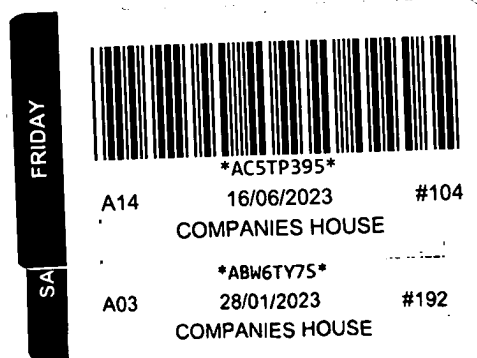


Lernen Bidco Limited
Annual Report and Financial Statements
Registered number 11539402
31 August 2022



Company Information
for the year ended 31 August 2022

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Strategic report

The Directors submit the Strategic Report, the Directors' Report and the audited consolidated financial statements of Lernen Bidco Limited ("the Company") for the year ended 31 August 2022.

The Company and its subsidiaries are together referred to as the "Group". The consolidated results of the Group are presented for the year ending 31 August 2022.

The Company is a wholly owned subsidiary of Lernen Bondco PLC, a company registered in England and Wales. Lernen Topco Limited, a company registered in England and Wales is the ultimate parent company of the Group. The ultimate parent undertaking and controlling party is Jacobs Holding AG. The audited, consolidated financial statements of Lernen Topco Limited are available to the public from Companies House.

The Group is a leading global system of private-pay K-12 schools. Cognita's overall operational and financial performance has been strong during the year, with the completion of five acquisitions. The results of the Group are discussed further below.

Principal activity and review of the year

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

Our Business

We are a leading global system of private-pay K12 schools. At the year end, the Group operated 92 schools across Asia, Europe, Latin America and the Middle East with an average total capacity throughout the period of 79,006 places and a total average enrolment of 63,448 FTE students.

Each Cognita school has its own unique ethos, with curricula and programmes tailored to the needs of the students and parents it serves. Operating a range of curricula in seven languages across 16 countries, the diversity of our global community is our strength. As a global system, each of our unique schools share a common purpose to thrive in a rapidly evolving world. We recognise that there is no single recipe to achieving our objective but have identified four strategic pillars that underpin our success: Holistic Education, Leadership, Operational Excellence and Growth.

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

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

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

Strategic report (continued)

Business Overview

The trading performance of the Group has been largely in line with the full year outlook stated at the beginning of the financial year. Exceptionally in Asia, the impact of the global pandemic has been wider ranging and more long-lasting, which resulted in lower pupil enrollments for the year under review than originally expected.

FY22 commenced with a much improved operating environment than the prior year, with all of our schools outside of Hong Kong, Vietnam and Thailand open at the beginning of the year. Our schools in Vietnam and Thailand began to re-open in November 2021, however full or partial closures continued to impact Hong Kong until May 2022.

Woodland, our early years provider in Hong Kong, faced significant disruption during the year. A government-imposed ruling restricted classes to half day sessions, instead of the usual full day offerings, and the mandatory cancellation of classes where greater than 10% of pupils were absent due to COVID further impacted operational performance.

Ongoing travel restrictions across Asia also impacted opening enrolments in some of our expat focused schools. Whilst most of these measures have since been eased, we have not seen a return to pre-pandemic levels in all of our schools. The Australian International School (AIS) and Stamford American International School (SAIS), Singapore, opened the academic year with lower enrollments than expected. Lower numbers of expat families in Singapore are a significant driver of this change. Pupil numbers are recovering as families return, however market dynamics have altered as a result of the pandemic and a full recovery will take longer to achieve.

Despite the effects of COVID within our Asian schools, the Group has performed well in the rest of our global system:

The new academic year commenced in February and March 2022 for our schools in Latam. The region has performed well during the year, with higher opening pupil numbers than expected across most of our portfolio. During FY22, two significant acquisitions completed in Latam: the acquisition of a prestigious group of schools in Chile, through the acquisition of Dunalastair; the purchase of Instituto Educativo Olinca in Mexico increasing the scale and presence of Cognita's global community and adding a new country to our footprint.

Europe delivered strong and continued growth during the year with the acquisition of "Meres", further strengthening our presence in Spain. Average pupil numbers across Europe for FY22 were 1,666 (9.6%) higher than FY21. Of this 1,666 pupil increase, 850 relates to organic growth across the region with remainder due to M&A.

The Middle East continued to grow on the back of strong market tailwinds and welcomed two additional schools into the Group: Ranches Primary School and Horizon International School, both of which are highly prestigious schools whose values align with the Cognita Group.

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

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

Strategic report (continued)

Results and performance

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

The Group has recognised revenue of £624.2m for the year (2021: £515.3m) during the year and the Group's statutory loss before taxation was £37.3m (2021: loss of £52.9m).

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

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

- "Average FTE Students" means the average of full time equivalent ("FTE") students at each month end during the relevant period.
- "Average Student Capacity" is the total number of students a particular school can accommodate at any given time.
- "Utilisation" is calculated as the Average FTE Students divided by Average Student Capacity, expressed as a percentage.

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

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

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

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

- "Regional EBITDA" means EBITDA excluding 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.

