: £1,010.9m) including accrued interest, at the balance sheet date.

Reinstatement of leased land

The Group is disclosing a contingent liability in relation to reinstatement costs of leasehold land on which it has constructed school buildings. The terms in the lease contract provide the landlord with an option of reinstating the leased land to its original pre-construction condition.

It has been estimated that the maximum liability at 31 August 2023 should a reinstatement be required would be £6.8m (2022: £7.2m). This estimated contingent liability represents the cost of demolition of the entire area of construction including substructure, extraction of piles, back filling to original levels and re-turfing.

Management have reviewed the contract from a legal perspective and considered other relevant factors in determining the likely outcome on lease expiry. As a consequence of this review, it has been concluded that whilst a requirement for reinstatement is possible upon expiry of the lease, it is not probable and therefore no provision should be recognised in this respect.

Tax claims

The Group has received claims from the Indirect tax authorities in India in relation to the applicability of service tax on school and other fees collected within our India branch. The net exposure arising from this assessment is deemed to be £1.0m. The Group has appealed these assessments on the basis of guidance from our advisors and as such no provision has been made.

Notes to the Financial Statements *(continued)*

26 Related parties

Group

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.

Company

A summary of related party movements for the Company can be seen below:

	Year ended 31 August 2023		Year ended 31 August 2022	
	Lernen Midco 2 Ltd £'000	Lernen Bondco Plc £'000	Lernen Midco 2 Ltd £'000	Lernen Bondco Plc £'000
Beginning of period	11,715	-	-	-
Loan issued during the year	1,391	-	11,417	-
Interest charged	1,014	-	298	-
Settlement during the year	-	-	-	-
Effects of change in foreign exchange rate	-	-	-	-
End of period	14,120	-	11,715	-

For details on transactions with other key management personnel refer to Note 6.

27 Ultimate parent company and parent company of larger group

The immediate parent company is Lernen Bondco plc, a company registered in England and Wales.

The ultimate parent company and the company which prepares the highest level of consolidation within which this group is included is Lernen Topco Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party at the date of balance sheet was Jacobs Holding AG, 17 Seefeldquai, Zurich, Switzerland, 8008, a company incorporated in Switzerland.

28 Events after the Balance Sheet date

Upsize of first lien facility and repayment of second lien debt

On 22 September 2023, the Group successfully increased First Lien debt by a further €130 million in order to repay the remaining Second Lien debt of equivalent amount. Consequentially, as of the date of approving these financial statements the Group's external bank borrowings consist of a First Lien facility, RCF and bank debt held locally in certain subsidiaries.

Equity Injection

On 16 October 2023, Lernen Bidco Limited issued shares to its parent company, Lernen Bondco PLC, resulting in an equity increase of £35.7m.

Acquisition of Four-Forest Group, Switzerland

On 1 December 2023, the Group acquired Four-Forest Group in Switzerland for £15.6m. Four-Forest Group offer the local Swiss curriculum with elements of the British National Curriculum, educating over 300 students in German and English aged 3 to 16. Four-Forest Group shares Cognita's dedication to holistic education, nurturing an environment that promotes academic excellence and supports students' wellbeing and creativity.

Other Acquisition

The group has entered into a confidential and binding agreement to purchase a school in Kuwait, subject to clearance from the relevant authorities which is expected to be obtained by late December. At closing, Cognita will acquire the operating assets of the school for approximately £103m with over 3,600 pupils

Notes to the Financial Statements (continued)

29 Investments in subsidiaries

	Shares in subsidiary undertakings £'000	Total £'000
Cost at 1 September 2022 and 31 August 2023	1,321,087	1,321,087
Provision for impairment at 1 September 2022 and 31 August 2023	(453,800)	(453,800)
Net Book Value at 31 August 2022 and 31 August 2023	867,287	867,287

The recoverable value of the Company's investment in Cognita Topco Ltd of £867.3m (2022: £867.3m) has been determined with reference to the expected future cashflow generation of the investee.

