

PARENT COMPANY ACCOUNTS FOR  
**THE BUSHCRAFT COMPANY LIMITED**

COMPANY NUMBER

**06762201**



**Cognita Bondco Parent Limited**

**Annual Report and Financial Statements**

**Registered number 09669246**

**31 August 2017**

**Company Information**  
for the year ended 31 August 2017

**DIRECTORS:**

D Villa  
C Jansen  
M Uzielli

**SECRETARY:**

EMW Secretaries Limited

**REGISTERED OFFICE:**

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**REGISTERED NUMBER:**

09669246

**AUDITOR:**

KPMG LLP  
Chartered Accountants  
Altius House  
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## Strategic report

The Directors submit the Strategic Report, the Report of the Directors and the audited consolidated financial statements of the Cognita Bondco Parent Limited Group (the "Group") for the year ended 31 August 2017.

The Group is a leading global operator of private-pay K-12 schools. The Directors are pleased with the performance during the year to 31 August 2017 which was in line with expectations. At the year end, the Group operated 67 (2016: 67) schools across Europe, Asia and Latin America with an average total capacity of 45,140 (2016: 43,544) places and a total average enrolment of 35,286 (2016: 33,595) FTE students. The Group opened its 68th school in Hong Kong in September 2017, adding 400 additional seats of capacity on opening which will have increased to 800 by January 2018.

The Company is a wholly owned subsidiary of Cognita Midco Limited, a company registered in England and Wales. Cognita Topco Limited, a company registered in Jersey and incorporated under Companies (Jersey) Law 1999, is the immediate parent company of Cognita Midco Limited, and the ultimate parent company of the Group.

Cognita Topco Limited is owned by The Bregal Fund III LP and KKR European Fund III LP who each hold 50% of the issued share capital. The audited, consolidated financial statements of Cognita Topco Limited are available to the public by application to the registered office of that company, or from Companies House with the financial statements of the immediate parent company.

Cognita Financing plc, a wholly owned subsidiary of the Company was incorporated on 3 July 2015, with the purpose of issuing debt in the form of Senior Secured Loan Notes (the "Notes") on the Luxembourg Stock Exchange - Euro MTF ("Multilateral Trading Facility"). In accordance with the terms of the Senior Secured Loan Notes indenture, the Company is required to prepare consolidated financial statements.

### Principal activity and review of the year

The principal activity of the Company is to act in the capacity of a Group financing 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 Strategy

We consistently focus on the Group's objective to maintain our position as a leading global operator of private-pay K-12 schools. Our principal strategies are to deliver high quality education, leverage our global platform and reputation, maximise operational and financial performance and continue expansion and operation in selected attractive and scalable markets.

### Results and performance

The results of the Group for the year are set out on pages 17 to 23.

Students, revenue and EBITDA for the year ended 31 August are disclosed below.

"EBITDA" means Earnings Before Interest, Tax, Depreciation and Amortisation.

"Adjusted EBITDA" means EBITDA before impairment, depreciation and amortisation of other intangibles and excluding the joint venture portion of Adjusted EBITDA. Adjusted EBITDA can be split into underlying and non-underlying components.

"Non-underlying" means items of income or expenditure which are disclosed separately in order to provide comparability between periods. The items of income or expenditure which are designated as being non-underlying include operating income/expenditure which is not related to the core business, including acquisition and business exploration costs, restructuring costs, impairment of assets, gain or loss on disposal of fixed assets, school pre-opening losses and non-cash share based payments.

"Group Adjusted EBITDA" means Adjusted EBITDA including 100% of joint venture Adjusted EBITDA.

"Regional Group Adjusted EBITDA" means Group Adjusted 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.

## Strategic report (continued)

	Students		Revenue		Group Adjusted EBITDA	
	2017 No.	2016 No.	2017 £000	2016 £000	2017 £000	2016 £000
Europe	14,409	13,817	182,592	167,367	26,477	26,810
Asia	8,401	7,930	159,322	128,954	48,708	37,504
Latin America	12,476	11,848	47,761	34,613	9,693	6,902
Group	-	-	-	-	(10,985)	(9,777)
<b>Total</b>	<b>35,286</b>	<b>33,595</b>	<b>389,675</b>	<b>330,934</b>	<b>73,893</b>	<b>61,439</b>
Excluding impact of joint venture	(219)	(249)	(4,515)	(4,889)	(1,009)	(1,217)
<b>Statutory result</b>	<b>35,067</b>	<b>33,346</b>	<b>385,160</b>	<b>326,045</b>	<b>72,884</b>	<b>60,222</b>

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School Limited in London, UK. Consequently, Group Adjusted EBITDA (including 100% of joint venture Adjusted EBITDA) is considered the most relevant metric for information purposes.

Student numbers increased (including the impact of acquisitions) by 5.0% in the year, with Europe growing by 4.3%, Asia by 5.9% and Latin America by 5.3%. The Europe student growth was partially offset by a decrease in student numbers in Chilton Cantelo, Cranbrook (closed in the year ended 31 August 2016) and Sackville (sold in the year ended 31 August 2017) schools in the United Kingdom. Asia student growth was mostly driven by the Dusit acquisition in Thailand in 2016 and continued growth in Stamford American School in Singapore and in ISHCMC in Vietnam. The growth of 5.3% in Latin America is largely due to the ongoing growth in the Chile schools with new capacity and the bilingual programme continuing to drive enrolments.

Group revenue (including 100% of the St Nicholas joint venture) increased from £330.9m in 2016 to £389.7m in 2017, an increase of 17.8% or 8.6% on a constant currency basis. Revenue attributable to new acquisitions during the year ended 31 August 2017 represented 8.6% of the increase on a constant currency basis, with the remainder due to the organic increase in student numbers and annual fee inflation.

Regional Group Adjusted EBITDA grew by 19.2% (8.0% on a constant currency basis) and represents a margin of 21.8% of revenue (2016: 21.5%). Much of this increase was derived from organic growth of 13.2% in the Asia region driven by a strong growth in all countries in the region utilising available capacity. The Asia Regional Adjusted EBITDA grew 29.9% (13.9% on a constant currency basis) on revenues that grew by 23.5% (9.3% on a constant currency basis) in the same period.

The 17.7% organic growth rate in Latin America, on a constant currency basis, was driven by a 0.5ppt improvement in the utilisation rates from 76.4% to 76.9% in the year ended 31 August 2017. The improvement in EBITDA has been most notable in Chile where a new bilingual programme continues to grow and has led to improved margins.

Europe Regional Adjusted EBITDA of £26.5m fell 1.2% (fell 18.3% on an organic basis) during the year, driven by lower EBITDA in the UK as a result of targeted investment in the educational provision and higher national insurance contributions. The EBITDA in Spain was impacted by two additional sites in Madrid for Hastings school which will drive growth in future years.

Group central costs grew 12.4% to £11.0m in the year ended 31 August 2017. This increase was primarily due to the full year impact following the transition of the executive management team.

### Loss for the year before taxation

The Group's loss before tax was £17.8m (2016: £32.9m) for the year ended 31 August 2017, which was in line with management's expectations and reflective of the ongoing investment in growing the business. The £15.1m improvement in loss before taxation was largely attributable to a £12.6m increase in operating profit and a £3.2m decrease in the net finance expense.

## **Strategic report (continued)**

### **Capital expenditure**

During the year, the Group invested £134.0m in capital expenditure (2016: £124.3m) and £2.5m (2016: £1.2m) in software. The capital expenditure reported in the year represents amounts spent on the regular renewal of estate, along with amounts invested in the expansion plans of the Group's existing portfolio of schools, along with the significant investments in the Early Learning Village in Singapore and the c. £20.0m refurbishment cost for the new Hong Kong school.

Amounts invested in development capital represented £116.8m (2016: £108.0m) in total compared to operating capital expenditure of £17.2m (2016: £16.3m). Operating capital expenditure includes investment in ensuring schools maintain their standards and compliance with all regulations, whilst development capital expenditure represents investment made to expand capacity at the Group's schools and for construction and development of other facilities which do not directly result in capacity expansion.

### **Developments during the year**

#### **Europe**

##### ***Acquisition of The English Montessori School, Madrid***

On 6 September 2016, the Group acquired 100% shareholding in The English Montessori School, a school based in Madrid, Spain. The consideration was funded by a drawdown on the Revolving Credit Facility. The school is an independent British school offering education to students aged 3-18 years. The school had c. 790 students at the date of acquisition, with a current capacity of c. 1,000.

##### ***Disposal of Sackville school, Kent***

On 27 January 2017, the Group disposed of Sackville school in the United Kingdom. The school was sold as a going concern and is expected to continue trading under new ownership. Cognita has retained the freehold interest in the school property. The property has been leased to the purchaser for a 25 year term and includes an option to buy. For accounting purposes, the lease is treated as a finance lease and has triggered the transfer of the property from tangible fixed assets to finance lease receivables to the value of £3.8m.

##### ***Sale and leaseback***

On 1 March 2017, the Group completed a ground rent sale and leaseback of freehold properties at four UK schools. The freehold interest of Breaside Preparatory School, Clifton Lodge Preparatory School, Duncombe School and Long Close School were sold for consideration of £12.7m. The purchaser has simultaneously granted Cognita 150 year leases over the properties.

At the expiry of the leases, Cognita Schools Limited will have the option to buy back the freehold interest for £1 per property.

The proceeds of the transaction were used to partially repay the Group's Revolving Credit Facility, enhancing Cognita's liquidity.

##### ***Disposal of school properties, United Kingdom***

After its closure at the end of the 2016 summer term, the Cranbrook school buildings were sold in March 2017. Proceeds from the sale were approximately £2.0m. A partial disposal of the Chilton Cantelo school buildings was completed in June 2017. Proceeds from the sale were £1.25m.

##### ***Acquisition of The Bushcraft Company, United Kingdom***

On 12 May 2017, the Group acquired a 100% shareholding in The Bushcraft Company Limited ("Bushcraft"). The consideration includes deferred payments, of which a small amount is contingent.

Bushcraft provides outdoor adventure trips for students aged 7 to 18 into woodland environments for practical and teambuilding experiences. Last year, 24,000 students from over 300 schools participated in a Bushcraft adventure.

##### ***Acquisition of remaining 50% shareholdings of St Nicholas Preparatory School Ltd, United Kingdom***

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School Limited in London, UK. The negative goodwill of £1.0m arising on acquisition was immediately recognised as non-underlying within the income statement.

## **Strategic report (continued)**

### **Asia**

#### ***Refurbishment and successful opening of the of brownfield school property in Hong Kong***

The Group's first school in Hong Kong (Stamford American School) opened in September 2017, with over 350 students. The Group completed the purchase of a school property in Kowloon, Hong Kong on 15 April 2016. The building acquired will have capacity for c. 800 students once work is complete. The purchase price paid, excluding fees and expenses, was HKD 673m (c. £61m). A further HKD 180m (c. £18m) was spent on refurbishing the building this year.

#### ***Successful opening of Early Learning Village in Singapore***

The Group has invested SGD 209m (c. £112m) in land and buildings for the Early Learning Village in Singapore, which opened to students in August 2017, providing over 2100 student places for 18 month to 6 year olds. As at 31 August 2017, SGD 200m (c. £108m) had been invested in this project, with SGD 119m (c. £68m) incurred in the year ended 31 August 2017.

#### ***Construction of new campus in Vietnam***

Construction is on track to complete in December 2017 on a 900 seat campus which will house the secondary school of the International School Ho Chi Minh City (ISHCMC), doubling the capacity of the school. This is a USD 16.2m (c. £12m) investment by the Group which is jointly funded with a local developer, and will open in January 2018. It will allow ISHCMC to continue to grow enrolments which currently stand at c. 1,100.

#### ***Acquisition of Avondale Grammar School, Singapore***

On 13 July 2017, the Group acquired 100% of the share capital of Avondale Grammar School Pte Ltd. The acquisition was funded from existing cash resources. The school had c. 250 students at the date of acquisition.

### **Latam**

#### ***Acquisition of 49% minority interest in Chile***

The Group formally notified the exercise of a call option to purchase the remaining 49% interest in the Chile schools business via its shareholding in Desarrollos Educacionales, SA on 29 July 2016. Completion took place on 26 September 2016.

#### ***Expansion plans for GayLussac school, Brazil***

Work to expand the GayLussac school in Brazil is due to complete in December 2017. The project will provide enhanced facilities and nine new classrooms, creating incremental capacity for c. 260 students, bringing total school capacity for students and the Bilingual programme to c. 1,950. The new facilities will be opened for the new academic year in February 2018.

### **Group**

#### ***Funding secured to support Group growth***

On 4 October 2016, an additional £45m of Senior Secured Loan Notes (the "Notes") were issued via a private placement at a premium of £2m to par value. This additional funding followed a £20m increase to the Super Senior Revolving Credit Facility on 19 September 2016, taking the total facility to £100m.

The Group issued an additional £50m of Notes on 8 May 2017 via a private placement. These Notes, which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2.25m to par value was recognised upon the issuance of these instruments.

The proceeds of the offering were used to repay amounts outstanding under the Group's existing Revolving Credit Facilities and to pay any related accrued interest, transaction costs and expenses, with any remaining amounts to be used for general corporate purposes.

The Group continues to monitor and review its exposure to foreign exchange risk in relation to the Notes denoted in pounds sterling.



## **Strategic report (continued)**

### ***British referendum on Europe***

As a UK based organisation with global operations, management recognise that the Brexit vote may have implications for the Group in financial, operational and regulatory areas. Whilst the timing and nature of the UK's separation from the EU remain unclear, management have identified some areas of potential business impact which they will keep under review as events unfold.

*Currency exposure:* Fluctuations in exchange rates will impact Group results which are reported in pounds sterling. Approximately 64% of Group revenue, 80% of Group EBITDA and 90% of Group capital expenditure are denominated in foreign currency. The Group has entered into forward exchange contracts in respect of the Notes as disclosed in the final section of this report.

*Student and staffing recruitment and retention:* The potential impact on London's status as a financial centre may affect demand for international schools. However, the weakening of the pound sterling against other major currencies may make Cognita's UK independent schools more competitive internationally as tuition fees become more affordable for foreign families looking to educate their children in the UK. A further consideration is that attracting and retaining students and teachers from the EU may become more difficult if visa entry requirements become more stringent.

*Regulatory changes:* Cognita will be working closely with the National Association of British Schools in Spain, the Council of British International School and the British Council to review the impact of Brexit, if any, on the use of British qualifications for Spanish university entry and on Spanish students applying to British universities.

Management's view is that the Group's diverse global portfolio and the robust nature of the education sector will provide resilience against the uncertainties faced during the Brexit transition period.