	Schools ¹		Average FTE Students		Average Student Capacity		Utilisation	
	Year ended 31 August 2022 No.	Year ended 31 August 2021 No.	Year ended 31 August 2022 No.	Year ended 31 August 2021 No.	Year ended 31 August 2022 No.	Year ended 31 August 2021 No.	Year ended 31 August 2022 %	Year ended 31 August 2021 %
Asia	13	13	13,618	14,132	18,515	18,257	73.6%	77.4%
Europe	52	51	18,975	17,309	25,170	23,109	75.4%	74.9%
Latin America	23	19	28,227	24,159	30,416	28,343	92.8%	85.2%
Middle East	4	1	2,628	497	4,905	613	53.6%	81.1%
Total	92	84	63,448	56,097	79,006	70,322	80.3%	79.8%

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

Strategic report (continued)
Results and performance (continued)

	Adjusted Revenue		Adjusted EBITDA		Adjusted EBITDA Margin		Adjusted EBITDA at Constant Currency	
	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000	Year ended 31 August 2022 %	Year ended 31 August 2021 %	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
Asia	217,867	211,891	73,750	72,621	33.9%	34.3%	73,750	74,900
Europe	258,784	224,179	49,079	40,004	19.0%	17.8%	49,079	39,443
Latin America	101,960	78,802	31,623	22,895	31.0%	29.1%	31,623	21,742
Middle East	23,995	4,181	8,826	1,213	36.8%	29.0%	8,826	1,271
Group Central	-	-	(11,101)	(12,217)	-	-	(11,101)	(12,215)
Total	602,606	519,053	152,177	124,516	25.3%	24.0%	152,177	125,141
FX Adjustment ¹	-	-	-	-	-	-	-	(625)
NUL Revenue ²	21,623	(3,776)	-	-	-	-	-	-
Per Statement of Comprehensive income/ APM	624,229	515,277	152,177	124,516	-	-	152,177	124,516

¹ FX difference arising from re-translating results for the year ended 31 August 2021 at a constant currency (FY22 average rate).

² NUL Revenue is inclusive of ramp-up period schools for the year ended 31 August 2022 and COVID related discounts in the prior year.

Cognita's overall performance for the year ended 31 August 2022 has been largely in line with management's expectations at the start of the year, with the exception of the Asia region. The continuing effects of COVID-19 in Asia led to school closures and travel restrictions in the first half of FY22, resulting in lower pupil numbers. Student numbers in certain ex-patriate schools were significantly impacted by the widespread border closures and travel restrictions across the region. Although restrictions have largely been removed by the end of the year, these factors resulted in fewer average students, lower revenue and Adjusted EBITDA during the past year.

Fee increases were implemented in FY22 for most of our schools, in line with market expectations. This, coupled with pupil growth in Europe, Latin America and the Middle East and growth from M&A, has resulted in higher Group EBITDA year on year.

Average pupil numbers for the year to 31 August 2022 were 63,448, an increase of 7,351 (13.1%) from 31 August 2021. Adjusted revenue was £602.6m, an increase of £83.6m (16.1%) year on year but on a constant currency basis, an increase of £82.5m (15.9%). Adjusted revenue excludes the effects of COVID-19 discounts issued in FY21, as set out within the APM section below.

Adjusted EBITDA for the full year was £152.2m (2021: £124.5m) with a corresponding margin of 25.3% (2021: 24.0%). On a constant currency basis, Adjusted EBITDA was £27.1m (21.7%) higher than the prior year. A reconciliation of Adjusted EBITDA is also provided in the APM section below.

During the year ended 31 August 2022, the total number of schools grew to 92, with the acquisitions of Ranches Primary School, Dubai; Colegio Internacional Meres, Spain; Horizon International School, Dubai; Dunalastair, Chile and Instituto Educativo Olinca, Mexico. These schools added £9.1m Adjusted EBITDA, 4,227 capacity and 3,473 average students to this year's results.

Alternative Performance Measures

Alternative Performance Measures are measures used by management to monitor the performance of the business.

These non-GAAP measures include adjustments in relation to non-recurring and certain non-cash items. During the prior year, adjustments in relation to the impact of COVID-19 have been included to arrive at a calculation of adjusted EBITDA, as shown in the table below:

Strategic report (continued)
Reconciliation of above measures to APMs

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Operating (Loss)/ Profit	(39,397)	7,629
<i>Add back:</i>		
Depreciation and amortisation	103,746	100,913
EBITDA	64,349	108,542
Impairment charge / (reversal) in relation to non financial assets	69,451	(664)
Acquisition and business exploration costs	9,585	5,153
Restructuring costs	3,851	3,582
Share based payments	1,623	386
Gain on disposal of fixed assets	(8,930)	(3,823)
Net COVID Impact	-	3,564
Pre opening and Ramp-up Schools EBITDA	7,174	7,776
Expenses incurred for Hong Kong SALB	1,509	-
Costs in relation to re-financing	1,808	-
GSOP remediation	1,757	-
Adjusted EBITDA	152,177	124,516

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

Impairment charges relate to the write down of assets identified as impaired. Each year, all CGU's and their associated assets are tested or reviewed for indicators of impairment, depending on the nature of the asset. If identified as being impaired, an impairment charge will be made to the income statement. In the event that an impairment loss is subsequently reversed, the reversal is treated consistently with the initial write down and identified separately as an EBITDA adjusting item.

In the current year, impairment charges of £69.5m have been recognised in respect of our two biggest schools in Singapore (Australian International School & Stamford American International School) as well as Woodland and ALG. The impact of travel restrictions and government imposed rules on opening as a consequence of COVID-19 have led to adverse performance both in terms of pupil numbers and earnings for these areas of our business. ALG's performance has declined due to staff shortages and travel restrictions limiting its ability to deliver language school offerings. Impairment is discussed further at note 11.