A full list of the Company's subsidiary undertakings, all of which are consolidated in these financial statements, are set out below:

Subsidiary undertaking	Class of share capital held	% held 2023	% held 2022	Registered Office (Appendix)	Country of incorporation	Nature of business
Cognita Topco Limited *#	Ordinary	100%	100%	1	Jersey	Holding Company
Lernen Bondco 2 Plc*#	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Midco Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Bondco Parent Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Financing Plc #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Limited #	Ordinary	100%	100%	2	England & Wales	Management/Holding Company
Cognita Schools Limited	Ordinary	100%	100%	2	England & Wales	Education
Cognita International Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK USA Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Super Camps Limited #	Ordinary	100%	100%	2	England & Wales	Education
ALG Cognita Limited #	Ordinary	100%	100%	2	England & Wales	Education
ALG Active Learning Centres Limited #	Ordinary	100%	100%	2	England & Wales	Education
St Nicholas Preparatory School Limited #	Ordinary	100%	100%	2	England & Wales	Education
Cognita Funding 1 Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Mexico Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Brazil Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Ardmore Education Limited #	Ordinary	100%	100%	2	England & Wales	Education
Ardmore Educational Travel Limited #	Ordinary	100%	100%	2	England & Wales	Education
Ardmore Language Schools Limited #	Ordinary	100%	100%	2	England & Wales	Education
Ardmore Language Schools Inc	Ordinary	100%	100%	3	USA	Education
Swiss International School Zurich North GmbH	Ordinary	100%	100%	4	Switzerland	Education
Obersee Bilingual School GmbH	Ordinary	51%	51%	5	Switzerland	Education
The British School of Barcelona S.A.	Ordinary	100%	100%	6	Spain	Education
ELIS Cognita S.L.	Ordinary	100%	100%	6	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	100%	6	Spain	Holding Company
Cognita BSB Property S.L.	Ordinary	100%	100%	6	Spain	Property/ Holding Company
Cognita Hastings Property S.L.	Ordinary	100%	100%	6	Spain	Property
Cognita Hastings Holdings S.L.	Ordinary	100%	100%	6	Spain	Education
British School Children's Garden S.L.	Ordinary	100%	100%	6	Spain	Education
Colegio de Madrid S.L.	Ordinary	100%	90%	6	Spain	Education

Notes to the Financial Statements (continued)

29 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held 2023	% held 2022	Registered Office (Appendix)	Country of incorporation	Nature of business
Cognita Singapore Holdings Pte Limited	Ordinary	100%	100%	10	Singapore	Holding Company
Cognita Asia Holdings Pte Limited	Ordinary	100%	100%	10	Singapore	Management/Holding Company
St Andrews Dusit Thailand Pte Limited	Ordinary	100%	100%	10	Singapore	Management/Holding Company
Camp Asia Cognita Pte Limited	Ordinary	100%	100%	10	Singapore	Education
Australian International School Pte Limited	Ordinary	100%	100%	11	Singapore	Education
Brighton College (Singapore) Pte Limited	Ordinary	100%	100%	11	Singapore	Education
Stamford American International School Pte Limited	Ordinary	100%	100%	12	Singapore	Education
St Andrews Dusit Campus Company Limited	Ordinary	70%	70%	13	Thailand	Education
British Education Management Systems Company Limited	Ordinary	100%	100%	14	Thailand	Education
Silom Education Company Limited	Ordinary	100%	100%	15	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	100%	16	Thailand	Education
Cognita Brasil Participacoes Ltda	Ordinary	100%	100%	17	Brazil	Management/Holding Company
Cognita Brasil Escolas Participacoes 4 Ltda	Ordinary	100%	100%	17	Brazil	Holding Company
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	100%	18	Brazil	Education
Centro Educacional Pingo De Gente Ltda	Ordinary	100%	100%	19	Brazil	Education
Escola Cidade Jardim - Playpen Ltda	Ordinary	100%	100%	20	Brazil	Education
Sociedade de Educacional Maxi Ltda	Ordinary	100%	100%	21	Brazil	Education
Cognita Brasil Escolas Participacoes 5 Ltda	Ordinary	100%	100%	22	Brazil	Holding Company
Escola Villare de Educacao Infantil Ltda	Ordinary	100%	100%	23	Brazil	Education
Escola Villare Ltda	Ordinary	100%	100%	24	Brazil	Education
Villare Comercio De Materials Didaticos Ltda	Ordinary	100%	100%	25	Brazil	Services Company
Cognita Chile SPA	Ordinary	100%	100%	26	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	100%	26	Chile	Holding Company
Desarrollos Educacionales, SA	Ordinary	100%	100%	27	Chile	Management/Holding Company
Soc. Educacional Huechuraba, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Penatolen, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Temuco, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Puerto Montt, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Valle Lo Campino, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Ciudad Del Este, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Lo Aguirre, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Chicureo, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Curauma, SA	Ordinary	100%	100%	27	Chile	Education
Soc. Educacional Chicauma, SA	Ordinary	100%	100%	27	Chile	Education
Inmobiliaria Tierra Fertil, SA	Ordinary	100%	100%	27	Chile	Services Company
Servicios Educacionales, SA	Ordinary	100%	100%	27	Chile	Services Company
Gestion Educativa, SA	Ordinary	100%	100%	27	Chile	Services Company
Soc. Educacional American British School Ltda	Ordinary	100%	100%	27	Chile	Education
Soc Educacional Loyola SA	Ordinary	100%	100%	28	Chile	Education
Soc. Educacional Manquecura Nunoa Ltda	Ordinary	100%	100%	29	Chile	Education
Soc Educacional Greenland School, SA	Ordinary	100%	100%	30	Chile	Education
Inmobiliaria e Inversiones Valle Verde, SA	Ordinary	100%	100%	30	Chile	Property
Inversiones Y Negocios Inmobiliarios, SA	Ordinary	100%	100%	30	Chile	Property/ Holding Company
Colegio Dunalastair Penatolen Spa	Ordinary	100%	100%	31	Chile	Education
Colegio Dunalastair Spa	Ordinary	100%	100%	32	Chile	Education