### ***Serious Case Review***

The Serious Case Review related to the criminal activity of a former teacher at Southbank International School was published on 20 January 2016. The Review recognised that significant progress had been made at Southbank and six key areas were identified for further focus and improvement. Cognita has invested considerable time and resource at Southbank since the date of the Review and has made strong progress in the key areas of governance, cultural change, compliance with statutory guidance, internal audit, partnering with the local authority children's safeguarding board and encouragement of reporting by pupils and children. The publication of the Serious Case Review has not had a material adverse effect on our enrolments or retention of students at the three Southbank schools.

The Group continues to invest in safeguarding and has a governance model which combines both internal and external review in every school. Since implementing a new approach, Cognita has been identified as a leader in this area. It is notable that in Cognita's school inspections since October 2015, all schools have been deemed compliant and all but one have scored Outstanding for Welfare, Health and Safety, including Southbank International School.

### ***Catalonia independence referendum***

The Group has one school in Catalonia, Spain, the British School of Barcelona. The political situation in Spain is being closely monitored and steps have been taken to ensure continuity of operations should the situation escalate. Management do not expect the situation to have a material impact on the Group.

### ***System Implementations***

NetSuite, a global ERP system, has been successfully introduced into all regions during the year. NetSuite will provide additional functionality, visibility and enable improved cost control management going forward.

The implementation of Group wide systems for human resources and admissions is also underway.

### ***Future developments***

The Group will continue to invest in its existing schools, with some strategic development projects planned for the year ended 31 August 2018 and beyond. The Group will continue to develop opportunities in all regions.

## **Strategic report** *(continued)*

### **Statement of Going Concern**

The Group and Company's business activities, together with the factors likely to affect their future development, performance and position are set out in this report. The financial position of the Group and Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. The Group and Company's objectives, policies and processes for managing its capital are described in note 1 to the financial statements. Further information on the Group's capital management can be found in note 25 to the financial statements.

Details of the Group and Company's financial risk management objectives, its financial instruments and hedging activities; and exposures to credit risk, market risk and liquidity risk are set out below and in further detail in note 25 to the financial statements.

During the year ended 31 August 2015, the Group refinanced substantially all of its debt, with the exception of debt held by Group companies in Brazil and Chile. Senior Secured Loan Notes were issued and the proceeds were used to repay all outstanding indebtedness and related costs. The Notes mature on 15 August 2021. As part of this refinancing arrangement, deep discounted bonds previously issued by Cognita Topco Limited were collapsed via a capitalisation.

On 4 October 2016, an additional £45m of Notes were issued at a premium of £2.0m to par value. This additional funding followed a £20m increase to the Super Senior Revolving Credit Facility during the year ended 31 August 2016, and a further increase of £20m in September 2016, which in aggregate extended the facility to £100m.

The Group issued an additional £50.0m of Notes on 8 May 2017 via a private placement. These Notes, which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2.25m to par value was recognised upon the issuance of these instruments.

The Directors have performed a review of the Group's finances and have a reasonable expectation that the business has adequate resources to continue into the foreseeable future and will be able to support the repayment of its debt facilities and related interest payments. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing the financial statements.

### **Controlling parties and ultimate parent undertaking**

The Company's immediate parent undertaking is Cognita Midco Limited, a company incorporated in England and Wales. The ultimate parent undertaking is Cognita Topco Limited, a company incorporated in Jersey which is jointly controlled by The Bregal Fund III LP and Crimson Cayman Holding Limited, which itself is controlled by KKR European Fund III LP (see note 30).

## **Strategic report** *(continued)*

### **Principal 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:

#### **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.

#### **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.

#### **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.

#### **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 educational excellence, to ensure that Cognita schools are competitive in the private schools market, even when market forces cause unfavourable economic conditions.

#### **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.

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.

#### **ICT systems and infrastructure**

The Directors understand the importance of ICT within the business. The Group has controls and disaster recovery plans in place in case of a significant system failure. The Group is also committed to enhancing the current provision of ICT systems through ongoing investment into the business, including investment in a new ERP solution, HR system and CRM during the year.

#### **Cyber risk and data protection**

The Group collects and retains personal data and 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 and are well prepared for the introduction of the EU General Data Protection Regulation.

#### **Human resources**

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)*

### **Principal Risks and Uncertainties** *(continued)*

#### **Supporting growth**

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.

#### **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 risk, the Group enters into a number of derivative transactions including foreign currency forward 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 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 identified during the year included the potential impact of the British referendum on the EU, slower than historical growth in the Asia region, driven by global macroeconomic environment changes, and political developments in Catalonia, Spain.

To date, we have seen limited impact of these factors on our financial performance due to the importance of education spend for parents and the general stability of the markets in which we operate, as well as our focus on controlling our costs. Whilst for these reasons management believes our revenue and profitability are relatively resilient to fluctuations as a result of macroeconomic conditions, we will continue to monitor developments and the potential related risks.

#### **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 is supported by its ultimate parent, whose policy has been to ensure continuity of funding. In 2015, the Group secured funding by issuing £280m of Senior Secured Loan Notes. In October 2016 and May 2017, the Group issued an additional £45m and £50m respectively of Loan Notes through a private placement. Additionally, the Super Senior Revolving Credit Facility was increased by £20m to £100m during the year ended 31 August 2017.

This funding will provide sufficient liquidity to the Cognita Bondco Parent Limited Group through to the maturity of the Senior Secured Loan Notes on 15 August 2021.

The maturity of borrowings at the Balance Sheet date is set out in note 19 to the financial statements. In total, the Cognita Bondco Parent Limited Group has access to committed borrowing facilities of £515.5m (2016: £402.7m), of which £296.3m mature beyond 2020.

The Group is also able to mitigate liquidity risk through short-term and flexible overdraft facilities.

## **Strategic report (continued)**

### **Principal Risks and Uncertainties (continued)**

#### **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 minimal. The day to day transactions of overseas subsidiaries are usually carried out in local currency.

The Group reassessed its hedging arrangements following the Group refinancing to cover its sterling exposure on the Senior Secured Loan Notes by entering into forward currency contracts. Further details are disclosed in note 21 of the financial statements.

#### **Interest rate risk**

The Group finances its operations through fixed rate Senior Secured Loan Notes, bank borrowings and Revolving Credit Facilities. The Group's exposure to interest rate fluctuations on its bank borrowings is managed by the use of hedging or fixed interest rate instruments. It is the Group's policy to use fixed interest rate instruments or to use fixed rate hedging instruments to fix interest rates on at least 50% of its bank borrowings.

#### **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.

**By Order of the Board**



**M Uzielli**

*Director*

7 December 2017

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

## Report of the Directors

The Directors submit their report together with the audited financial statements of Cognita Bondco Parent Limited for the year ended 31 August 2017.

### Results and dividends

The Group loss for the financial year amounted to £24,195,000 (2016: £39,619,000).

The Company loss for the financial year amounted to £1,809,500 (2016: £3,501,000).

The Directors do not recommend the payment of a final dividend (2016: £nil).

### Directors

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

D Villa  
C Jansen  
M Uzielli

### 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.

### Directors' biographies

Chris Jansen was appointed as Group Chief Executive Officer in October 2015. Mr Jansen has over 20 years' experience in competitive consumer products and service businesses having served as CEO of the AA as well as working in senior executive roles at Centrica and British Airways.

Michael Uzielli joined Cognita as Group Chief Financial Officer in June 2016. Prior to joining Cognita, Mr Uzielli was Chief Financial Officer for Heathrow Airport Holdings, having previously worked in a range of sectors from banking to aviation, including the role of Finance Director for British Gas.

Dean Villa has served as the Group's Chief Operating Officer and Real Estate Officer since 2004. Mr. Villa was appointed as a Director of the Company in July 2015.

### Political contributions

Neither the Company nor the Group made any political donations and did not incur any political expenditure during the year.

### 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 each 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.

### By order of the board



**M Uzielli**

Director

7 December 2017

**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 Strategic Report, the Directors' Report and the 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 both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 their 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that 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 Company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Cognita Bondco Parent Limited**

### **Opinion**

We have audited the financial statements of Cognita Bondco Parent Limited (the "Company") for the year ended 31 August 2017 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 2017 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **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 Cognita Bondco Parent Limited** *(continued)*

### **Directors' responsibilities**

As explained more fully in their statement set out on page 14, 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](http://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*  
Altius House  
One North Fourth Street  
Milton Keynes  
MK9 1NE

8 December 2017

## Consolidated Statement of Comprehensive Income for the year ended 31 August 2017

	Note	2017		2016			
		Underlying £000	Non- underlying £000	Total £000	Underlying £000	Non- underlying £000	Total £000
Revenue	1,3	385,160	-	385,160	326,045	-	326,045
Employee benefits expense	5,7,8	(204,965)	(245)	(205,210)	(175,426)	(3,954)	(179,380)
Other operating (expenses)/income		(107,311)	275	(107,036)	(90,397)	39	(90,358)
Acquisitions and business exploration	5	-	(7,759)	(7,759)	-	(4,575)	(4,575)
Restructuring costs	5	-	(7,105)	(7,105)	-	(7,138)	(7,138)
Adjusted EBITDA		72,884	(14,834)	58,050	60,222	(15,628)	44,594
Impairment	5	-	(2,623)	(2,623)	-	(8,172)	(8,172)
Depreciation and amortisation of other intangibles	6	(32,172)	-	(32,172)	(25,756)	-	(25,756)
		40,712	(17,457)		34,466	(23,800)	
Operating profit				23,255			10,666
Finance income	10			9,430			29,489
Finance expense	10			(50,202)			(73,483)
Share of (loss)/profit of joint venture	14			(303)			454
Loss before taxation				(17,820)			(32,874)
Taxation	11			(6,375)			(6,745)
Loss for the year				(24,195)			(39,619)
Loss attributable to:							
Equity holders of the parent				(24,122)			(40,215)
Non-controlling interest				(73)			596
Loss for the year				(24,195)			(39,619)
Other comprehensive expense							
Items that are or may be reclassified to profit or loss:							
Foreign operations:-							
Foreign currency translation differences				114			10,769
Total comprehensive loss for the year				(24,081)			(28,850)
Attributable to:							
Equity holders of the parent				(24,008)			(29,446)
Non-controlling interest				(73)			596
Total comprehensive loss for the year				(24,081)			(28,850)

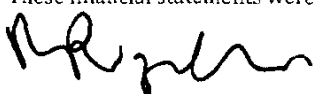
The accompanying notes form part of these financial statements.

## Consolidated Balance Sheet at 31 August 2017

	Note	2017 £000	2016 £000
<b>Non-current assets</b>			
Property, plant and equipment	12	632,085	529,783
Intangible assets	13	104,689	82,459
Trade and other receivables	17	17,107	8,804
Investments in equity-accounted investees	14	-	2,851
Deferred tax assets	15	7,691	7,705
		<b>761,572</b>	<b>631,602</b>
<b>Current assets</b>			
Inventories	16	444	430
Tax receivable		371	823
Trade and other receivables	17	60,707	51,092
Cash and cash equivalents	18	83,265	60,973
Assets held for sale	12	608	-
		<b>145,395</b>	<b>113,318</b>
<b>Total assets</b>		<b>906,967</b>	<b>744,920</b>
<b>Current liabilities</b>			
Bank overdrafts	18	-	-
Other interest-bearing loans and borrowings	19	(39,859)	(51,569)
Trade and other payables	20	(107,794)	(76,755)
Deferred revenue		(142,483)	(126,923)
Tax payable		(5,608)	(5,691)
Provisions	23	(1,242)	(871)
Other financial liabilities	21	-	-
		<b>(296,986)</b>	<b>(261,809)</b>
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	19	(475,593)	(351,118)
Other payables	20	(11,409)	(8,515)
Deferred revenue		(14,209)	(3,481)
Provisions	23	(5,326)	(2,636)
Other financial liabilities	21	(59,178)	(43,985)
Deferred tax liabilities	15	(5,068)	(2,686)
		<b>(570,783)</b>	<b>(412,421)</b>
<b>Total liabilities</b>		<b>(867,769)</b>	<b>(674,230)</b>
<b>Net assets</b>		<b>39,198</b>	<b>70,690</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	24	-	-
Share premium	24	1,669	1,669
Other reserves		(387,389)	(387,748)
Retained earnings		425,154	450,041
		<b>39,434</b>	<b>63,962</b>
<b>Non-controlling interest</b>		<b>(236)</b>	<b>6,728</b>
<b>Total equity</b>		<b>39,198</b>	<b>70,690</b>

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of Directors on 7 December 2017 and were signed on its behalf by:



**M Uzielli**  
Director

Company registered number: 09669246

**Company Balance Sheet**  
**at 31 August 2017**

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Non-current assets</b>			
Investments in subsidiaries	32	<b>864,290</b>	766,962
Trade and other receivables	17	-	60
<b>Total assets</b>		<b>864,290</b>	<b>767,022</b>
<b>Non-current liabilities</b>			
Other interest bearing loans and borrowings	19	<b>(370,542)</b>	(271,465)
<b>Total liabilities</b>		<b>(370,542)</b>	<b>(271,465)</b>
<b>Net assets</b>		<b>493,748</b>	<b>495,557</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	24	-	-
Share premium	24	<b>1,669</b>	1,669
Retained earnings		<b>492,079</b>	493,888
<b>Total equity</b>		<b>493,748</b>	<b>495,557</b>

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 7 December 2017 and were signed on its behalf by:



**M Uzielli**  
*Director*

Company registered number: 09669246

## Consolidated Statement of Changes in Equity

Group	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Equity reserve £000	Retained deficit £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2015	-	500,577	(400,065)	(1,288)	-	(8,652)	90,572	6,229	96,801
Total comprehensive (expense)/income for the period (Loss)/profit for the year	-	-	-	-	-	(40,215)	(40,215)	596	(39,619)
Other comprehensive income	-	-	-	10,769	-	-	10,769	-	10,769
Total comprehensive (expense)/income for the year	-	-	-	10,769	-	(40,215)	(29,446)	596	(28,850)
Transactions with owners, recorded directly in equity									
Capital reduction	-	(498,908)	-	-	-	498,908	3,954	-	3,954
Equity-settled share based payment transactions	-	-	-	(1,118)	-	-	(1,118)	-	(1,118)
Impairment of grandfathered goodwill	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	(498,908)	-	(1,118)	3,954	498,908	2,836	-	2,836
Changes in ownership interests									
Acquisition of a subsidiary with non-controlling interest	-	-	-	-	-	-	-	(97)	(97)
Balance at 31 August 2016	-	1,669	(400,065)	8,363	3,954	450,041	63,962	6,728	70,690

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity (continued)

Group	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Equity reserve £000	Retained deficit £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2016	-	1,669	(400,065)	8,363	3,954	450,041	63,962	6,728	70,690
<i>Total comprehensive expense for the year</i>	-	-	-	-	-	(24,122)	(24,122)	(73)	(24,195)
Loss for the year	-	-	-	-	-	(24,122)	(24,122)	(73)	(24,195)
Other comprehensive income	-	-	-	114	-	-	114	-	114
<b>Total comprehensive expense for the year</b>	-	-	-	<b>114</b>	-	<b>(24,122)</b>	<b>(24,008)</b>	<b>(73)</b>	<b>(24,081)</b>
<i>Transactions with owners, recorded directly in equity</i>	-	-	-	-	245	-	245	-	245
Equity-settled share based payment transactions	-	-	-	-	245	-	245	-	245
<b>Total contributions by and distributions to owners</b>	-	-	-	-	245	-	245	-	245
<i>Changes in ownership interest in subsidiaries</i>	-	-	-	-	-	(765)	(765)	(6,891)	(7,656)
Acquisition of non-controlling interest without a change in control	-	-	-	-	-	(765)	(765)	(6,891)	(7,656)
<b>Balance at 31 August 2017</b>	-	<b>1,669</b>	<b>(400,065)</b>	<b>8,477</b>	<b>4,199</b>	<b>425,154</b>	<b>39,434</b>	<b>(236)</b>	<b>39,198</b>

The accompanying notes form part of these financial statements.