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 as well as for two years thereafter if the school makes losses throughout this period.

Although costs relating to projects can span multiple financial years, key components of expenditure for specific projects are non-recurring, for example financial due diligence, legal due diligence, and market surveys. These costs bear no relation to the operational results of existing schools and are split out to enable the reader of the financial statements to gain greater clarity of the underlying business performance. £3.3m costs incurred during the year to 31 August 2022 relate to the acquisitions detailed in note 2 of these financial statements. The remaining charge predominantly relates to expenses incurred for future expansion and exploration costs of potential future opportunities.

Business restructuring costs mainly relate to employment cessation and associated legal costs. Costs of this nature may arise in consecutive years but are incurred for sufficiently distinct reasons to be considered non-underlying. Prior year costs include the cost of restructuring as a result of the impact of COVID-19.

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

The current year gain on disposal of fixed assets principally relates to the Group entering into a long-term ground rent financing transaction for Hong Kong, as detailed further at Note 10.

Strategic report (continued)

Reconciliation of above measures to APMs (continued)

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

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

Re-financing costs are costs incurred in relation to the term loan facility increase of £154.6m secured during the year. These costs are also considered non-operational in nature and therefore excluded from underlying performance.

In the prior year, a contingent liability was disclosed in relation to potential UK employment tax liabilities arising from a historical GSOP management incentive plan. Due to developments with HMRC, a provision has now been recognised in respect of this exposure, please see note 20 for further details.

Capital expenditure

Details of capital expenditure incurred during year is provided below:

In £m	2022			2021		
	Operating	Development	Total	Operating	Development	Total
Asia	5.6	1.9	7.5	3.0	15.9	18.9
Europe	3.8	18.0	21.8	4.4	13.4	17.8
Latin America	4.0	5.6	9.6	2.1	1.7	3.8
Middle East	2.9	3.0	5.9	1.1	31.7	32.8
Group	-	-	-	3.3	-	3.3
	<u>16.3</u>	<u>28.5</u>	<u>44.8</u>	<u>13.9</u>	<u>62.7</u>	<u>76.6</u>

During the year, the Group had additions of £44.8m in capital expenditure (2021: £76.6m) and a further £108.2m (2021: £85m) relating to lease modifications and new leases entered into or acquired through business combinations. The capital expenditure includes operating capital expenditure which is the investment in ensuring our schools maintain their standards and compliance with all regulations. It also includes development capital expenditure which represents investment made to expand capacity at the Group's schools and for construction and development of other facilities which do not directly result in capacity expansion. Additions related to development capital expenditure represented £28.5m (2021: £62.7m) with operating capital expenditure of £16.3m (2021: £13.9m).

Development capital expenditure in the period includes: the development of BSB City in Spain which is due to complete in September 2023, the purchase of land for Colegio San Francisco Javier in Chile, expansion of Oakfield preparatory school, refurbishment to Downsends and the purchase and subsequent improvements of Towers & Sealyham.

Net debt and liquidity

Net Debt	2022 £'m	2021 £'m
Cash and cash equivalents	(291.5)	(134.0)
Senior Facility Agreement	778.9	623.6
Second Lien Facility Agreement	219.1	218.8
Other bank debt	59.4	59.4
Net debt before lease liabilities	765.9	767.8
Lease liabilities	556.9	405.6
Net debt	1,322.8	1,173.40
Accrued interest	13.0	12.2
Debt issue costs	(16.2)	(15.9)
Net debt including accrued interest and debt issue costs	1,319.6	1,169.7

Strategic report (continued)

Net debt and liquidity (continued)

Note: The lease liabilities referred to above represents IFRS 16 lease liabilities. Under "Original accounting principles" the IAS 17 finance lease liabilities would be £146.9m (2021: £55.1m) and the resulting net debt would be £912.8m (2021: £822.9m), £909.6m including accrued interest and debt issue costs (2021: £819.2m).

Liquidity

At 31 August 2022, the Group's total liquidity, comprising cash at hand of £291.5m (2021: £134.0m) and a fully undrawn Revolving Credit Facility (RCF) of £120m (2021: £100.0m) was £411.5m (2021: £234.0m).

On 16 November 2021, Lernen Bidco Limited issued shares to its parent company, Lernen Bondco PLC, resulting in an equity increase of £28.0m.

On 30 March 2022, the Group and Company concluded a process to increase its Senior Facility Agreement ("SFA") by 180m EUR and to increase its RCF facility by £20m to £120m. The interest rate and expiry date of the upsized facilities remains the same. See Other interest-bearing loans and borrowings note for further details.

On 21 July 2022, the Group completed the sale and leaseback of its freehold property at Stamford Hong Kong. The freehold interests were sold for a total consideration of £142m and the purchaser simultaneously granted Cognita a 25 year lease over the property. The transaction resulted in a gain on disposal of £8.9m.

The proceeds of the transaction were used to fund acquisitions that have occurred post year end. See the events after the balance sheet date section in the strategic report for further details.

Acquisitions

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

Acquisition of Ranches Primary School, Dubai

On 13 September 2021, the Group acquired Ranches Primary School ("Ranches"), Dubai for £13.9m. Ranches Primary School is a co-educational British curriculum nursery and primary school for 2-11 years with 663 students and is located in Arabian Ranches II. The acquisition of a focused and ambitious community school supports the Group's expansion strategy in the region.