Notes to the Financial Statements (continued)

29 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held 2023	% held 2022	Registered Office (Appendix)	Country of incorporation	Nature of business
Colegio Dunalastair Valle Norte Spa	Ordinary	100%	100%	33	Chile	Education
Bauhinia Education and Training Company Limited	Ordinary	100%	100%	34	Hong Kong	Holding Company
Stamford American School of Hong Kong Limited	Ordinary	100%	100%	34	Hong Kong	Dormant
Spring Blossom Education Limited	Ordinary	100%	100%	35	Hong Kong	Holding Company
Flora Education Limited	Ordinary	100%	100%	35	Hong Kong	Education
Vanguard Era Investments Limited	Ordinary	100%	100%	36	BVI ##	Holding Company
VOF PE Holding 1 Limited	Ordinary	100%	100%	37	BVI ##	Holding Company
International Schools Limited	Ordinary	100%	100%	38	BVI ##	Holding Company
International Education Corporation Joint Stock Company	Ordinary	100%	100%	39	Vietnam	Education
Lotus Education and Training One Member Company Ltd	Ordinary	100%	100%	40	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	100%	41	Vietnam	Holding Company
Global Education Network Lotus Company Limited	Ordinary	100%	100%	41	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	100%	100%	41	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	100%	100%	42	Vietnam	Holding Company
Cognita Middle East OpCo Holdings Limited	Ordinary	100%	100%	43	UAE – Abu Dhabi	Holding Company
Cognita Middle East PropCo Holdings Limited (Abu Dhabi)	Ordinary	100%	100%	43	UAE - Abu Dhabi	Holding Company
Cognita Middle East PropCo Holdings Limited (Dubai)	Ordinary	100%	100%	44	UAE - Dubai	Holding Company
Royal Grammar Schools Guildford LLC	Ordinary	100%	100%	45	UAE - Dubai	Holding Company
Horizons English School LLC	Ordinary	100%	100%	46	UAE - Dubai	Education
International Management Ventures LLC	Ordinary	100%	100%	47	UAE - Dubai	Education
Horizon International School LLC	Ordinary	100%	100%	48	UAE - Dubai	Education
Cognita EnrichME Sport Training LLC	Ordinary	100%	100%	49	UAE - Dubai	Education
Cognita Middle Management One Person Company LLC	Ordinary	100%	100%	49	UAE - Dubai	Holding Company
Evolve Knowledge Investments Limited (BVI) **	Ordinary	100%	N/A	50	BVI ##	Holding Company
Eastgate IndustRE SPV4 (Cayman) **	Ordinary	100%	N/A	51	Cayman Islands	Holding Company
ECAP Education FZ-LLC (UAE) **	Ordinary	100%	N/A	52	UAE - Dubai	Education Management Services
Repton School FZ LLC (UAE) **	Ordinary	96%	N/A	53	UAE - Dubai	Education
EK1 Propco1 Holding Limited (BVI) **	Ordinary	100%	N/A	54	BVI ##	Holding Company
EK1 Propco SPV1 (UAE) **	Ordinary	100%	N/A	55	UAE - Dubai	Non Academic services provider
Repton Al Barsha School FZ LLC (UAE) **	Ordinary	90%	N/A	56	UAE - Dubai	Education
Dovecote Nursery FZ LLC **	Ordinary	100%	N/A	56	UAE - Dubai	Education
Evolve Investments LLC **	Ordinary	100%	N/A	57	UAE - Dubai	Holding Company
Repton Foundation School LLC **	Ordinary	60%	N/A	58	UAE-Abu Dhabi	Education
Repton School LLC **	Ordinary	60%	N/A	58	UAE-Abu Dhabi	Education
Cognita Enrich ME Fine Arts Training L.L.C **	Ordinary	100%	N/A	59	UAE - Dubai	Education
Kamalasana Properties & Service Private Limited	Ordinary	100%	100%	60	India	Management/ Property Company
Shri Shakti School Private Limited	Ordinary	100%	100%	60	India	Management/ Property Company
Chirec Educational Society###	Membership rights	N/A	N/A	61	India	Education Society
Chirec International Academy Society###	Membership rights	N/A	N/A	62	India	Education Society
Cognita India Management Private Limited **	Ordinary	100%	100%	61	India	Holding Company
Cognita Italy Holdings S.R.L	Ordinary	100%	100%	63	Italy	Holding Company