**Statement of Changes in Equity  
Company**

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 September 2015	-	500,577	(1,519)	499,058
<i>Total comprehensive expense for the year</i>				
Loss for the year	-	-	(3,501)	(3,501)
<b>Total comprehensive expense for the year</b>	-	-	<b>(3,501)</b>	<b>(3,501)</b>
<i>Transactions with owners, recorded directly in equity</i>				
Capital reduction	-	(498,908)	498,908	-
<b>Total contributions by owners</b>	-	<b>(498,908)</b>	<b>498,908</b>	-
<b>Balance at 31 August 2016</b>	-	<b>1,669</b>	<b>493,888</b>	<b>495,557</b>

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 September 2016	-	1,669	493,888	495,557
<i>Total comprehensive expense for the year</i>				
Loss for the year	-	-	(1,809)	(1,809)
<b>Total comprehensive expense for the year</b>	-	-	<b>(1,809)</b>	<b>(1,809)</b>
<i>Transactions with owners, recorded directly in equity</i>				
Capital reduction	-	-	-	-
<b>Total contributions by owners</b>	-	-	-	-
<b>Balance at 31 August 2017</b>	-	<b>1,669</b>	<b>492,079</b>	<b>493,748</b>

The accompanying notes form part of these financial statements.

## Consolidated Cash Flow Statement for year ended 31 August 2017

	Note	2017 £000	2016 £000
<b>Cash flows from operating activities</b>			
Loss for the year		(24,195)	(39,619)
Adjustments for:			
Depreciation, amortisation and impairment		34,795	33,928
Interest expense		50,202	73,483
Financing income		(9,430)	(29,489)
Gain from sale of property, plant and equipment		(275)	(39)
Effect of exchange rate change		10,912	7,312
Share of loss/(profit) of equity-accounted investee, net of tax		303	(454)
Equity settled share based payment expense		245	3,954
Tax expense		6,375	6,745
<b>Operating profit before changes in working capital and provisions</b>		<b>68,932</b>	<b>55,821</b>
Increase in trade and other receivables		(17,600)	(5,877)
Decrease in inventories		86	289
Increase in trade and other payables		675	1,613
Decrease in provisions		(755)	(351)
Increase in deferred revenue		22,580	6,877
		<b>73,918</b>	<b>58,372</b>
Tax paid		(4,932)	(5,787)
<b>Net cash inflow from operating activities</b>		<b>68,986</b>	<b>52,585</b>
<b>Cash flows from investing activities</b>			
Interest received		964	1,216
Dividends received from joint venture		600	-
Acquisition of subsidiary, net of cash acquired		(19,009)	(6,687)
Acquisition of property, plant and equipment		(105,025)	(115,853)
Proceeds from sale of property, plant and equipment		1,090	96
<b>Net cash outflow from investing activities</b>		<b>(121,380)</b>	<b>(121,228)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new loan		184,841	104,099
Interest paid		(32,228)	(29,682)
Refinancing transaction costs		(2,853)	(2,888)
Repayment of borrowings		(89,603)	(25,975)
Proceeds from sale and leaseback		12,700	-
<b>Net cash inflow from financing activities</b>		<b>72,857</b>	<b>45,554</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>20,463</b>	<b>(23,089)</b>
Cash and cash equivalents at 1 September	18	60,973	74,445
Effect of exchange rate fluctuations on cash held		1,829	9,617
<b>Cash and cash equivalents at 31 August 2017</b>	18	<b>83,265</b>	<b>60,973</b>

The accompanying notes form part of these financial statements.



## Notes to the Financial Statements

### 1 Accounting policies

#### **General information**

Cognita Bondco Parent Limited (the "Company") is a company incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Cognita Midco Limited. The ultimate controlling party is Cognita Topco Limited, a company incorporated in Jersey which is owned by The Bregal Fund III LP and KKR European Fund III LP who each own 50% of the issued share capital.

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

#### **Basis of preparation**

Both the Company and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). 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.

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 in note 31.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company (its subsidiaries) and the Group's interest in its jointly controlled entity. 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 or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

The governance of a jointly controlled entity is established by contractual agreement which requires the venturers' unanimous consent for strategic, financial and operating decisions. Therefore, the Group has joint control of the entities' activities. The equity method is used to account for the jointly controlled entity. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Going concern**

The Group has continued to expand both organically and via acquisitions during the year. The growth has been funded from operating cash flow and short and long term borrowings (see note 19). Future growth will be funded from suitable financing arrangements as well as cash flows generated from operations.

The information disclosed in the Strategic Report explains the Directors' assessment of risk within the Group. The Group is structured to enable sharing of resources where possible, including banking arrangements and liquid assets between Group companies. The Directors believe the Group is well placed to manage these business risks in the current economic climate.

The Directors have performed a review of the Group and have a reasonable expectation that the business has adequate resources to continue into the foreseeable future. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing the financial statements.

The principal accounting policies are set out below. They have remained unchanged from the previous year.

#### **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, which are recognised directly in other comprehensive income.

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)*

#### **Classification of financial instruments**

The Group classifies non-derivative financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Held to maturity financial assets
- Loans and receivables

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

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

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

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and 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 cash balances and call deposits. In the cash flow statement, cash and cash equivalents includes bank overdrafts that are repayable on demand.

#### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value less any impairment losses. Due to their short-term nature, the carrying value of trade and other receivables approximates their fair value. A provision for impairment of receivables is applied where there is empirical evidence that the Group will not be able to recover the contracted cash inflows. When certainty is obtained that a receivable is not recoverable, the specific receivable is written off.

#### **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 receivables approximates their fair value.

#### **Interest-bearing borrowings**

Senior Secured Loan Notes and 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, less any impairment losses. Where amortised cost using straight line amortisation approximates the outcome under the effective interest method, the straight line method is adopted.

## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### ***Derivative financial instruments and hedging***

The Group uses forward contracts and 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 are 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.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

#### ***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 60 years
Short leasehold land and buildings	- the remaining life of the lease
Fixtures, fittings and equipment	- 1 to 10 years
Computer equipment	- 2 to 10 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.

When the Group obtains control of a previously jointly controlled entity, the transaction is recorded as a disposal of the investment in the jointly controlled entity and the acquisition of a subsidiary. The profit or loss on disposal of the jointly controlled entity is the fair value of the original holding less its carrying amount.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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 its fair value or at its 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)

#### **Acquisitions and disposals of non-controlling interests**

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and, therefore, no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

#### **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 subsidiaries 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. Where the total of consideration transferred and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

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. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

##### *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 years
Customer contracts	- average tenure of a student at relevant school
School licences	- over the length of the licence
Brands	- 20 years
Favourable leases	- over the remaining length of the lease

#### **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 excluding inventories and deferred tax assets**

##### *Financial assets (including receivables)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

##### *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 the end of the first full financial year after acquisition and subsequently at each reporting date.

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 net realisable value (fair value less costs to sell) and value in use.

Value in use is calculated by discounting estimated future post-tax cash flows to their present value using a post-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

The discount rate applied is based on the post-tax weighted average cost of capital of the Group's operations in the country the asset sits. Estimated future cash flows are based on Board approved budgets which represent our best estimate of future performance, supported by historical trends, known operating margins and achievable growth or cost saving targets. An inflationary growth rate of 2.25% was used to extrapolate beyond the most recent forecasts for all regions with the exclusion of Brazil where 4.95% was used, representing the inflation rate for the business based on latest economic information.

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 cash-generating units ("CGU"). Impairment testing is performed at the lowest level at which goodwill is monitored for internal reporting purposes. Therefore a CGU represents an individual school or group of schools purchased as one business acquisition transaction. No individual CGU's are considered significant in comparison to the total carrying value of goodwill.

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.

## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Revenue**

Revenue represents the fair value of consideration received or receivable for services or goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is recognised based on the following criteria:

- it is probable that the economic benefits of the transaction will flow to the Group
- the revenue can be measured reliably
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Revenue is generated from the provision of educational services and the sale of related services and goods. The recognition of material revenue streams is detailed below:

- **Tuition fees**

These are recognised on a straight line basis over the period of the service provision. The fee will be recognised over the full 12 months of that academic year. Annual fee rates are used as the basis for calculating the monthly fee recognised.

- **Application/enrolment fees**

These fees relate to the processing of new applications and where successful, a formal offer of a place within one of the Group's schools is made. These fees are recognised at the point at which an application is processed.

- **Development/facility fees/capital levies**

This is a fee for the provision of the facilities made available to a student during their tenure at a Group school. These fees are dependent upon the provision of tuition services and are therefore directly linked. The revenue is recognised over the expected tenure of a student within the school. The expected tenure is considered on a school by school basis and this estimate is reconsidered on an annual basis.

- **Holiday camp revenue**

Fees payable for holiday camp services are recognised on a straight line basis over the period of the service provision.

- **Other revenue**

This represents a number of income streams including fees for information technology, transportation, clubs, trips and income from the sale of books, uniforms and canteen sales. Revenue is recognised upon the provision of services or upon sale of goods.

All revenue is presented net of discounts, the recognition of which is consistent with the related revenue stream.

#### **Employee benefits**

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the 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 defined contribution. For further detail on the TPS see note 22.

## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### *Employee benefits (continued)*

##### *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 or profit-sharing 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 9.

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.

#### *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.

#### *Expenses*

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the 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, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.



## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Taxation**

Tax on the loss 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.

#### **Non-underlying items**

Non-underlying items are disclosed separately in order to provide comparability between periods. They comprise income and expenditure which is not related to the Group's core operating activities, including acquisition and business exploration costs, restructuring costs, impairment of assets, profit and loss on disposal of fixed assets, school pre-opening losses and non-cash share based payment expense.

#### **Standards issued but not yet effective**

The material new standards and interpretations that are endorsed by the EU but not yet effective up to the date of issuance of the Group's financial statements are disclosed below and will be adopted where applicable when they become effective.

IFRS 9, 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and liabilities and replaces the guidance provided by IAS 39 'Financial Instruments: Recognition and Measurement' with effect for the year ending 31 August 2019. Early application is permitted. The key change for the Group arising from IFRS 9 is in the requirement to use an expected loss model for recognition of bad debt provisions across the whole Group, however, the impact on the Group is not expected to be material.

IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and focuses on the nature, amount, timing and uncertainty of revenue and its related cash flows. IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' with effect for the year ending 31 August 2019. Early application is permitted. The Group expects to see changes to the timing of revenue recognition as a result of the standard with tuition and associated fees being recognised on a term time basis. This will lead to a one-off increase in equity on adoption, however, annual revenue will not change materially.

IFRS 16, 'Leases' considers the definition of a lease, recognition and measurement of leases and also deals with the disclosure of useful information relating to leasing activities. The standard replaces IAS 17 'Leases' and a key change is that most operating leases held by lessees will be accounted for on the balance sheet. IFRS 16 is effective for the year ending 31 August 2020, with early adoption permitted, as long as the standard is not adopted prior to IFRS 15. On adoption, a one-off decrease in equity will be recognised along with higher EBITDA, offset by higher interest costs.

Gearing will increase as a result of new operating lease liabilities, however, this will be offset by equal and opposite right of use assets.

The consequences of the adoption of IFRS 9, IFRS 15 and IFRS 16 is currently being considered in detail by management and the full impact has not yet been determined.

## Notes to the Financial Statements *(continued)*

### 2 Acquisitions of subsidiaries

#### *Acquisitions in the current period*

During the year the Group completed four acquisitions. The English Montessori School S.A. in Madrid, Spain, The Bushcraft Company Limited in the UK, Avondale Grammar School Pte Ltd in Singapore and St Nicholas Preparatory School Limited in the UK.

The Group incurred costs related to these acquisitions of £434,000 relating to legal and financial due diligence and transaction costs during the year ended 31 August 2017 (2016: £932,000). These costs have been included in non-underlying 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. None of the goodwill recognised is expected to be deductible for tax purposes.

Cash outflows from acquisitions are reflected in the Consolidated Cash flow Statement on page 23. Cash outflows relating to acquisitions are shown net of cash acquired and include deferred consideration paid in respect of prior year investments.

If all of the acquisitions had occurred on 1 September 2016, the Group revenue would have been £392,970,000 and the Group net loss would have been £27,966,000. In determining these amounts, management has assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition occurred on 1 September 2016.

More detail is provided on each acquisition below:

#### **The English Montessori School, Spain**

On 6 September 2016, the Group acquired a 100% shareholding in The English Montessori School S.A. for a total consideration of €11.4m.

The school is an independent British curriculum school located in the outskirts of Madrid, Spain, offering education to students aged 3-18 years. The school had c. 790 students at the date of acquisition, with a current capacity of c. 1,000. The acquisition of the school expands the Group's educational offering in Madrid and provides a good opportunity to grow student numbers in Spain.

In the period from acquisition to 31 August 2017, The English Montessori School contributed £6,098,000 of revenue and £332,000 profit to the consolidated net loss for the year.