Acquisition of Colegio Internacional Meres, Spain

On 25 January 2022, the Group acquired Colegio Internacional Meres ("Meres"), Spain for £31.5m. The school offers a unique education model for 3-18 year olds, combining the Spanish curriculum and the International Baccalaureate and is ranked as one of the top private schools in Spain with over 800 pupils.

Acquisition of Horizon International School, Dubai

On 8 February 2022, the Group acquired Horizon International School ("HIS"), Dubai for £48.8m. Horizon International School is a British curriculum K-12 school for students aged between 3-18 years old with 1,235 students, located in Umm Al Sheif, a residential community in central Dubai.

Acquisition of Dunalastair, Chile

On 29 April 2022, the Group acquired Dunalastair in Santiago, Chile for £109.3m. Dunalastair comprises three premium bilingual schools for 3-18 year olds with a total of c.4,700 pupils. Cognita acquired the operating assets of the school for £38.4m at closing and is obligated to complete the associated property purchase in 2025 for approximately £70.9m.

Acquisition of Instituto Educativo Olinca, Mexico

On 30 June 2022, the Group acquired Instituto Educativo Olinca ("Olinca") in Mexico City, Mexico for £34.1m. Olinca is an established international school with c.1200 students spread across two campuses and follows both the UNAM and local Mexican SEP curricula.

Other

In addition to the business combinations detailed above, the Group also acquired the freehold and operational assets of The Towers Activity Centre and Sealyham Activity Centre, Wales as an asset acquisition in the first quarter of FY22 for £2m. The assets will support the growth of our network of outdoor education centres in the Active Learning Group.

Strategic report (continued)

Events after the Balance Sheet date

Acquisition of York Preparatory School, New York City

On 1 September 2022, the Group acquired York Preparatory School ("York") in New York City, USA for £45m and entered into an agreement to purchase the associated property within 12 months for £43.2m. The school founded in 1969 is an independent college and preparatory day school for grades 6-12 with 333 pupils, located in the upper west side neighbourhood of Manhattan.

Acquisition of Redcol Holding, Colombia

On 30 September 2022, the Group acquired Redcol Holding ("Redcol") in Colombia for £124m. Redcol comprises of 9 schools and is a leading K12 schools group within Colombia with over 7000 pupils. It has a clear focus on delivering holistic education and is Cognita's biggest acquisition to date.

The above acquisitions subsequent to the year end bring the total number of schools in the Group to 102.

Future developments

The Group will continue to develop organic and inorganic growth opportunities in all regions, investing in its existing schools and has continuing strategic development projects planned for the year ended 31 August 2023 and beyond.

Statement of Going Concern

The Directors have assessed the ability of the Group and parent company to continue operating as a going concern, taking into account the current financial position and potential impact of principal risks, particularly in light of the current economic environment and a global trend of rising inflation rates.

In assessing the position of the Group, the Directors have reviewed detailed cashflow forecasts to 31 August 2024. These cashflow projections are derived largely from the Board approved business plan which extends to 2027, however the near term period is considered the most appropriate base for assessing the Group's status and stress testing forecast assumptions against any severe but plausible downside scenarios.

The forecast cashflows to 31 August 2023 incorporate management's most up to date view of the most sensitive factor in the group's projections, that of pupil numbers. For our schools operating in the Northern Hemisphere where the new academic year is in progress, at the date of signing this report, pupil numbers represent confirmed actuals. Opening pupil numbers in our Southern Hemisphere schools for the period to 31 August 2023, and for all schools from 1 September 2023 to 31 August 2024, reflect the most recent forecast.

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

- An increase in other operating expenditure spend due to further inflationary increases above those currently forecasted

If the above scenario were to materialise, Management would firstly define a further set of mitigating actions, such as a reduction in discretionary spend, obtaining longer term procurement contracts and leveraging on synergies where possible. Management also continually manages and monitors its short term financing arrangements including use of the Revolving Credit Facility. The group has the ability to actively manage use of this facility below the covenant threshold by extracting and transferring cash funds between restricted and unrestricted territories to mitigate the risk of any covenant breach.

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

The Group has a priority leverage ratio covenant of 7.4x the Group's adjusted EBITDA with respect to its senior debt facility that is relevant upon the drawdown of a specified portion of its revolving credit facility.

The severe plausible downside scenario could have an impact on the Groups cash funds, however the impact would not be sufficient to require a drawdown of the Groups revolving credit facility to cause the covenant to take effect or to cause a breach of the covenant if the facility was drawn.

On the above basis, the financial statements have been prepared on the going concern basis.

Strategic report (continued)

Section 172 statement

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

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

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

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

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

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

Having regard to the interests of the Company's employees

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

In addition to the above:

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

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

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

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

Health and safety

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

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

Our pupils

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

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

Strategic report (continued)

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

Child protection and safeguarding

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

Our suppliers

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

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

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

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

- 31 school sites in the UK were recently upgraded to LED lighting which will reduce energy consumption at these schools by 62% and is anticipated to save 87 tonnes of CO₂ per annum.
- We successfully launched the installation of +1,000 solar panels (456 KWp) in our Spanish schools over the last 12 months with more to follow in the coming year.
- Solar panels have also been installed in our Singapore school, Stamford American International School.
- Our Pumahue Manquecura schools in Chile have received Environmental Certification from the Chilean Environment Ministry.
- 8 of our UK school sites taking part in the 'Energy In Schools' trial, a collaboration between the UK government and other partners. It's an initiative which aims to help schools to reduce their energy usage and also to educate pupils about energy efficiency. It provides an energy platform to help staff manage buildings and also an educational platform. Pupils will learn about climate change cause and effect, learn to quantify and analyse climate change problems and learn to use technology to control and manage the climate at a micro level.
- Our school Horizon International School in Dubai has been recognised as one of the best workplaces for women to work in the Gulf Corporation Council (GCC). The certification has been awarded by the Great Place to Work accreditation.