Notes to the Financial Statements *(continued)*

29 Investments in subsidiaries *(continued)*

Subsidiary undertaking	Class of share capital held	% held 2023	% held 2022	Registered Office (Appendix)	Country of incorporation	Nature of business
Kindergarten S.R.L.	Ordinary	100%	100%	64	Italy	Education
Servizi Integrati alla Scuola S.R.L.	Ordinary	100%	100%	65	Italy	Education
Consorzio Per Crescere	Ordinary	100%	100%	65	Italy	Education
Abstranmex S.A. de C.V.	Ordinary	100%	100%	66	Mexico	Holding Company
Instituto Educativo Olinca, S.C.	Ordinary	100%	100%	67	Mexico	Education
Cognita Latam S.A	Ordinary	100%	100%	68	Panama	Holding Company
Cognita US Holdings Inc	Ordinary	100%	100%	69	USA	Holding Company
Cognita US Propco LLC	Ordinary	100%	100%	69	USA	Holding Company
York Preparatory School Inc **	Ordinary	100%	N/A	70	USA	Education
York Preparatory School Foundation **	Ordinary	100%	N/A	70	USA	Education
RedCol Holdings S.A.S **	Ordinary	100%	N/A	71	Colombia	Education
Escool Store S.A.S **	Ordinary	100%	N/A	72	Colombia	Education
Empresa de Transporte Sitra S.A.S **	Ordinary	100%	N/A	72	Colombia	Education

Overseas companies operate and are incorporated in the countries in which they are based.

* Directly held

** Companies acquired or incorporated during the year, or subsequent to the acquisition of Cognita Topco Limited, in conjunction with an acquisition. See note 2 for further information.

The Company has provided a guarantee in respect of these subsidiary companies in order that they may claim exemption from audit under section 479A of the Companies Act 2006.

"BVI" means British Virgin Islands.

Control is exercised through contractual and substantive membership rights.

Notes to the Financial Statements (continued)