## Notes to the Financial Statements (continued)

### 2 Acquisitions of subsidiaries (continued)

#### Effect of acquisitions

The acquisition of The English Montessori School S.A. 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
<b>Acquiree's net assets at the acquisition date:</b>			
Property, plant and equipment	1,562	-	1,562
Fair value of intangible assets:			
Customer contracts	-	2,943	2,943
Trade and other receivables	1,149	-	1,149
Cash and cash equivalents	336	-	336
Trade and other payables	(1,594)	-	(1,594)
Deferred tax liabilities	-	(717)	(717)
Net identifiable assets acquired	<u>1,453</u>	<u>2,226</u>	<u>3,679</u>
Cash consideration relating to business combination and acquisition payment			6,105
Deferred consideration at fair value			2,742
Total consideration			<u>8,847</u>
Value of consideration in excess of net assets acquired attributed to Goodwill			<u>5,168</u>

#### The Bushcraft Company

On 12 May 2017, the Group acquired a 100% shareholding in The Bushcraft Company Limited ("Bushcraft") along with its holding companies Educational Activity Group Limited and Educational Activity Limited, for consideration of £5.2m. The consideration includes deferred payments, of which a small amount is contingent. The expected liability of c. £1.0m is due to crystallise in three years.

Bushcraft offers residential school trips, taking students aged 7-18 into UK woodland settings and giving them a back-to-nature experience. The purpose of the acquisition was to compliment our educational offering in the UK market.

In the period from acquisition to 31 August 2017, Bushcraft contributed £2,927,000 of revenue and £931,000 net profit to the consolidated net loss for the year.

## Notes to the Financial Statements (continued)

### 2 Acquisitions of subsidiaries (continued)

#### Effect of acquisitions

The acquisition of Bushcraft 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
<b>Acquiree's net assets at the acquisition date:</b>			
Property, plant and equipment	477	-	477
Fair value of intangible assets			
Customer contracts	-	4,520	4,520
Inventories	94	-	94
Trade and other receivables	191	-	191
Cash and cash equivalents	982	-	982
Deferred tax assets	93	-	93
Trade and other payables	(716)	-	(716)
Deferred tax liabilities	-	(759)	(759)
Provisions	(50)	-	(50)
Deferred income	(2,473)	-	(2,473)
Net identifiable assets acquired	<b>(1,402)</b>	<b>3,761</b>	<b>2,359</b>
Cash consideration relating to business combination and acquisition payment			4,012
Deferred consideration at fair value			488
Contingent consideration at fair value			723
Total consideration			<b>5,223</b>
Value of consideration in excess of net assets acquired attributed to Goodwill			<b>2,864</b>

#### Avondale Grammar School, Singapore

On 13 July 2017, the Group acquired 100% of the share capital of Avondale Grammar School Pte Ltd ("Avondale"), an independent Australian curriculum school in Singapore, for total consideration of SGD 10.5m (c. £5.9m).

The purpose of the acquisition was to obtain full control of the Australian curriculum market in Singapore, as the Group already owns the only other school in the country who provide this. At the date of acquisition, the school had 250 students.

In the period from acquisition to 31 August 2017, Avondale contributed £581,000 of revenue and £2,797,000 of loss (of which £2,665,000 relating to a restructuring provision) to the consolidated net loss for the year.

## Notes to the Financial Statements (continued)

### 2 Acquisitions of subsidiaries (continued)

#### Effect of acquisitions

The acquisition of Avondale 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
<b>Acquiree's net assets at the acquisition date:</b>			
Property, plant and equipment	188	-	188
Fair value of intangible assets			
Customer contracts	-	293	293
Trade and other receivables	632	-	632
Cash and cash equivalents	2,344	-	2,344
Trade and other payables	(676)	-	(676)
Deferred tax liabilities	-	(49)	(49)
Deferred income	(918)	-	(918)
Net identifiable assets acquired	<u>1,570</u>	<u>244</u>	<u>1,814</u>
Total consideration			<u>5,919</u>
Value of consideration in excess of net assets acquired attributed to Goodwill			<u>4,105</u>

#### St Nicholas Preparatory School

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School Limited in London, UK for a total consideration of £1.3m. Prior to the acquisition, the Group owned 50% of the company and this increase in shareholding has been treated as a stepped acquisition in line with IFRS 3 resulting in the disposal of the joint venture and the acquisition of a 100% owned subsidiary. Negative goodwill of £1.0m arising on the acquisition was immediately recognised in the income statement within acquisition and business exploration costs (see note 5). This was offset by a loss on disposal of the joint venture of £1.4m (see note 14).

St Nicholas Preparatory school is an independent Montessori nursery and preparatory school providing education of children aged 3 months - 11 years with 175 students at the date of acquisition. The acquisition gives the Group full control of the school.

As the acquisition took place so close to the year end, the amount of revenue and loss included within the consolidated net loss for the year was not material.

## Notes to the Financial Statements (continued)

### 2 Acquisitions of subsidiaries (continued)

#### Effect of acquisitions

The acquisition of St Nicholas Preparatory School Limited 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
<b>Acquiree's net assets at the acquisition date:</b>			
Property, plant and equipment	215	-	215
Fair value of intangible assets			
Trade and other receivables	1,298	-	1,298
Cash and cash equivalents	5,131	-	5,131
Trade and other payables	(3,228)	-	(3,228)
Deferred income	(1,176)	-	(1,176)
<b>Net identifiable assets acquired</b>	<b>2,240</b>	<b>-</b>	<b>2,240</b>
Cash consideration relating to business combination and acquisition payment			150
Fair value of previously held stake			1,120
<b>Total consideration</b>			<b>1,270</b>
Value of consideration shortfall against net assets acquired			(970)

### 3 Revenue

	2017 £000	2016 £000
School fees and related services	384,093	325,205
Sale of goods	1,067	840
<b>Total revenue</b>	<b>385,160</b>	<b>326,045</b>

### 4 Operating Segments

The Group's principal activity during the year was the operation of private schools and related education activities.

At the year end the Group operated 67 (2016: 67) schools across Europe, Asia and Latin America. The Directors consider these three segments as the Group's reportable segments under IFRS 8.

This segmental analysis shows the results of these divisions. Revenue is income earned by the Group from third parties and is stated net of intersegmental revenue, in line with the reports reviewed by the chief decision makers. Intersegmental revenue mainly includes management charges.

The Group analyses its results at Adjusted EBITDA level on an underlying basis with separate disclosure of non-underlying costs in arriving at its results before tax. Adjusted EBITDA is the performance measure observed by the chief decision makers and is defined as underlying operating profit before depreciation, amortisation and impairment charges. Profit/loss before tax is not reviewed on an operating segment basis by the chief decision makers, therefore, a reconciliation of Adjusted EBITDA to Profit/loss before tax is shown below for completeness. Refer to note 5 for an analysis of non-underlying items.

## Notes to the Financial Statements (continued)

### 4 Operating Segments (continued)

#### Segment revenues and results

Operating Segment	Revenue	Revenue	Underlying Adjusted EBITDA	Underlying Adjusted EBITDA
	31 August 2017 £000	31 August 2016 £000	31 August 2017 £000	31 August 2016 £000
Europe	178,077	162,479	14,483	15,816
Asia	159,322	128,954	48,708	37,504
Latin America	47,761	34,612	9,693	6,902
<b>Total</b>	<b>385,160</b>	<b>326,045</b>	<b>72,884</b>	<b>60,222</b>
Depreciation and amortisation of other intangibles			(32,172)	(25,756)
<b>Underlying operating profit</b>			<b>40,712</b>	<b>34,466</b>
Non-underlying costs (note 5)			(17,457)	(23,800)
Finance income			9,430	29,489
Finance expense			(50,202)	(73,483)
Share of (loss)/profit of joint venture			(303)	454
<b>Loss before Taxation</b>			<b>(17,820)</b>	<b>(32,874)</b>

#### Segment Assets

	Total assets 2017 £000	Total assets 2016 £000
<b>Operating segment</b>		
Europe	481,711	407,153
Asia	341,292	266,791
Latin America	83,964	70,976
<b>Segment assets</b>	<b>906,967</b>	<b>744,920</b>

## Notes to the Financial Statements *(continued)*

### 5 Non-underlying items

	2017 £000	2016 £000
Impairment	2,623	8,172
Acquisition and business exploration costs *	7,759	4,575
Restructuring costs **	7,105	7,138
Share based payments charge	245	3,954
Gain on disposal of fixed assets	(275)	(39)
	<b>17,457</b>	<b>23,800</b>

\* Includes negative goodwill on acquisition of joint venture £970,000 (note 2) and pre-opening costs of £5,876,000 (2016: £1,930,000)

\*\* Includes loss on disposal of interest in joint venture £1,428,000 (note 14).

Non-underlying items are items of income or expenditure which for the Board and financial statement reporting purposes are disclosed separately because in management's judgement, due to their nature, size or incidence, they distort an understanding of the Group's financial performance and comparability between periods. The items of expenditure which management designate as being non-underlying include acquisition and business exploration costs, restructuring costs, impairments of assets, gains and losses on disposal of fixed assets and share based payment schemes.

Impairment costs relate to the write down of assets identified as being impaired. Each year all CGU's and their associated assets are reviewed for indicators of impairment. If identified as being impaired, an impairment charge will be made to the income statement. The impairment charge for an individual CGU, which does not result in a cash cost to the business, is generally one-off in nature and, therefore, is not considered to be a recurring item. In the event that an impairment loss is subsequently reversed, the reversal is treated consistently with the initial write down and would be recognised within non-underlying items. During the year, the Group impaired two schools within the Europe operating segment.

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 as well as losses incurred prior to the opening of new schools. 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 have 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.

Restructuring costs mainly relate to employment cessation and associated legal costs. These costs are incurred annually but relate to different projects and by their nature will only occur once. During the year ended 31 August 2016, two schools were closed in the UK with costs of £2.2m relating to the closures disclosed within this category.

Share based payment costs represent the income statement charge relating to the management incentive plan (MIP). This charge relates to the MIP put in place in June 2013, described in note 9. This charge does not result in a cash cost to the business and has therefore been shown as non-underlying.

All accounting policies are applied consistently between periods unless disclosures are made in the financial statements to the effect that there has been an accounting policy change, in which case, the impact of such change on the comparative numbers will be disclosed.

The tax effect of the non-underlying costs in 2017 was a credit of £449,000 (2016: £262,000).



## Notes to the Financial Statements *(continued)*

### 6 Expenses and auditor's remuneration

	2017 £000	2016 £000
<i>Expenses:</i>		
Cost of inventories recognised as expense	191	490
Impairment loss recognised on trade receivables	968	661
Depreciation of owned property, plant and equipment	24,944	19,830
Depreciation of property, plant and equipment on finance leases	5,524	4,801
Amortisation of other intangibles	1,704	1,125
Impairment of property, plant and equipment	2,516	2,662
Impairment of goodwill	107	6,628
Operating lease costs	12,503	9,855

#### *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:

	2017 £000	2016 £000
Audit of these financial statements	76	72
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	428	439
Audit-related assurance services	56	35
Taxation compliance services	80	114
Other tax advisory services	39	3
All other services	326	43
	1,005	706

## Notes to the Financial Statements *(continued)*

### 7 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	
	2017	2016
Number of teachers	4,609	4,189
Number of administrative staff	1,866	1,645
	<b>6,475</b>	<b>5,834</b>

The aggregate payroll costs of these staff were as follows:

	2017 £000	2016 £000
Wages and salaries	182,761	156,454
Share based payments (See note 9)	245	3,954
Social security costs	14,343	12,071
Contributions to defined contribution plans	7,861	6,901
	<b>205,210</b>	<b>179,380</b>

### 8 Directors' remuneration

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

	2017 £000	2016 £000
Aggregate emoluments and fees (including benefits in kind)	1,555	2,190
Performance bonuses (inc. social security) and other emoluments	1,115	1,041
Amounts paid as compensation for loss of office	-	991
	<b>2,670</b>	<b>4,222</b>
Share based payments	131	50
	<b>2,801</b>	<b>4,272</b>

No Directors have benefits accruing under defined benefit or defined contribution pension schemes. Under arrangements for selected individuals to subscribe for equity settled shares, a charge has been made to the income statement of £245,000 (2016: £3,954,000) in respect of Directors and managers within non-underlying operating costs. Of this charge, £nil (2016: £2,959,000) relates to arrangements which have vested during the periods ended 31 August 2016 and 31 August 2017.

## Notes to the Financial Statements (continued)

### 8 Directors' remuneration (continued)

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

	2017 £000	2016 £000
Aggregate emoluments and fees (including benefits in kind)	703	615
Performance bonuses (inc. social security) and other emoluments	626	501
	<u>1,329</u>	<u>1,116</u>
Share based payments	-	21
	<u>1,329</u>	<u>1,137</u>

Number of Directors who had awards receivable in the form of shares under a long-term incentive plan:

	2017	2016
Has awards received in form of shares under management incentive plan	<u>3</u>	<u>4</u>

On 31 March 2016, the Group provided an interest free, unsecured loan of £400,089 to M Uzielli, a Director of the Company, to enable him to participate in the Cognita Group Management Incentive Plan.

The loan becomes repayable, in cash, at the earlier of the Director leaving the employment of the Group and the future sale, partial sale, winding up, distribution or listing of the shares in Cognita Topco Limited. In the event of default, the borrower will be charged and required to pay interest calculated daily at base rate plus 4%.

The borrower may prepay the loan in full or in part, under certain circumstances. No prepayments had been made against the loan principal at 31 August 2017.

### 9 Share based payments

The Group was acquired by Cognita Topco Limited during the year ended 31 August 2013. As part of the restructuring, a management incentive plan (MIP) was introduced whereby certain Directors and senior managers were granted C shares in Cognita Topco Limited. The C shares have limited rights and there is no entitlement to dividends.

The rewards associated with the MIP are achieved by meeting specific IRR hurdles on the future sale, partial sale, winding up, distribution or listing of shares in Cognita Topco Limited. These rewards are incremental and will increase based on the IRR that is achieved by the main shareholders of Cognita Topco Limited. Should the specific hurdles be achieved, the rewards will be payable to the participants of the MIP.

In 2013, certain senior managers were also granted loans by Cognita Topco Limited in respect of their purchase of class C1 shares. The settlement or repayment of these loans by the employees is triggered at the same time as vesting of C shares being by a future sale, partial sale, winding up, distribution or listing of the shares in Cognita Topco Limited. The loans accrue interest at 4% per annum on a compound basis. The fair value of the loans and the C shares awarded as a single share-based payment arrangement was calculated, taking account of the expected settlement event and timing, at £8.7m for the Group and this amount was being charged to the Consolidated Income Statement of the Group over the expected vesting period of 5 years and 3 months.