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

- Our school Colchester Prep & High School in the UK achieved the Eco-Schools Green Flag Award, a prize celebrating the ecological achievements of young people. The award is an international accreditation that has recognised and rewarded young people's environmental actions for over 25 years.
- Pupils from our schools Colegio Pumahue in Chile and Duncombe School in the UK collaborated together on their "Tech for Good" project working to reduce inequality around the world. The project sought to increase digital literacy for older people. The "Tech for Good" challenge is part of the Microsoft Education Exchange, an annual event celebrating teaching practices that seeks to generate solutions to problems related to the United Nations Sustainable Development Goals, using technology, and developing 21st-century skills.
- Throughout the 2021-2022 academic year, Year 12 pupils at our school British School of Valencia have participated in a Peer Education Project focusing on mental health. Pupils have delivered a total of five classes divided into different themes to the Year 8 groups. In these sessions, they have covered basic mental health awareness, different ways to stay well, as well as the importance of seeking help and how to support others. This project also allows our pupils to practice public speaking and facilitation skills, boosting self-confidence and esteem and gaining new knowledge about mental health and its overall impact on wellbeing.

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

Strategic report (continued)

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

Authorisation to operate as an education provider

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

Political environment

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

Anti-bribery and corruption

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

IT infrastructure, cyber risk and data protection

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

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

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

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

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

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

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

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

Strategic report (continued)

Principal Risks and Uncertainties

Principal and Emerging Risks and Uncertainties

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

Market forces

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

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

Financial capital risk

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

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

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

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

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

Macroeconomic environment

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

We have seen limited impact of higher inflation levels on our financial performance albeit at a lower level than currently seen 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. Management continuously assess the risk posed by this, including the reflection of up to date judgements in our expected credit loss provisioning amongst other things. Management believes our revenue and profitability are relatively resilient to fluctuations because of macroeconomic conditions, however, we will continue to monitor developments and the potential related risks.

Strategic report (continued)

Principal Risks and Uncertainties (continued)

Foreign exchange risk

The Group's results are reported in pounds sterling. The Group has assessed its hedging arrangements and in July 2019 entered cross-currency coupon-only interest rate swaps to manage foreign exchange and interest rate risk in relation to debt service costs. Further details are disclosed in note 18 of the financial statements.

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

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 company and other minority shareholders to ensure continuity of funding. On 16 November 2022, Lernen Bidco Limited issued shares to its parent company, Lernen Bondco PLC, resulting in an equity increase of £28.0m.

The maturity of borrowings at the Balance Sheet date is set out in note 16 to the financial statements. In total, as at 31 August 2022, the Lernen Bidco Limited Group had drawn borrowings of £1,054.2m (2021: £898.1m) of which £1,028.4m (2021: £876.9m) would be repayable after 31 August 2023. The Group has a strong working capital position as student contracts require cash payment in advance of tuition services on an annual, termly or monthly basis. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

Interest rate risk

The Group finances its operations through floating rate Second Lien and Senior Facility Agreements, bank borrowings and Revolving Credit Facilities. The Group's exposure to interest rate fluctuations on its bank borrowings is managed with cross-currency coupon-only interest rate swaps. At the date of signing this report, the Group was financed through a Second Lien loan with interest calculated at a margin of 7.5% over EURIBOR, a Senior Facility Agreement with interest calculated at margins of 4.25% and 5.0% over EURIBOR and SONIA (Sterling Overnight Index Average) respectively, and local debt facilities totalling £57.3m with interest rates ranging from 0% to 5.5%. The Senior Facility Agreement was amended on 11 October 2021 to transition from LIBOR to SONIA.

Credit risk

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

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

On behalf of the Board



A Tolpet
Director
19 December 2022



K Blunt
Director
19 December 2022

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

Directors' Report

The Directors submit their report together with the audited financial statements of Lernen Bidco Limited for the year ended 31 August 2022.

Results and dividends

The Group's loss for the financial year amounted to £53.1m (2021: loss of £53.6m). The Company's profit for the financial year was £52.2m (2021: £32.3m). The Directors do not recommend the payment of a final dividend.

Directors

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

P De Maeseneire	
J Pinchbeck	
A Tolpeit	
M Uzielli	Resigned 1 June 2022
L A Smith	Resigned 1 June 2022
K Blunt	Appointed 1 June 2022
J De Roquemaurel	Appointed 28 October 2022

Directors' third party indemnity insurance

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

Political Contributions

The Group made no political donations (2021: £nil) or incurred any political expenditure (2021: £nil) during the financial year.

Environmental Reporting

Environmental reporting for the Group as required by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 is included in the consolidated financial statements of an intermediate parent company, Lernen Midco 2 Limited, and therefore the Group has claimed exemption from disclosure.

Going concern

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

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

As detailed in the Strategic report, the potential for higher than forecast short term inflation rates to impact the Group's cost base has been considered in detail, focusing on a base case and relevant severe but plausible downside scenario, in order to assess the Group's ability to continue in operation.