Appendix - List of registered offices

1	15 Esplanade, St Helier, Jersey JE1 1RB
2	EMW, Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, MK5 8FR
3	420 Lexington Avenue, Suite 309, New York, NY 10170 USA
4	Industriestrasse 50, 8304 Wallisellen, Switzerland
5	Eichenstrasse 4c, 8808 Pfaffikon SZ, Switzerland
6	Plaza del Doctor Letamendi 1-2, 4ª planta (08007 Barcelona - Spain)
7	Calle La Salle C/N 28023, Madrid
8	Plaza del Doctor Letamendi 1-2, 4ª planta (08007 Barcelona - Spain)
9	Camino del Colegio, 33199 Meres, Asturias, Spain
10	60 Anson Road #18-04 Mapletree Anson, Singapore 079914
11	1 Lorong Chuan, Singapore 556818
12	1 Woodleigh Lane, Singapore, 357684
13	253 Ratchawithi Road, Kwaeng Suan Chitlada, Khet Dusit, Bangkok
14	7 Sukhumvit 107, Bang Na, Bangkok 10260, Thailand
15	9 Convent Road, Silom, Bang Rak, Bangkok 10550, Thailand
16	1M, 7 Ban Chang- Makhankhoo Road Samnak Thon, Ban Chang, Rayong, 21130 Thailand
17	Av. Lineu de Paula Machado, 1490 - Cidade Jardim - São Paulo - SP - 05601-000, Brazil
18	Rua Maria Caldas, 35 - São Francisco - Niterói - RJ - 24365-050, Brazil
19	Rua Galicia, 34, Jardim Espanha II, Adrianópolis, CEP 69.057-062, Manaus
20	Praça Professor Américo de Moura, 101 - Cidade Jardim - São Paulo - SP - 05670-060, Brazil
21	Av. Duque de Caxias, 1589 - Igapó - Londrina - PR - 86015-000
22	Avenida Lineu de Paula Machado, 1490 Sala 6 - City: São Paulo - State: São Paulo
23	Rua Wenceslau Bras, 140 - City: São Caetano do Sul - State: São Paulo
24	Rua Piaui, 876/888/890 and 892 - City: São Caetano do Sul - State: São Paulo
25	Rua Floriano Peixoto, 303 - City: São Caetano do Sul - State: São Paulo
26	Avda. Andres Bello, 2711 - Piso 19 - Las Condes - Santiago - Chile - 8320000
27	Marchant Pereira 10, Piso 14, Providencia, Santiago, Chile
28	Los Cedros 7550, Huechuraba, Santiago, Chile
29	Avenida Irazaval No. 5310, borough of Nunoa, Chile
30	Av. Oceánica 6300 Estación Central, Santiago, Chile
31	Av. Quilín 8669, Penalolén, Cerrillos, Región Metropolitana, Chile
32	Av. las Condes 11931, Las Condes, Región Metropolitana, Chile
33	Camino del Solar 9300, Chicureo, Colina, Región Metropolitana, Chile
34	14 Hutchison House, 10 Harcourt Road, Hong Kong
35	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
36	Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands
37	Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands
38	International Trust Company B.V.I Limited, P.O. Box 659, Road Town, Tortola, British Virgin Islands
39	No. 649A, Vo Truong Toan Street, An Phu Ward, District 2, Ho Chi Minh City, Vietnam
40	92 Nguyen Huu Canh, Ward 22, Binh Thanh District, Ho Chi Minh City, Vietnam
41	Level 4, VietComReal Building, 68 Nguyen Hue St, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
42	26 Vo Truong Toan, An Phu Ward, District 2, Ho Chi Minh City, Vietnam.
43	PO Box 35665, 34th & 35th Floor, Al Maqam Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates
44	Unit GV-00-10-03-BC-19-0, Level 3, Gate Village, Building 10, Dubai International Finance Centre, PO Box 112967, Dubai, United Arab Emirates
45	Office 518, Regus, The Bridge, 2nd Floor, P.O. Box 392269, Dubai Sports City, Dubai UAE
46	Street 30b Off Al Wasl Road, PO Box 6749, Dubai, United Arab Emirates
47	Ranches Primary School, Arabian Ranches, Dubai, United Arab Emirates
48	Street 9A, Off Al Wasl Road, Umm Al Sheif, Dubai, United Arab Emirates
49	1902, Boulevard Plaza Tower 2, Downtown, Dubai, United Arab Emirates
50	Sea Meadow House, PO Box 116, Road Town, British Virgin Islands
51	Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands
52	plot No 616-4745-01 Dubai International Academic city, Dubai, United Arab Emirates
53	plot No 616-4745-01, Nad Al Shebba 4, Dubai, United Arab Emirates
54	Ritter House Cay II, Road Town, Tortola VG1110, British Virgin Islands
55	C/O BDO Chartered Accountants & Advisors, LOB 16, Office No 124, P.O Box 261253, Jebel Ali Free Zone, Dubai, UAE
56	Al Barsha South , plot No.BT-G-010 ,Dubai, United Arab Emirates
57	Office no 1902 Boulevard Plaza Tower 2, Downtown, Dubai
58	Reem island Abu Dhabi, PO Box 45016, United Arab Emirates
59	1902, Boulevard Plaza Tower 2, Downtown, Dubai
60	Municipal No. 1-55/12, CHIREC Avenue, Kondapur, Kothaguda (PO) Hyderabad Hyderabad TG 500084 IN
61	1-55/12 Serilingampally Mandal, Kondapur, Kothaguda Post, Hyderabad, 500084 India
62	Plots 280 to 282, Telecom Officers' Colony, Bhagyalakshmi Nagar Phase II, Serilingampally, Hyderabad, 500019, India
63	Milan Corso Vercelli no 40
64	Via S.Gallo 105, 50129 Florence, Italy
65	Viale Giacomo Matteotti 52, 50132 Florence, Italy
66	Vito Alessio Robles, 51 Interior 203, Colonia Exhacienda de Guadalupe Chimalistac CP 01050, Delegación Álvaro Obregón, CDMX, México
67	Periférico Sur 5170, Colonia Pedregal de Carrasco, CP 04700, Delegación Álvaro Obregón, CDMX, México
68	Calle Obarrio 58, PH58, Panama
69	251 Little Falls Drive, Wilmington, DE 19808
70	York Preparatory School, 40 West 68th Street, New York, Manhattan Block 1120
71	Calle 151 No. 16 - 40 Bogotá D.C.
72	Km 2 176 Anillo Vial Flordablanca Girón TO 2 OF 804 Flordablanca - Santander