The Group undertook a full review of the MIP during the year ended 31 August 2016 and identified that a number of the participants had left employment. As a result, the charge relating to these employees was accelerated such that the full remaining fair value had been recognised through the Consolidated Income Statement of the Group and was treated as non-underlying.

In the year, the vesting period remained unchanged with an anticipated vesting date in 2020.

## Notes to the Financial Statements *(continued)*

### 9 Share based payments *(continued)*

A number of new participants were granted shares in the incentive plan in the year ended 31 August 2016. The nature and rewards attached to the C shares granted remain consistent with the initial issuance in the year ended 31 August 2013. New participants to the MIP scheme in the year ended 31 August 2016, were also eligible to acquire B shares in Cognita Topco Limited, these shares rank pari passu with one another and entitle the B shareholders to participate in the profits of the Company. The terms associated with these shares under the MIP are consistent with those relating to the C shares.

Valuations were performed by an independent third party at each of the grant dates. Due to the complex features of the awards, the fair value of these shares at the grant date were derived using an approach called Quadrature.

The following assumptions applied in determining the fair value:

- An assumed equity value was estimated at grant date
- A realisation event was assumed to occur at 31 August 2020
- A risk free rate of return ranging from 0.66% to 1.14%, depending on grant date was used for modelling purposes
- A future volatility rate of 43% was estimated based on the historical volatility of comparable public companies adjusted for unique or significant events not expected to affect future volatility
- An annual employee exit rate of 0% has been factored into the assumptions, as shares are transferred to other participants

### 10 Finance income and expense

#### Recognised in income statement

	2017 £000	2016 £000
<b>Finance income:</b>		
Bank interest	1,152	1,222
Other interest receivable	396	101
Derivatives gain	-	16
Dividend receivable	600	-
Exchange gains	7,282	28,150
<b>Total finance income</b>	<b>9,430</b>	<b>29,489</b>

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
<b>Finance expense:</b>				
Interest payable on bank borrowings	2,617	-	3,291	-
Other similar charges payable	3,280	2	2,070	-
Interest payable to Group companies	-	27,893	-	23,163
Finance charges in respect of finance leases	283	-	117	-
Interest payable on Revolving Credit Facility	28,773	-	24,020	-
Loss on fair value of forward contracts	15,249	-	43,985	-
<b>Total finance expense</b>	<b>50,202</b>	<b>27,895</b>	<b>73,483</b>	<b>23,163</b>

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 drawdown date of the debt. Further information can be found in note 19.

## Notes to the Financial Statements (continued)

### 11 Taxation

#### Recognised in the income statement

	2017 £000	2016 £000
<b>Current tax expense</b>		
Current year	5,757	6,541
Adjustments for prior years	(380)	39
<b>Current tax expense</b>	<b>5,377</b>	<b>6,580</b>
Origination and reversal of temporary differences	1,116	131
Reduction in tax rate	-	(594)
Recognition of previously unrecognised tax losses	(118)	628
<b>Deferred tax expense</b>	<b>998</b>	<b>165</b>
<b>Total tax expense</b>	<b>6,375</b>	<b>6,745</b>

	2017 £000	2016 £000 (restated)
Loss excluding taxation	(17,820)	(32,874)
Tax using the UK corporation tax rate of 19.58 % (2016: 20.00%)	(3,489)	(6,575)
Effect of tax rates in foreign jurisdictions	(1,177)	(1,255)
Reduction in tax rate on deferred tax balances	372	98
Non-deductible expenses	6,019	11,893
Recognition of previously unrecognised tax losses	(118)	(23)
Current year losses for which no deferred tax asset was recognised	4,753	1,558
(Over)/under provided in prior years	(483)	667
Unrelieved withholding tax	467	498
Group relief outside consolidation	52	-
Consortium relief	(21)	(116)
<b>Total tax expense</b>	<b>6,375</b>	<b>6,745</b>

The prior year tax reconciliation has been amended to reallocate an item more appropriately.

In March 2016, the UK Government announced its intention to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020.

Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this reduced rate.

This rate change was substantively enacted at the balance sheet date. Deferred tax assets and liabilities have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

## Notes to the Financial Statements (continued)

### 12 Property, plant and equipment - Group

	Freehold land and buildings £000	Short leasehold land and buildings £000	Fixtures, fittings and equipment £000	Computer equipment £000	Assets under construction £000	Total £000
<b>Cost</b>						
Balance at 1 September 2015	151,921	247,378	62,294	27,945	15,520	505,058
Acquisitions through business combinations	-	595	95	25	-	715
Additions	4,377	73,022	7,280	3,927	35,729	124,335
Disposals	(27)	(1)	(869)	(1,372)	-	(2,269)
Asset reclassification	6,020	3,448	(2,563)	67	(6,972)	-
Effect of movements in foreign exchange	12,651	45,057	5,351	2,260	5,677	70,996
<b>Balance at 31 August 2016</b>	<b>174,942</b>	<b>369,499</b>	<b>71,588</b>	<b>32,852</b>	<b>49,954</b>	<b>698,835</b>
<b>Balance at 1 September 2016</b>	<b>174,942</b>	<b>369,499</b>	<b>71,588</b>	<b>32,852</b>	<b>49,954</b>	<b>698,835</b>
Acquisitions through business combinations	1,420	186	678	155	-	2,439
Additions	609	13,123	10,219	6,838	103,198	133,987
Disposals	(28,652)	(1,910)	(12,841)	(13,667)	(2,640)	(59,710)
Asset reclassification	(6,046)	98,191	4,497	(13)	(96,629)	-
Effect of movements in foreign exchange	6,430	6,289	1,821	610	176	15,326
<b>Balance at 31 August 2017</b>	<b>148,703</b>	<b>485,378</b>	<b>75,962</b>	<b>26,775</b>	<b>54,059</b>	<b>790,877</b>
<b>Depreciation and impairment</b>						
Balance at 1 September 2015	32,369	53,200	26,715	19,786	-	132,070
Depreciation charge for year	2,456	13,591	4,527	4,057	-	24,631
Impairment losses	2,662	-	-	-	-	2,662
Disposals	(26)	-	(831)	(1,355)	-	(2,212)
Effect of movements in foreign exchange	1,003	6,763	2,826	1,309	-	11,901
<b>Balance at 31 August 2016</b>	<b>38,464</b>	<b>73,554</b>	<b>33,237</b>	<b>23,797</b>	<b>-</b>	<b>169,052</b>
<b>Balance at 1 September 2016</b>	<b>38,464</b>	<b>73,554</b>	<b>33,237</b>	<b>23,797</b>	<b>-</b>	<b>169,052</b>
Depreciation charge for year	3,444	14,572	7,191	5,261	-	30,468
Impairment losses	-	2,441	75	-	-	2,516
Disposals	(18,365)	(1,910)	(12,351)	(13,403)	-	(46,029)
Effect of movements in foreign exchange	542	1,002	854	387	-	2,785
<b>Balance at 31 August 2017</b>	<b>24,085</b>	<b>89,659</b>	<b>29,006</b>	<b>16,042</b>	<b>-</b>	<b>158,792</b>
<b>Net book value</b>						
At 1 September 2015	119,552	194,178	35,579	8,159	15,520	372,988
At 31 August 2016	136,478	295,945	38,351	9,055	49,954	529,783
<b>At 31 August 2017</b>	<b>124,618</b>	<b>395,719</b>	<b>46,956</b>	<b>10,733</b>	<b>54,059</b>	<b>632,085</b>

## Notes to the Financial Statements *(continued)*

### 12 Property, plant and equipment - Group *(continued)*

During the year, the Group wrote down £2,516,000 (year ended 31 August 2016: £2,662,000) of property, plant and equipment following a review for impairment. The impairment calculation was performed in line with the Group's impairment accounting policy. Further details of the key assumptions and sensitivities within this calculation are given in note 13. The impairment loss for the year ended 31 August 2017 is allocated against Freehold land and buildings, whilst in the year ended 31 August 2016, the impairment loss was allocated between Freehold and Short leasehold land and buildings and is included in operating loss within the Statement of Comprehensive Income.

Disclosure of capital commitments can be found in note 27 of the financial statements.

During the year, the Group completed a ground rent sale and leaseback of freehold properties at four UK schools - see note 19. The carrying value of the leased assets as at 31 August 2017 was £12,500,000.

Following the partial disposal of the Chilton Cantelo school buildings in June 2017, the remaining buildings have been transferred to assets held for sale. The sale of the buildings is considered highly probable and they are being actively marketed. As at 31 August 2017, the total amount classified as assets held for sale was £608,000 (2016: £nil), being the net book value of the property prior to its transfer to assets held for sale.

Certain subsidiary undertakings are guarantors over Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange - Euro MTF Market. Under this arrangement, the assets of these subsidiary undertakings are subject to a fixed and floating charge.

## Notes to the Financial Statements (continued)

### 13 Intangible assets - Group

	Goodwill	Software	Other intangibles			Other	Total
	£000	£000	Favourable leases £000	Customer contracts £000	Brands and licences £000	£000	£000
<b>Cost</b>							
Balance at 1 September 2015	152,056	1,016	-	3,193	548	152	156,965
Acquisitions through business combinations	2,170	-	1,415	1,083	101	-	4,769
Additions	-	1,173	-	-	-	-	1,173
Effect of movements in foreign exchange	4,047	188	163	1,021	123	1	5,543
Balance at 31 August 2016	158,273	2,377	1,578	5,297	772	153	168,450
Balance at 1 September 2016	158,273	2,377	1,578	5,297	772	153	168,450
Additions	-	2,524	-	-	-	-	2,524
Acquisitions through business combinations	12,137	3	-	7,756	-	-	19,896
Disposals	-	(141)	-	-	-	-	(141)
Asset reclassification	-	153	-	-	-	(153)	-
Effect of movements in foreign exchange	1,560	59	106	466	27	-	2,218
Balance at 31 August 2017	171,970	4,975	1,684	13,519	799	-	192,947
<b>Amortisation and impairment</b>							
Balance at 1 September 2015	75,625	759	-	523	93	132	77,132
Amortisation for the year	-	230	39	751	88	17	1,125
Impairment charge	6,628	-	-	-	-	-	6,628
Effect of movements in foreign exchange	858	137	4	99	8	-	1,106
Balance at 31 August 2016	83,111	1,126	43	1,373	189	149	85,991
Balance at 1 September 2016	83,111	1,126	43	1,373	189	149	85,991
Amortisation for the year	-	723	36	873	72	-	1,704
Impairment charge	107	-	-	-	-	-	107
Disposals	-	(141)	-	-	-	-	(141)
Asset reclassification	-	149	-	-	-	(149)	-
Effect of movements in foreign exchange	482	63	2	48	2	-	597
Balance at 31 August 2017	83,700	1,920	81	2,294	263	-	88,258
<b>Net book value</b>							
At 1 September 2015	76,431	257	-	2,670	455	20	79,833
At 31 August 2016	75,162	1,251	1,535	3,924	583	4	82,459
At 31 August 2017	88,270	3,055	1,603	11,225	536	-	104,689



## Notes to the Financial Statements (continued)

### 13 Intangible assets - Group (continued)

Goodwill and other intangible assets are spread across the Group's regions. The carrying value of intangible assets is monitored by reference to Cash Generating Units ("CGUs"). A CGU is typically a school or limited company for non-school business units. The key assumptions for the value in use calculations are discount and growth rates. The Group considers that all CGU's operate in a similar sector being education, but acknowledge that the countries in which the Group operates need to be considered in the calculation of discount rate. Therefore this year's impairment reviews adopted discount rates ranging between 9.4% and 14.6%. For all CGU's a growth rate of 2.25% is applied with the exclusion of those in Brazil where a rate of 4.95% was used.

The Group monitors its post-tax weighted average cost of capital and those of its competitors using market data. In considering the discount rates applied to the CGU's, the Directors have considered the relative sizes and risks of its CGUs. The impairment reviews use a discount rate adjusted for pre-tax cash flows.

As part of the review for impairment, the carrying value of goodwill in two schools in UK (2016: UK and Brazil) were identified as being impaired and an adjustment of £107,000 (2016: £6,628,000) was made by the Group to write down the value of intangible consolidated goodwill.

#### Sensitivity analysis

Following the impairment losses recognised in the Group's UK schools and reported in tangible and intangible assets respectively, recoverable amounts were equal to carrying amounts.

On the basis of the above, a range of sensitised trading scenarios, carried out on all impairment reviews and for a reasonably possible range of sensitivities, the discounted future cash flows at 31 August 2017 exceeded the valuation of tangible and intangible assets.

Impairment calculations are, however, more sensitive to changes in the discount rate. An increase of 1% in the discount rate, with all other assumptions held constant, would give rise to an additional impairment charge of £4.9m (2016: £8.9m) in the Group CGU's.

### 14 Share of profit of joint venture

	2017 £000	2016 £000
At beginning of period	2,851	2,397
Interest in joint venture arising in year	(303)	454
Disposal of joint venture	(2,548)	-
At end of period	-	2,851
Fair value of 50% stake in joint venture previously held	1,120	
Carrying amount of interest	(2,548)	
Loss on disposal charged directly to income statement	(1,428)	

The interest in joint venture represented the Group's contribution to the share capital of St Nicholas Preparatory School Limited (the "joint venture"), created with a third party to manage the St Nicholas Preparatory School.

The joint venture was structured as a separate vehicle and the Group had a residual interest in the net assets. The Group owned 50% of the share capital and the articles of association required unanimous consent amongst the two owners for resolutions to be passed.

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School in London, UK for a total consideration of £1.3m. The negative goodwill of £1.0m arising on acquisition was immediately recognised in the income statement (see note 2).

## Notes to the Financial Statements *(continued)*

### 14 Share of profit of joint venture *(continued)*

The following table summarises the financial information of St Nicholas Preparatory School Limited as included in its own financial statements, adjusted for differences in accounting framework and policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in St Nicholas Preparatory School Limited.