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

Engagement with stakeholders

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

Directors' report (continued)

Engagement with stakeholders (continued)

Employees

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

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

Customers and Suppliers

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

Shareholders

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

Other stakeholders

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

Future developments

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

Independent auditor and disclosure of information to auditor

Each of the Directors as at the date of approval of this annual report has confirmed that:

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

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

On behalf of the board



A Tolpeit
Director

19 December 2022



K Blunt
Director

19 December 2022

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

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of Lernen Bidco Limited ("the Company") for the year ended 31 August 2022 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 2022 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors and the audit committee, as to the Group's high-level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management,
- Using analytical procedures to identify any unusual or unexpected relationships.

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

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

We did not identify any additional fraud risks.

We also performed procedures including:

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

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

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

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

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

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

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

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

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 19, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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

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

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

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



David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E145GL
19 December 2022

Consolidated Statement of Comprehensive Income
for the year ended 31 August 2022

		Year ended 2022 Total £'000	Year ended 2021 Total £'000
	Note		
Revenue	3	624,229	515,277
Employee benefits expense	5,6,7	(331,562)	(280,555)
Other operating expense	4	(154,006)	(120,607)
Net impairment of financial assets	22b	(1,010)	(2,655)
Restructuring costs		(3,851)	(3,582)
Net impairment (charge) / reversal of non financial assets	10,11	(69,451)	664
EBITDA		64,349	108,542
Depreciation and amortisation	4	(103,746)	(100,913)
Operating (loss)/ profit		(39,397)	7,629
Finance income	8	79,843	12,169
Finance expense	8	(77,749)	(72,714)
Loss before taxation		(37,303)	(52,916)
Taxation	9	(15,842)	(673)
		(53,145)	(53,589)
Loss attributable to:			
Equity holders of the parent		(52,503)	(53,515)
Non-controlling interest		(642)	(74)
Loss for the year		(53,145)	(53,589)
Other comprehensive income / (expense)			
Items that are or may be reclassified to profit or loss:			
Foreign operations:-			
Foreign currency translation differences		123,657	(31,835)
Total comprehensive income / (expense) for the year		70,512	(85,424)
Attributable to:			
Equity holders of the parent		71,154	(85,350)
Non-controlling interest		(642)	(74)
Total comprehensive income / (expense) for the year		70,512	(85,424)

The accompanying notes on pages 30 - 85 form part of these financial statements.

Consolidated Balance Sheet

at 31 August 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	10	1,312,919	1,108,404
Intangible assets	11	1,505,752	1,313,064
Trade and other receivables	14	29,723	20,854
Deferred tax assets	12	13,899	11,771
		2,862,293	2,454,093
Current assets			
Inventories	13	1,013	1,036
Tax receivable		3,634	2,773
Trade and other receivables	14	119,965	102,220
Cash and cash equivalents	15	291,506	134,018
Other financial assets	18	12,394	-
		428,512	240,047
Total assets		3,290,805	2,694,140
Current liabilities			
Other interest-bearing loans and borrowings	16	(39,354)	(31,912)
Trade and other payables	17	(143,428)	(109,859)
Contract liabilities	3	(235,592)	(196,050)
Tax payable		(15,755)	(9,482)
Other financial liabilities	18	-	(1,449)
Provisions	20	(8,605)	(11,178)
		(442,734)	(359,930)
Non-current liabilities			
Other interest-bearing loans and borrowings	16	(1,571,780)	(1,271,774)
Other payables	17	(77,969)	(12,366)
Contract liabilities	3	(13,322)	(10,606)
Provisions	20	(4,709)	(3,157)
Other financial liabilities	18	-	(340)
Deferred tax liabilities	12	(105,263)	(61,644)
		(1,773,043)	(1,359,887)
Total liabilities		(2,215,777)	(1,719,817)
Net assets		1,075,028	974,323
Equity attributable to equity holders of the parent			
Share capital	21	159	156
Share premium	21	1,606,380	1,578,383
Other reserves		30,041	(95,239)
Retained deficit		(567,709)	(515,206)
		1,068,871	968,094
Non-controlling interest		6,157	6,229
Total equity		1,075,028	974,323

The accompanying notes on pages 30 - 85 form part of these financial statements.

These financial statements were approved by the board of Directors on 19 December 2022 and were signed on its behalf by:

A Tolpeit
Director



K Blunt
Director



Company registered number: 11539402

Company Balance Sheet

at 31 August 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Investments in subsidiaries	29	867,287	867,287
Trade and other receivables	14	1,133	956
		868,420	868,243
Current assets			
Trade and other receivables	14	1,368,456	1,146,120
Cash and cash equivalent	15	19	576
Other financial assets	18	12,394	-
		1,380,869	1,146,696
Total assets		2,249,289	2,014,939
Current liabilities			
Other interest bearing loans and borrowings	16	(13,021)	(12,214)
Trade and other payables	17	(175)	(285)
Other financial liabilities	18	-	(1,449)
		(13,196)	(13,948)
Non-current liabilities			
Other interest bearing loans and borrowings	16	(981,682)	(826,416)
Other financial liabilities	18	-	(340)
		(981,682)	(826,756)
Total liabilities		(994,878)	(840,704)
Net assets		1,254,411	1,174,235
Equity attributable to equity holders of the parent			
Share capital	21	159	156
Share premium	21	1,606,380	1,578,383
Retained deficit	21	(352,128)	(404,304)
Total equity		1,254,411	1,174,235


The accompanying notes on pages 30 - 85 form part of these financial statements.