	2016 £000
Non-current assets	2,677
Current assets	6,216
Non-current liabilities	(8)
Current liabilities	(3,573)
Net Assets (100%)	<u>5,312</u>
Group's share of net assets (50%)	2,656
Goodwill	195
Carrying amount of interest in joint venture	<u><u>2,851</u></u>
Income	4,888
Expenses	(3,758)
Profit before tax	1,130
Tax	(222)
Profit after tax	<u>908</u>
Group's share of profit and total comprehensive income (50%)	<u><u>454</u></u>

## Notes to the Financial Statements (continued)

### 15 Deferred tax assets and liabilities - Group

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017	2016	2017	2016
	£000	£000	£000	£000
Property, plant and equipment	4,125	3,568	(4,879)	(3,383)
Intangible assets	16	16	(1,924)	(790)
Provisions	1,958	2,541	(27)	(11)
Tax losses	1,138	834	-	-
Other	2,383	2,244	(167)	-
	<u>9,620</u>	<u>9,203</u>	<u>(6,997)</u>	<u>(4,184)</u>
Tax assets/(liabilities)				
Net of tax (liabilities)/assets	<u>(1,929)</u>	<u>(1,498)</u>	<u>1,929</u>	<u>1,498</u>
	<u>7,691</u>	<u>7,705</u>	<u>(5,068)</u>	<u>(2,686)</u>

#### Movement in deferred tax during the year:

	1 September 2016	Recognised on acquisition	Recognised in income statement	31 August 2017
	£000	£000	£000	£000
Property, plant and equipment	185	(33)	(906)	(754)
Intangible assets	(774)	(1,616)	482	(1,908)
Provisions	2,530	-	(599)	1,931
Tax value of loss carry-forwards utilised	834	124	180	1,138
Other	2,244	-	(28)	2,216
	<u>5,019</u>	<u>(1,525)</u>	<u>(871)</u>	<u>2,623</u>
Foreign exchange movement			(127)	
Total expense recognised in income statement			<u>(998)</u>	

#### Movement in deferred tax during the prior year:

	1 September 2015	Recognised in income statement	31 August 2016
	£000	£000	£000
Property, plant and equipment	(541)	726	185
Intangible assets	(472)	(302)	(774)
Provisions	-	2,530	2,530
Tax value of loss carry-forwards utilised	1,165	(331)	834
Other	4,205	(1,961)	2,244
	<u>4,357</u>	<u>662</u>	<u>5,019</u>
Foreign exchange movement		(827)	
Total expense recognised in income statement		<u>(165)</u>	

The deferred tax asset not recognised is approximately £14,849,000 (2016: £7,552,000) and remains available to offset against future taxable profits.

## Notes to the Financial Statements *(continued)*

### 16 Inventories

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Goods for resale	<b>444</b>	<b>430</b>
	<b>444</b>	<b>430</b>

### 17 Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Non-current</b>				
Other receivables	<b>9,423</b>	2,799	-	-
Prepayments and accrued income	<b>3,922</b>	6,005	-	-
Amounts owed by subsidiary undertakings	-	-	-	60
Amounts receivable in respect of finance leases	<b>3,762</b>	-	-	-
	<b>17,107</b>	8,804	-	60
<b>Current</b>				
Trade receivables	<b>45,426</b>	42,971	-	-
Other receivables	<b>9,434</b>	4,093	-	-
Prepayments and accrued income	<b>5,696</b>	3,705	-	-
Amounts owed by joint venture	-	323	-	-
Amounts receivable in respect of finance leases	<b>151</b>	-	-	-
	<b>60,707</b>	51,092	-	-

Non-current prepayments relate to operating leases held in the Asia region where amounts held on the balance sheet will be released to the income statement in more than one year from the Balance Sheet date.

On 26 January 2017, the Group disposed of Sackville School, UK, leasing the land and buildings to a third party, thereby creating a finance lease receivable at an initial value of £3,750,000. The terms of the lease provide for a rent free period until 31 August 2019, during which period finance lease interest will accrue. Interest accruing from the date of transaction to 31 August 2017 amounted to £12,000.

### 18 Cash and cash equivalents

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents per balance sheet	<b>83,265</b>	<b>60,973</b>
Cash and cash equivalents per cash flow statement	<b>83,265</b>	<b>60,973</b>

## Notes to the Financial Statements (continued)

### 19 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 25.

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
<b>Non-current liabilities</b>				
Secured bank loans	91,931	79,244	-	-
Finance lease liabilities	15,614	3,335	-	-
Loans from subsidiary undertakings	-	-	370,542	271,465
Senior Secured Loan Notes	368,048	268,539	-	-
	<u>475,593</u>	<u>351,118</u>	<u>370,542</u>	<u>271,465</u>
<b>Current liabilities</b>				
Secured bank loans	5,150	4,879	-	-
Finance lease liabilities	55	39	-	-
Senior Secured Loan Notes	1,860	2,762	-	-
Revolving Credit Facility	32,794	43,889	-	-
	<u>39,859</u>	<u>51,569</u>	<u>-</u>	<u>-</u>
<b>Total interest-bearing loans and borrowings</b>	<u>515,452</u>	<u>402,687</u>	<u>370,542</u>	<u>271,465</u>

Cognita Financing plc issued Senior Secured Loan Notes of £280m during the year ended 31 August 2015 and undertook two subsequent issues of loan notes, one in October 2016 totalling £45m at a premium of £2m and one in May 2017 totalling £50m at a premium of £2.2m.

The Senior Secured Loan Notes mature on 15 August 2021 and carry a fixed rate of interest of 7.75%. The issue has been listed on the Luxembourg Stock Exchange - Euro MTF ("Multilateral Trading Facility").

Included in non-current liabilities within Senior Secured Loan Notes is £9,296,000 (2016: £9,214,000) of debt issue costs and £3,728,000 (2016: £nil) premium on issue.

Included in current liabilities within Senior Secured Loan Notes is accrued interest of £476,000 (2016: £515,000).

The loans from subsidiary undertakings is a funding loan from Cognita Financing plc which carries a fixed rate of interest of 8.25% and is repayable in August 2021.

#### Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2017 £000	Carrying amount 2016 £000
Secured bank loan	BRL	Fixed 12.25%/ Brazil CDI +3-3.75%	Oct 18/Jun 20	8,712	11,902
Secured bank loans	CLP	Fixed 4.7% to 5.4%	Apr 27/ May 29	34,208	31,426
Secured bank loans	HKD	Hong Kong CDI +2.75-3%	Apr 21	51,790	40,795
Secured bank loans	EUR	Fixed 1.5%	Apr 22	2,371	-
Senior Secured Loan Notes	GBP	Fixed 7.75%	Aug 21	369,908	271,301
				<u>466,989</u>	<u>355,424</u>

## Notes to the Financial Statements *(continued)*

### 19 Other interest-bearing loans and borrowings *(continued)*

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Present value of minimum lease payments 2017 £000	Interest 2017 £000	Future minimum lease payments 2017 £000	Present value of minimum lease payments 2016 £000	Interest 2016 £000	Future minimum lease payments 2016 £000
Less than one year	245	502	747	221	116	337
Between one and five years	1,010	1,882	2,892	1,225	345	1,570
More than five years	14,414	44,955	59,369	1,928	2,799	4,727
	<b>15,669</b>	<b>47,339</b>	<b>63,008</b>	<b>3,374</b>	<b>3,260</b>	<b>6,634</b>

On 1 March 2017, the Group completed a ground rent sale and leaseback of freehold properties at four UK schools for consideration of £12,700,000. The purchaser simultaneously granted the Group 150 year leases over the properties on the expiry of which, the Group will have the option to buy back the freehold interest for £1 per property.

The profit on disposal arising on three of the properties, totalling £2,801,000, has been deferred and will be recognised on a straight line basis over the life of the lease. The loss incurred on the remaining site of £616,000 has been recognised immediately in the Statement of Comprehensive Income.

### 20 Trade and other payables

	Group 2017 £000	2016 £000
<b>Non-current</b>		
Other taxes and social security	301	298
Other payables	307	-
Deferred consideration	4,337	3,790
Accruals	6,328	4,427
Deposits	136	-
	<b>11,409</b>	<b>8,515</b>
<b>Current</b>		
Trade payables	28,809	12,835
Other taxes and social security	4,819	4,337
Amounts owed to subsidiary undertakings	-	-
Other payables	4,658	3,599
Deferred consideration	4,158	4,530
Accruals	53,363	40,448
Deposits	11,987	11,006
	<b>107,794</b>	<b>76,755</b>

The Company had no trade and other payables at the end of the current or preceding year.

## Notes to the Financial Statements (continued)

### 21 Other financial liabilities

	2017 £000	2016 £000
<b>Non-current</b>		
Financial liabilities designated as fair value through profit or loss	59,178	43,985
	<u>59,178</u>	<u>43,985</u>

There are no current financial liabilities

Other financial liabilities for the year ended 31 August 2017 relate to the forward currency contracts which were entered into following the completion of the refinancing in August 2015 and subsequent additional financings in 2016 and 2017. The forward currency contracts were entered into to mitigate the Group's exposure to future fluctuations in the Euro/GBP and Singapore Dollar/GBP exchange rates, respectively:

Provider	Contract Amount	Trade Date	Maturity Date	Contract Amount	Fair value 2017 £000	Fair value 2016 £000
	Local currency			£000		
HSBC	EUR 25,664,000	6 October 2015	8 October 2020	20,000	4,315	2,636
HSBC	SGD 226,496,500	7 October 2015	8 October 2020	100,000	25,615	20,622
Morgan Stanley	SGD 226,694,000	9 October 2015	8 October 2020	100,000	25,725	20,727
Nomura	EUR 17,241,107	3 March 2017	8 October 2020	15,000	1,294	-
Nomura	SGD 27,777,004	7 March 2017	8 October 2020	15,000	405	-
Nomura	EUR 5,484,561	11 August 2017	8 October 2020	5,000	196	-
Nomura	SGD 75,060,000	11 August 2017	8 October 2020	40,000	1,628	-
				<u>295,000</u>	<u>59,178</u>	<u>43,985</u>

### 22 Employee benefits - Pension plans

#### Defined contribution plans

The Group operates a number of defined contribution pension plan. 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 £7,861,000 (2016: £6,901,000) (see note 7).

#### Multi-employer defined benefit plan

##### Teachers' Pension Scheme

The Group participates in the TPS for its teaching staff. The defined contribution pension charge for the period includes contributions payable to the TPS of £5,369,000 (2016 £5,457,000) and at the year end £4,000 (2016: £698,000) was accrued in respect of contributions to this scheme.

## Notes to the Financial Statements *(continued)*

### 22 Employee benefits - Pension plans *(continued)*

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 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%.

The employer rate will be payable until the outcome of the next actuarial valuation, which was due to be prepared as at 31 March 2016 but has not yet been published. Any resulting changes to the employer rate are expected to take effect from 1 April 2019. This valuation will also determine the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

### 23 Provisions

#### Group

	Property £000	Severance Allowance and Non -compulsory insurance £000	Other £000	Total £000
Balance at 1 September 2016	414	1,131	1,962	3,507
Amounts arising from acquisitions	54	-	125	179
Provisions made during the year	393	413	2,691	3,497
Provisions used during the year	-	(283)	(451)	(734)
Foreign exchange movement	-	10	109	119
<b>Balance at 31 August 2017</b>	<b>861</b>	<b>1,271</b>	<b>4,436</b>	<b>6,568</b>
Non-current	861	1,271	3,194	5,326
Current	-	-	1,242	1,242
	<b>861</b>	<b>1,271</b>	<b>4,436</b>	<b>6,568</b>



## Notes to the Financial Statements (continued)

### 23 Provisions (continued)

Group	Property £000	Severance Allowance and Non- compulsory insurance £000	Other £000	Total £000
Balance at 1 September 2015	273	635	1,021	1,929
Amounts arising from acquisitions through common control transactions	-	-	1	1
Provisions made during the period	136	565	1,181	1,882
Provisions used during the period	-	(185)	(77)	(262)
Provisions reversed during the period	-	-	(455)	(455)
Foreign exchange movement	5	116	291	412
Balance at 31 August 2016	414	1,131	1,962	3,507
Non-current	414	1,131	1,091	2,636
Current	-	-	871	871
	414	1,131	1,962	3,507

#### Property

The property provision represents the anticipated costs of returning operating lease premises to their original state as required by the terms of the related lease. The leases are due to expire within two to three years and, therefore, the provision is expected to be utilised within this period. 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.

#### Severance allowance and non-compulsory insurance

Severance allowance is paid to certain employees in Vietnam when they terminate their employment contracts and is estimated based on a consideration of time and services rendered by employees. The provision is calculated on the basis of a half-month salary for each employee for each year of service with the relevant Group company and based on basic salary levels at the balance sheet date.

The non-compulsory insurance provision represents income tax and VAT payments for non-compulsory insurance in the Asia region. The non-compulsory insurance is considered as a taxable income and personal income tax is estimated based on local tax rate.

#### Other

The other provisions consist of amounts recognised for a loyalty points provision in Super Camps Limited, a provision for fidelity complement in Spain and a labour litigation provision in Brazil.

The loyalty points provision represents the fair value of loyalty points awarded over the last 24 months and management anticipate that they will be utilised over the next two years.

The fidelity complement is recognised as stated by the CBA in Spain. The provision covers the extra payments that may be requested by staff if they comply with certain requirements. The level of provision has been calculated by an actuary, and the release has been estimated over the next few years.

The labour litigation provision represents an amount relating to an ex-employee in Brazil.

## Notes to the Financial Statements *(continued)*

### 24 Capital and reserves

#### Share capital

Authorised called up and fully paid

Class of share	Number 2017	Number 2016	Nominal value per share	Total share nominal value 2017 £	Total share nominal value 2016 £	Share consideration 2017 £000	Share consideration 2016 £000
Ordinary	1	1	£1	-	300	1,669	1,669
				<u>-</u>	<u>300</u>	<u>1,669</u>	<u>1,669</u>

On 26 February 2016, the Company consolidated 300 ordinary shares of £1 into a single share of £300 and then transacted a reduction in nominal value to £1, transferring the proceeds to distributable reserves. At the same date, the share premium account was reduced by £498,908,000 and this amount was also transferred to distributable reserves.

#### Rights of share

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

#### Merger reserve

The merger reserve arose as a result of common control accounting upon the Company acquisition of Cognita Holdings Limited and its subsidiaries during the year ended 31 August 2016. The merger reserve represents the cumulative reserves of that group prior to the acquisition date.

#### 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 and is recognised in equity. 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.

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 September 2014, the transition date to Adopted IFRSs, from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

## Notes to the Financial Statements *(continued)*

### 25 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 main purpose of these financial instruments is to raise finance for 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 interest rate risk, the Group enters into a number of derivative transactions including, but not limited to, variable to fixed rate 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 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.