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

The profit of the Company for the year was £52.2m (2021: £32.3m).

These financial statements were approved by the board of Directors on 19 December 2022 and were signed on its behalf by:


A Tolpeit
Director


K Blunt
Director

Company registered number: 11539402

Consolidated Statement of Changes in Equity
Group

	Share capital £'000	Share premium £'000	Translation reserve £'000	Equity reserve £'000	Retained earnings £'000	Total parent equity £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 August 2020	145	1,461,794	(82,447)	18,657	(461,691)	936,458	(224)	936,234
<i>Total comprehensive expense for the year</i>								
Loss for the year	-	-	-	-	(53,515)	(53,515)	(74)	(53,589)
Other comprehensive income	-	-	(31,835)	-	-	(31,835)	-	(31,835)
<i>Transactions with owners, recorded directly in equity</i>								
Issue of shares	11	116,589	-	-	-	116,600	-	116,600
Equity-settled share based payment transactions	-	-	-	386	-	386	-	386
Total contributions by and distributions to owners	11	116,589	-	386	-	116,986	-	116,986
<i>Changes in ownership interests</i>								
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	6,527	6,527
Balance at 31 August 2021	156	1,578,383	(114,282)	19,043	(515,206)	968,094	6,229	974,323
<i>Total comprehensive expense for the year</i>								
Loss for the year	-	-	-	-	(52,503)	(52,503)	(642)	(53,145)
Other comprehensive income	-	-	123,657	-	-	123,657	-	123,657
<i>Transactions with owners, recorded directly in equity</i>								
Issue of shares	3	27,997	-	-	-	28,000	-	28,000
Equity-settled share based payment transactions	-	-	-	1,623	-	1,623	-	1,623
Total contributions by and distributions to owners	3	27,997	-	1,623	-	29,623	-	29,623
<i>Changes in ownership interests</i>								
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	570	570
Balance at 31 August 2022	159	1,606,380	9,375	20,666	(567,709)	1,068,871	6,157	1,075,028

The accompanying notes on pages 30 - 85 form part of these financial statements.

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total parent equity £'000
Balance at 31 August 2020	145	1,461,794	(436,604)	1,025,335
Total comprehensive expense for the year				
Profit for the year	-	-	32,300	32,300
Transactions with owners, recorded directly in equity				
Issue of shares	11	116,589	-	116,600
Total contributions by owners	11	116,589	-	116,600
Balance at 31 August 2021	156	1,578,383	(404,304)	1,174,235
Total comprehensive income for the year				
Profit for the year	-	-	52,176	52,176
Transactions with owners, recorded directly in equity				
Issue of shares	3	27,997	-	28,000
Total contributions by owners	3	27,997	-	28,000
Balance at 31 August 2022	159	1,606,380	(352,128)	1,254,411

The accompanying notes on pages 30 - 85 form part of these financial statements.

Consolidated Cash Flow Statement

for year ended 31 August 2022

		Year ended 2022		Year ended 2021	
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Group operating (loss)/ profit for the year		(39,397)		7,629	
Add back/(deduct):					
Depreciation, amortisation and impairment	10,11	173,197		100,249	
Gain from sale of property, plant and equipment		(8,930)		(3,823)	
Effect of exchange rate change		268		(43)	
Equity settled share based payment expense	7	1,623		386	
Operating profit before changes in working capital and provisions			126,761		104,398
(Increase) / Decrease in trade and other receivables		(5,898)		3,529	
Decrease in inventories		112		54	
Decrease in trade and other payables		(3,177)		(1,528)	
Increase in contract liability		19,185		2,050	
Decrease in provisions		(1,251)		(244)	
Operating cashflows before tax			135,732		108,259
Tax paid			(13,909)		(14,762)
Net cash inflow from operating activities			121,823		93,497
Cash flows from investing activities					
Interest received		2,479		1,628	
Acquisition of subsidiary, net of cash acquired	2,17	(154,404)		(60,497)	
Acquisition of property, plant and equipment		(43,235)		(82,835)	
Proceeds from sale of property, plant and equipment		141,956		41,700	
Net cash outflow from investing activities			(53,204)		(100,004)
Cash flows from financing activities					
Proceeds from borrowings	16	244,305		86,248	
Movement in parent company loan	26	(11,417)		5,219	
Interest paid	16	(50,197)		(50,322)	
Refinancing transaction costs	16	(5,144)		-	
Capital element of lease payments	16	(33,552)		(27,655)	
Repayment of borrowings	16	(92,767)		(77,633)	
Proceeds from issue of shares	21	28,000		110,600	
Net cash inflow from financing activities			79,228		46,457
Net increase in cash and cash equivalents			147,847		39,950
Cash and cash equivalents at beginning of year	15		134,018		96,321
Effect of changes in exchange rate			9,641		(2,253)
Cash and cash equivalents at 31 August	15		291,506		134,018

The accompanying notes on pages 30 - 85 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

(a) General information

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

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

(b) Basis of preparation

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

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

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

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

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

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

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

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

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

The principal accounting policies are set out below.

(c) Basis of consolidation

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

(d) Going concern

The Directors have assessed the ability of the Group and parent company to continue operating as a going concern, taking into account the current financial position and potential impact of principal risks, particularly in light of the current economic environment and a global trend of rising inflation rates.