#### *a) Fair values of financial instruments*

##### *Fair values*

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

	Carrying amount 2017 £000	2016 £000	Fair value 2017 £000	2016 £000
<b>Group - Carrying amount and fair value</b>				
<b>IAS 39 categories of financial assets</b>				
Loans and receivables (including cash and cash equivalents)	151,461	111,159	151,461	111,159
<b>Total financial assets</b>	<u>151,461</u>	<u>111,159</u>	<u>151,461</u>	<u>111,159</u>
<b>Financial liabilities measured at amortised cost</b>				
Bank overdraft (note 18)	-	-	-	-
Interest-bearing loans and borrowings (note 19)	515,452	402,687	535,661	427,579
Trade and other payables excluding accruals and deferred consideration (note 20)	45,900	27,439	45,900	27,439
Provisions (note 23)	6,568	3,507	6,568	3,507
<b>Financial liability measured at fair value</b>				
Forward currency contracts and interest rate swaps (note 21)	59,178	43,985	59,178	43,985
<b>Total financial liabilities</b>	<u>627,098</u>	<u>477,618</u>	<u>647,307</u>	<u>502,510</u>
<b>Total net financial instruments</b>	<u>475,637</u>	<u>366,459</u>	<u>495,846</u>	<u>391,351</u>

##### *Effect of change of inputs used in fair value measurement*

The carrying amount of interest bearing trade and other receivables and trade and other payables is deemed to be a reasonable approximation of fair value. The fair value of interest-bearing loans and borrowings is determined by reference to the quoted price for the Senior Secured Loan Notes on the Luxembourg Stock Exchange - Euro MTF Market.

## Notes to the Financial Statements (continued)

### 25 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 credit risk associated with bank balances is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

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.

##### Company

The Company had no external receivables at the year end (2016: £nil) and so has no exposure to credit risk.

The ageing of trade receivables at the balance sheet date was:

Group	Impairment			Impairment loss		
	Gross	loss provision	Total	Gross	provision	Total
	2017	2017	2017	2016	2016	2016
	£000	£000	£000	£000	£000	£000
Not past due	32,880	(71)	32,809	35,347	-	35,347
Past due 0-30 days	7,453	(30)	7,423	5,268	(170)	5,098
Past due 31-120 days	4,391	(449)	3,942	2,442	(467)	1,975
Past due by more than 120 days	6,862	(5,610)	1,252	4,897	(4,346)	551
	<u>51,586</u>	<u>(6,160)</u>	<u>45,426</u>	<u>47,954</u>	<u>(4,983)</u>	<u>42,971</u>

The Company had no trade receivables at 31 August 2017 (2016: £nil).

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

	2017	2016
	£000	£000
Balance at 1 September	(4,983)	(4,104)
Provisions made during the year	(973)	(632)
Provisions used during the year	46	337
Provisions reversed during the year	5	(29)
Amounts arising from acquisition/disposal	(55)	-
Amounts written off	1	-
Foreign exchange movement	(201)	(555)
Balance at 31 August	<u>(6,160)</u>	<u>(4,983)</u>

The provision account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against trade receivables directly.

## Notes to the Financial Statements *(continued)*

### 25 Financial Instruments *(continued)*

#### **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 Group's policy has been to ensure continuity of funding and where possible has relocated debt closer to operational activities in appropriate local currencies.

During the year ended 31 August 2015, the Group refinanced all debt other than that held in Brazil and Chile. As part of this refinancing, on 21 July 2015 Cognita Bondco Parent Limited and Cognita Midco Limited were inserted between Cognita Topco Limited and Cognita Holdings Limited. Other new companies were also incorporated including Cognita Financing plc which issued Senior Secured Loan Notes of £280m.

On 4 October 2016, an additional £45m of Senior Secured Loan Notes were issued via a private placement at a premium of £2.0m to par value.

The Group issued an additional £50m of Senior Secured Loan Notes on 8 May 2017 via a private placement. These Notes, which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2.25m to par value was recognised upon the issuance of these instruments.

The Senior Secured Loan Notes mature on 15 August 2021 and carry a fixed rate of interest of 7.75%. The issue has been listed on the Luxembourg Stock Exchange – Euro MTF ("Multilateral Trading Facility").

The Group secured a £60m Super Senior Revolving Credit Facility to fund future borrowing requirements which can be drawn down in a number of different currencies as required. During the year ended 31 August 2016 the Super Senior Revolving Credit Facility was increased by £20m to £80m with a further increase of £20m in September 2016, bringing the total facility to £100m.

The Group has a strong working capital position as student contracts require cash payment in advance of tuition services, generally on an annual, termly or monthly basis. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

## Notes to the Financial Statements (continued)

### 25 Financial instruments (continued)

#### c) Liquidity risk (continued)

##### Liquidity risk - Group

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

		2017			
		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
<b>Non-derivative financial liabilities</b>					
Secured bank loans	466,989	626,762	70,668	538,407	17,687
Finance leases	15,669	15,669	234	1,022	14,413
Revolving Credit Facility	32,796	32,796	32,796	-	-
Trade and other payables*	119,203	119,203	119,203	-	-
	<b>634,657</b>	<b>794,430</b>	<b>222,901</b>	<b>539,429</b>	<b>32,100</b>
		2016			
		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
<b>Non-derivative financial liabilities</b>					
Secured bank loans	355,424	477,162	28,695	427,210	21,257
Finance leases	3,374	3,374	221	1,225	1,928
Revolving Credit Facility	43,889	43,889	43,889	-	-
Trade and other payables*	85,270	85,270	85,270	-	-
	<b>487,957</b>	<b>609,695</b>	<b>158,075</b>	<b>428,435</b>	<b>23,185</b>

\* Excludes derivatives (shown in note 20).

#### 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 minimal. The day to day transactions of overseas subsidiaries are usually carried out in their local currency.

## Notes to the Financial Statements (continued)

### 25 Financial instruments (continued)

#### d) Market risk (continued)

##### Group

The Group's exposure to foreign currency risk is as follows:

31 August 2017

	Sterling £000	Euro £000	Singapore Dollar £000	Chilean Peso £000	Brazilian Real £000	Vietnamese Dong £000	Thailand Baht £000	Hong Kong Dollar £000	Total £000
Cash and cash equivalents	13,152	8,485	21,926	1,674	3,530	18,661	6,329	9,508	83,265
Trade receivables	29,154	356	1,689	10,821	219	388	1,151	1,648	45,426
Other receivables	6,909	863	3,233	1,267	157	9,869	130	342	22,770
Prepayments	3,886	373	544	79	95	3,484	727	430	9,618
Trade payables	(3,010)	(1,358)	(14,673)	(629)	(1,474)	(354)	(512)	(6,799)	(28,809)
Other payables	(599)	(1,673)	(1,680)	(120)	(42)	(646)	(193)	(12)	(4,965)
Tax	(2,370)	(747)	(468)	(329)	(547)	(577)	(82)	-	(5,120)
Provisions	(778)	(781)	(3,004)	-	(492)	(1,270)	(106)	(137)	(6,568)
Accruals	(13,624)	(5,547)	(21,230)	(4,193)	(2,747)	(4,210)	(4,818)	(3,322)	(59,691)
Deposits	(10,808)	(497)	(26)	-	-	(206)	(586)	-	(12,123)
External loans < 1 year	(18,141)	(72)	(16,533)	(1,842)	(3,064)	-	-	(207)	(39,859)
External loans > 1 year	(323,318)	(8,104)	(53,373)	(33,567)	(5,648)	-	-	(51,583)	(475,593)
Net exposure	(319,547)	(8,702)	(83,595)	(26,839)	(10,013)	25,139	2,040	(50,132)	(471,649)

31 August 2016

	Sterling £000	Euro £000	Singapore Dollar £000	Chilean Peso £000	Brazilian Real £000	Vietnamese Dong £000	Thailand Baht £000	Hong Kong Dollar £000	Total £000
Cash and cash equivalents	9,984	11,212	11,507	1,522	2,362	19,232	3,815	1,339	60,973
Trade receivables	30,554	60	1,759	9,335	240	317	706	-	42,971
Other receivables	1,824	770	1,081	73	79	2,798	80	187	6,892
Prepayments	3,191	504	269	21	93	4,756	445	431	9,710
Trade payables	(2,077)	(1,301)	(7,224)	(574)	(463)	(268)	(620)	(308)	(12,835)
Other Payables	(1,004)	(204)	(1,135)	(86)	(51)	(885)	(234)	-	(3,599)
Tax	(2,432)	(542)	(387)	(285)	(436)	(526)	(27)	-	(4,635)
Provisions	(860)	(578)	(28)	-	(636)	(1,131)	(138)	(136)	(3,507)
Accruals	(14,145)	(2,584)	(14,261)	(2,630)	(2,234)	(3,051)	(5,460)	(510)	(44,875)
Deposits	(10,383)	-	(30)	-	-	(1)	(592)	-	(11,006)
External loans < 1 Year	(25,291)	(9,615)	(11,752)	(1,814)	(2,913)	-	-	(184)	(51,569)
External loans > 1 Year	(226,505)	(2,636)	(41,349)	(31,029)	(8,988)	-	-	(40,611)	(351,118)
Net exposure	(237,144)	(4,914)	(61,550)	(25,467)	(12,947)	21,241	(2,025)	(39,792)	(362,598)

## Notes to the Financial Statements (continued)

### 25 Financial instruments (continued)

#### d) Market risk (continued)

##### Company

The Company had no exposure to foreign currency risk at 31 August 2017 or at 31 August 2016.

##### Sensitivity analysis - Group

If sterling had been 10% stronger / weaker at 31 August 2017, Group equity would have decreased / increased by £590,000 (2016: £8,735,000). 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 Senior Secured Loan Notes which carry a fixed rate of interest of 7.75%. The Group's exposure to interest rate fluctuations on its variable interest rate bank borrowings is managed by the use of hedging. It is the Group's policy to use fixed interest rate hedging instruments to hedge at least 50% of its bank borrowings.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2017 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 - 2017				Interest rate - 2016			
	Fixed £000	Floating £000	Zero £000	Total £000	Fixed £000	Floating £000	Zero £000	Total £000
<b>Financial assets:</b>								
Cash	-	83,265	-	83,265	-	60,973	-	60,973
Trade receivables	-	-	64,283	64,283	-	-	49,863	49,863
<b>Financial liabilities:</b>								
Bank loans	-	(97,081)	-	(97,081)	-	(84,123)	-	(84,123)
Trade and other payables	-	-	(40,795)	(40,795)	-	-	(23,841)	(23,841)
Revolving Credit Facility	-	(32,794)	-	(32,794)	-	(43,889)	-	(43,889)
Senior Secured Loan Notes	(369,908)	-	-	(369,908)	(271,301)	-	-	(271,301)
Finance leases	(15,669)	-	-	(15,669)	(3,374)	-	-	(3,374)

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. Interest rate swaps are disclosed above at fair value as fixed rate instruments, whilst the loans that they are hedging are disclosed as variable rate instruments.

##### Sensitivity analysis

At 31 August 2017, the Group had exposure to interest rate sensitivity in respect of variable rate loans held in Brazil. In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have increased / decreased the result for the year by £423,000 (2016: £306,000).

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. The analysis is performed on the same basis for 2016.



## Notes to the Financial Statements (continued)

### 25 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 19 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.

### 26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Property 2017	Other 2017	Total 2017	Property 2016	Other 2016	Total 2016
	£000	£000	£000	£000 (restated)	£000 (restated)	£000 (restated)
Less than one year	12,836	113	12,949	9,543	286	9,829
Between one and five years	47,642	188	47,830	45,637	468	46,105
More than five years	198,122	7	198,129	199,314	-	199,314
	<u>258,600</u>	<u>308</u>	<u>258,908</u>	<u>254,494</u>	<u>754</u>	<u>255,248</u>

Analysis between Property and Other leases has been restated for year ended 31 August 2016 to correct a mis-classification between categories.

#### Group

During the year £12,503,000 was recognised as an expense in the income statement in respect of operating leases (2016: £9,855,000).

### 27 Capital Commitments

#### Group

During the year, the Group entered into contracts to purchase property, plant and equipment for £9,756,000 (2016: £11,671,000). These commitments are expected to be settled within twelve months of the balance sheet date.

The Group entered into a development contract for the Early Learning Village at Lorong Chuan campus in Singapore, which opened in July 2017. As at 31 August 2017, a commitment of £11,241,000 (2016: £58,750,000) remains.

The Group entered into a contract in Hong Kong for a brownfield school development during the prior year. The development opened in September 2017 with initial refurbishment work due to be completed in January 2018. As at 31 August 2017 there was a capital commitment of £10,722,000 (2016: £3,699,000).

In December 2014, the Group entered into a promise to purchase agreement with a real estate developer to construct a school in Chile. The development was completed and opened to students in March 2016. Under the terms of the agreement, the Group will be required to purchase the school and the freehold property should certain performance criteria be met, the aggregate contractual commitment at 31 August 2017 is £7,141,000 (2016: £6,431,000).

## Notes to the Financial Statements *(continued)*

### 28 Contingencies

#### Group Guarantees

During the period ended 31 August 2015, the Group restructured its debt which involved the formation of new companies within the Group, including subsidiary undertaking Cognita Financing plc. Cognita Financing plc issued Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange – Euro MTF Market. Cognita Bondco Parent Limited and certain subsidiary undertakings are guarantors on a senior basis. Under this arrangement, the assets of certain Group companies are subject to a fixed and floating charge.

The total gross exposure in relation to the Senior Secured Loan Notes was £379.2m (2016: £280.5m) including accrued interest, transaction costs and premiums on issue at the end of the year. The Guarantors also grant a senior guarantee of a Super Senior Revolving Credit Facility agreement concurrently with the Senior Secured Loan Notes guarantee. The Group also guarantees the loan facilities and deferred consideration in Brazil, Chile and Hong Kong, with a total exposure of £100.0m (2016: £94.0m).

#### 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 preconstruction condition.

It has been estimated that the maximum liability at 31 August 2017 should a reinstatement be required would be £6,670,000 (2016: £6,544,000 (restated)). 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.

#### Litigation

The Group received claims in respect of a potential litigation associated with the criminal conduct of a former teacher at Southbank International School. The Group maintains insurance cover and has been advised such cover will be adequate to cover the full amount of any potential claims.

#### Tax claims

The Group has received assessments from HMRC in the aggregate amount of £1,280,000 with respect to PAYE and NI in connection with the operation of a former management securities plan in the four accounting periods ended 31 August 2010 to 2013. The net exposure arising from the assessment is deemed to be £500,000. The Group has appealed these assessments on the basis of guidance from our advisors and no provision has been made.

## Notes to the Financial Statements (continued)

### 29 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. Transactions between the Group and its joint venture, St Nicholas Preparatory School Limited are disclosed below:

	Sales to 2017 £000	Sales to 2016 £000	Expenses incurred from 2017 £000	Expenses incurred from 2016 £000
Joint venture	70	57	-	-
Joint venture - consortium relief payments	-	-	135	116
	<u>70</u>	<u>57</u>	<u>135</u>	<u>116</u>

	Payables outstanding 2016 £000
Joint venture	323
	<u>323</u>

#### Company

During the year ended 31 August 2017, subsidiary undertaking Cognita Financing plc loaned £370,542,000 (2016: £271,381,000) to the Company. The loan carries a fixed rate of interest of 8.25% and is repayable in August 2021.

During the year ended 31 August 2016, subsidiary undertaking Cognita Holdings Limited loaned £83,208 to the Company and this has been repaid in full as at 31 August 2017. The loan was non-interest bearing.

### 30 Ultimate parent company and parent company of larger group

The immediate parent company is Cognita Midco Limited, a company registered in England and Wales. The ultimate parent company is Cognita Topco Limited, a company registered in Jersey.

The ultimate controlling parties are The Bregal Fund III LP and KKR European Fund III LP who each own 50% of Cognita Topco Limited.

## Notes to the Financial Statements *(continued)*

### 31 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, 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.

##### *Classification of Singapore land lease – decommission liability*

The Group has entered into two land leases in Singapore, upon which school buildings have been constructed. Note 28 describes the reinstatement clauses included in the lease contracts. Significant judgement is required in determining the likelihood that reinstatement of the land will be required upon expiry of the lease. In making its judgement, management considered the detailed criteria for the recognition of provisions and contingent liabilities set out in IAS 37. Following this work, management are satisfied that reinstatement costs are not probable and therefore it is most appropriate to disclose a contingent liability in the financial statements. Consequently an estimate of the cost of dismantling and removing the building and restoring the site to its original state at the end of the lease term has been obtained.

##### *Revenue recognition – Development/facility fees*

The Group recognises development and facility fees over the tenure or expected tenure of a student within a school. The Group's management determines the estimated tenure of a student in order to recognise development and facility fee revenue over the period of service provision. The estimated tenure is calculated on a school by school basis using an analytical method based on historical statistics, adjusted for known or anticipated trends.

In making its judgement to apply this recognition basis, management considered the detailed criteria for the recognition of revenue in the context of linked transactions set out in IAS 18 Revenue, in particular, the considerations surrounding the length of service provision. Estimates made by management regarding the calculation of tenure or expected tenure are discussed below.

#### **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.

##### *Share based payments*

In accordance with IFRS 2, share based payments are measured at fair value at the date of grant. The valuation requires a number of assumptions to be made based on factors outside the Group's control, such as vesting period and employee leavers.

## Notes to the Financial Statements *(continued)*

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

#### *Fair value of assets and liabilities attributable to business combinations*

All business acquisitions made following the transition to IFRS are accounted for in accordance with IFRS 3 which requires that all assets and liabilities acquired are recorded at their respective fair value at the date of acquisition. In addition the Group performs a purchase price allocation for each acquisition which identified the separable intangible assets acquired as part of each business combination. To establish the fair value of these separable intangible assets, the Group has to make assumptions in relation to the potential future cash flows relating to these assets which involved assumptions relating to potential future revenues, appropriate discount rates and the useful life of such assets.

#### *Impairment of goodwill*

The Group is required to perform an impairment test of goodwill at least annually. This requires the Group to estimate the value in use of the cash-generating unit (CGU) to which the goodwill has been allocated. The value in use calculation requires an estimate of the amount and timing of future cash flows expected to arise from the CGU and the selection and application of an appropriate discount rate.

Management's estimation of cash flows is based upon the current budgets and forecasts which are established using management's best estimate of the likely outcome. The estimation of discount rate is considered on a case by case basis and is achieved using a number of different methodologies which consider current market assessments of the time value of money and the risks specific to the individual CGU.

#### *Provisions*

The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date. The amount of provision recognised is dependent upon management's estimation of the likely outcome. At the balance sheet date, provisions included amounts for lease dilapidations, employee termination and other specific provisions.

Provisions are reviewed on a regular basis, according to management's best current estimates and are adjusted accordingly. Due to the inherent estimates and assumptions required upon the recognition of a provision, the amount required to settle a provision can be different to the provision recognised at the balance sheet date.

#### *Recoverability of trade receivables*

An estimation is required to determine the recoverability of fees receivable when collection of the full amount is not considered virtually certain. At the balance sheet date, all schools assess the recoverability of trade receivables and record a provision for doubtful debts based on knowledge of individual circumstances as well as historic empirical evidence of recoverability based on relative ageing of fees receivable.

Where there is evidence that a fee will not be recovered, the fee receivable asset will be derecognised and a bad debt charge will be recognised in the income statement.

Due to the use of estimates, sometimes there will be a difference between amounts collected in future periods related to fees receivable recognised at the balance sheet date. The difference between the carrying amount of the fee receivable on the balance sheet and the amount actually collected in a future period is recognised in the Consolidated Statement of Comprehensive Income.

#### *Deferred tax assets*

In order to determine the recoverability and therefore recognition of deferred tax assets, the Group must estimate the probable future taxable profits, against which the temporary timing differences can be utilised. This estimate requires the use of current budgets and forecasts to determine future taxable profits and the timing of when these will be realised.

Management evaluates the recoverability of deferred tax assets at each balance sheet date and if it is considered probable that all, or a part of the deferred tax asset will not be utilised within 5 years, the asset is derecognised.

## Notes to the Financial Statements (continued)

### 32 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held	Registered Office (Appendix)	Country of incorporation	Nature of business
Cognita Brasil Participacoes Ltda	Ordinary	100%	13	Brazil	Holding Company
Cognita Brasil Locadora de Imoveis Ltda	Ordinary	100%	13	Brazil	Property
Cognita Brasil Locadora de Imoveis 2 Ltda	Ordinary	100%	13	Brazil	Property
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	14	Brazil	Education
GRS2 Empreendimentos Imobiliarios S/A	Ordinary	100%	15	Brazil	Property
Escola Cidade Jardim - Playpen Ltda	Ordinary	100%	16	Brazil	Education
Cognita Chile SPA	Ordinary	100%	17	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	17	Chile	Holding Company
Desarrollos Educacionales, SA	Ordinary	100%	18	Chile	Management/ Holding Company
Soc. Educacional Heuchubura, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Penalolen, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Temuco, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Puerto Montt, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Valle Lo Campino, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Ciudad Del Este, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Lo Aguirre, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Chicureo, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Curuama, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Chicauma, SA	Ordinary	100%	18	Chile	Education
Inmobiliaria Tierra Fertil, SA	Ordinary	100%	18	Chile	Holding Company
Servicos Educacionales, SA	Ordinary	100%	18	Chile	Holding Company
Gestion Educativa, SA	Ordinary	100%	18	Chile	Holding Company
Bauhinia Education and Training Company Limited	Ordinary	100%	19	Hong Kong	Holding Company
Stamford American School of Hong Kong Limited	Ordinary	100%	19	Hong Kong	Holding Company
Spring Blossom Education Limited	Ordinary	100%	20	Hong Kong	Education
Flora Education Limited	Ordinary	100%	20	Hong Kong	Holding Company
Cognita MH SA de CV	Ordinary	100%	21	Mexico	Holding Company
Cognita Mexico Service Provider SC	Ordinary	100%	21	Mexico	Management Company
Vanguard Era Investments Limited	Ordinary	100%	22	British Virgin Islands	Holding Company
VOF PE Holding 1 Limited	Ordinary	100%	23	British Virgin Islands	Holding Company
International Schools Limited	Ordinary	100%	24	British Virgin Islands	Holding Company
International Education Corporation Joint Stock Company	Ordinary	100%	25	Vietnam	Education
Lotus Education and Training Company (ISSP)	Ordinary	100%	26	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	27	Vietnam	Holding Company
Global Education Network Lotus Company Limited	Ordinary	100%	27	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	99.99%	27	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	96%	27	Vietnam	Holding Company

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

\* Directly held

\*\* St Andrews Dusit Thailand Pte Limited holds 45% in St Andrews Dusit Campus Company Limited, a company incorporated in Thailand. A further 25% is held by British Education Management Systems Company Limited, also incorporated in Thailand.

\*\*\* During the year, Cognita BSB Sitges S.L. and Cognita Hastings School S.L. were merged into British School of Barcelona S.L. and Cognita Hastings Holdings S.L. respectively.

# 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.

## Notes to the Financial Statements (continued)

### 32 Investments in subsidiaries

Cost	Shares in subsidiary undertakings £000
Balance at 1 September 2016	766,962
Investments during the year	97,328
<b>Balance at 31 August 2017</b>	<b>864,290</b>

A full list of the Company's subsidiary undertakings are set out below:

Subsidiary undertaking	Class of share capital held	% held	Registered Office (Appendix)	Country of incorporation	Nature of business
Cognita Financing plc*	Ordinary	100%	1	England & Wales	Loan issuing Company
Cognita Holdings Limited*#	Ordinary	100%	1	England & Wales	Holding/ Loan issuing Company
Cognita UK Holdings Limited #	Ordinary	100%	1	England & Wales	Holding Company
Cognita Limited #	Ordinary	100%	1	England & Wales	Management/ Holding Company
Cognita Schools Limited	Ordinary	100%	1	England & Wales	Education
Cognita International Holdings Limited #	Ordinary	100%	1	England & Wales	Holding Company
Super Camps Limited #	Ordinary	100%	1	England & Wales	Education
The Bushcraft Company Limited #	Ordinary	100%	1	England & Wales	Education
Educational Activity Group Limited	Ordinary	100%	1	England & Wales	Holding Company
Educational Activity Limited	Ordinary	100%	1	England & Wales	Holding Company
St Nicholas Preparatory School Limited	Ordinary	100%	1	England & Wales	Education
Cognita Funding 1 Limited #	Ordinary	100%	1	England & Wales	Holding Company
Cognita UK Mexico Holdings Limited #	Ordinary	100%	1	England & Wales	Holding Company
Cognita UK Brazil Holdings Limited #	Ordinary	100%	1	England & Wales	Holding Company
Cognita Spain Holdings S.L.	Ordinary	100%	2	Spain	Management/ Holding Company
British School of Barcelona S.L. ***	Ordinary	100%	2	Spain	Education
ELIS Cognita S.L.	Ordinary	100%	2	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	2	Spain	Holding Company
Cognita BSB Property S.L.	Ordinary	100%	2	Spain	Property
Cognita Hastings Property S.L.	Ordinary	100%	2	Spain	Property
Cognita Hastings Holdings S.L. ***	Ordinary	100%	2	Spain	Holding Company
The English Montessori School S.A.	Ordinary	100%	3	Spain	Education
Cognita Singapore Holdings Pte Limited	Ordinary	100%	4	Singapore	Management Company
Cognita Centre for Leadership and Learning Limited	Ordinary	100%	4	Singapore	Education
Australian International School Pte Limited	Ordinary	100%	4	Singapore	Education
Cognita Asia Holdings Pte Limited	Ordinary	100%	4	Singapore	Holding Company
Stamford American International School Pte Limited	Ordinary	100%	5	Singapore	Education
Camp Asia Cognita Pte Limited	Ordinary	100%	6	Singapore	Education
Avondale Grammar School Pte Limited	Ordinary	100%	7	Singapore	Education
St Andrews Dusit Thailand Pte Limited	Ordinary	100%	8	Singapore	Education
St Andrews Dusit Campus Company Limited **	Ordinary	70%	9	Thailand	Management / Holding Company
British Education Management Systems Company Limited	Ordinary	100%	10	Thailand	Education
Silom Education Company Limited	Ordinary	100%	11	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	12	Thailand	Education

## Notes to the Financial Statements *(continued)*

### 33 Acquisition of Non-controlling interest

In September 2016, the Group exercised a call option to purchased the remaining 49% interest in the Chile schools business via its shareholding in Desarrollos Educativos, SA (DDEE) for a consideration of CLP 6.6bn (c. £7.7m). The carrying amount of DDEE's net assets in the Group's financial statements on the date of acquisition was £14,263,200. The Group recognised a decrease in NCI of £6,891,000, an increase in retained earnings of £765,000.

	<b>2017</b>
	<b>£000</b>
Carrying amount of NCI acquired ( $£14,063,200 \times 49\%$ )	6,891
Consideration paid to NCI	7,656
<b>An increase in equity attributable to owners of the group</b>	<b><u>765</u></b>



## Appendix - List of registered offices

- 1 EMW, Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, MK5 8FR
- 2 Plaza del Doctor Letamendi 1-2, 4ª planta (08007 Barcelona - Spain)
- 3 Calle La Salle C/N 28023, Madrid
- 4 60 Anson Road #18-04 Mapletree Anson, Singapore 079914
- 5 1 Lorong Chuan, Singapore 556818
- 6 1 Woodleigh Lane, Singapore, 357684
- 7 318 Tanglin Road, Block A, Singapore 247979
- 8 3 Raffles Place, #06-01, Bharat Building, Singapore, 048617
- 9 253 Ratchawithi Road, Kwaeng Suan Chitlada, Khet Dusit, Bangkok
- 10 7 Sukhumvit 107, Bang Na, Bangkok 10260, Thailand
- 11 9 Convent Road, Silom, Bang Rak, Bangkok 10550, Thailand
- 12 1M. 7 Ban Chang- Makhankhoo Road Samnak Thon, Ban Chang, Rayong, 21130 Thailand
- 13 Av. Lineu de Paula Machado, 1490 - Cidade Jardim - São Paulo - SP - 05601-000
- 14 Rua Maria Caldas, 35 - São Francisco - Niterói - RJ - 24365-050
- 15 Rua Coronel João Brandão, 95 - São Francisco - Niterói - RJ - 24365-060
- 16 Praça Professor Américo de Moura, 101 - Cidade Jardim - São Paulo - SP - 05670-060
- 17 Avda. Andres Bello, 2711 - Piso 19 - Las Condes - Santiago - Chile - 8320000
- 18 Marchant Pereira 10, Piso 14, Providencia, Santiago
- 19 14 Hutchison House, 10 Harcourt Road, Hong Kong
- 20 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
- 21 Manzanillo, 64 - Colonia Roma - Delegacion Cuauhtemoc - Ciudad de México - D.F. - México - 06760
- 22 Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands
- 23 Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands
- 24 International Trust Company B.V.I Limited, P.O. Box 659, Road Town, Tortola, British Virgin Islands
- 25 No. 649A, Vo Truong Tuan Street, An Phu Ward, District 2, Ho Chi Minh City
- 26 92 Nguyen Huu Canh, Ward 22, Binh Thanh District, Ho Chi Minh City, Vietnam
- 27 Level 4, VietComReal Building, 68 Nguyen Hue St., Ben Nghe Ward, District 1, HCMC, Vietnam