In assessing the position of the Group, the Directors have reviewed detailed cashflow forecasts to 31 August 2024. These cashflow projections are derived largely from the Board approved business plan which extends to 2027, however the near term period is considered the most appropriate base for assessing the Group's status and stress testing forecast assumptions against any severe but plausible downside scenarios.

The forecast cashflows to 31 August 2023 incorporate management's most up to date view of the most sensitive factor in the group's projections, that of pupil numbers. For our schools operating in the Northern Hemisphere where the new academic year is in progress, at the date of signing this report, pupil numbers represent confirmed actuals. Opening pupil numbers in our Southern Hemisphere schools for the period to 31 August 2023, and for all schools from 1 September 2023 to 31 August 2024, reflect the most recent forecast.

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

- An increase in other operating expenditure spend due to further inflationary increases above those currently forecasted

If the above scenario were to materialise, Management would firstly define a further set of mitigating actions, such as a reduction in discretionary spend, obtaining longer term procurement contracts and leveraging on synergies where possible. Management also continually manages and monitors its short term financing arrangements including use of the Revolving Credit Facility. The group has the ability to actively manage use of this facility below the covenant threshold by extracting and transferring cash funds between restricted and unrestricted territories to mitigate the risk of any covenant breach.

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

The Group has a priority leverage ratio covenant of 7.4x the Group's adjusted EBITDA with respect to its senior debt facility that is relevant upon the drawdown of a specified portion of its revolving credit facility.

The severe plausible downside scenario could have an impact on the Groups cash funds, however the impact would not be sufficient to require a drawdown of the Groups revolving credit facility to cause the covenant to take effect or to cause a breach of the covenant if the facility was drawn.

On the above basis, the financial statements have been prepared on the going concern basis.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

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

In the application of the Group's accounting policies, which are set out and described in note 1(f), the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Critical judgements in applying the Group's accounting policies

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

Fair value of assets and liabilities attributable to business combinations

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

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

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

The initial identification of intangible assets requires considerable judgment in respect of the classification of the assets and in the assessment of their life. The total value of other intangibles recognised during the year ended 31 August 2022 due to business combinations was £28.3m (2021: £19.6m). The impact of making different judgements regarding these intangible assets would be to increase or decrease goodwill by the equivalent amount.

Key sources of estimation uncertainty

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

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

Share-based payment transactions

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

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

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

Impairment of non-financial assets

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

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

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

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

The group recognised a net charge of impairment this year for £69.5m (2021: Reversal of £0.7m).

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

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

Recoverability of deferred tax assets

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

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

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

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

(f) Other accounting policies

Foreign currency

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

i) Foreign currency transactions

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement.

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

ii) Foreign operations

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(f) Other accounting policies (continued)

Financial instruments: Classification of financial instruments

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

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

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

Financial instruments: Measurement

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

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within the statement of comprehensive income in the period in which it arises.

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

Trade and other receivables

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

Non-derivative financial instruments

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

Investments in equity securities

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

Cash and cash equivalents

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

Notes to the Financial Statements (*continued*)

1 Accounting policies (*continued*)

Trade and other payables

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

Interest-bearing borrowings

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

Derivative financial instruments and hedging

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

Property, plant and equipment

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

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

Depreciation

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

Freehold buildings	- 20 to 60 years
Leasehold land and buildings	- the remaining life of the lease
Fixtures, fittings and equipment	- 1 to 10 years
Computer equipment	- 2 to 5 years

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

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

Business combinations

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

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

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

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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Goodwill and Intangible assets

Goodwill

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

Deferred consideration that is fixed at the acquisition date is recognised as a liability within trade and other payables.

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

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

Intangible assets

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

Amortisation

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

The estimated useful lives of other intangibles are as follows:

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

Inventories

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

Impairment of non-financial assets

Non-financial assets

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Impairment of non-financial assets (continued)

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

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

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

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

Revenue

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

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

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

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Revenue (continued)

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

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

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

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

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

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

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

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

Notes to the Financial Statements (*continued*)

1 Accounting policies (*continued*)

Employee benefits

Defined contribution plans

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

Multi-employer plans

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

Short-term benefits

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

Share-based payment transactions

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

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

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

Leases

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Leases (continued)

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

Lease components

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

Key judgements

Key judgements in the application of IFRS 16 include:

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

Provisions

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Expenses

Financing income and expenses

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

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

Taxation

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

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

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

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

Alternative Performance Measures ("APMs")

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

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

In the prior year adjustments include the impact of COVID-19, no such adjustments are required for the current year.

APMs are non-GAAP measures.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

(g) Standards issued but not yet effective

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

IFRS 17 (Jan 2023) Insurance Contracts

Amendments to IAS 1 (Jan 2023) - Classification of liabilities as current or non-current

Amendments to IAS 1 and IFRS Practice Statement 2 (Jan 2023) - Disclosure of Accounting Policies

Amendments to IAS 12 (Jan 2023) - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 8 (Jan 2023) Accounting Estimates

(h) Standards that are effective but have not been applied as they are applicable to accounting periods beginning on or after 1 Jan 2022

Amendments to IFRS 3 (Jan 2022) - Reference to the Conceptual Framework

Amendments to IAS 16 (Jan 2022) - Property, Plant and Equipment: Proceeds before Intended Use

Amendments to IAS 37 (Jan 2022) - Onerous Contracts - Cost of Fulfilling a Contract

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries

Acquisitions in the current year

During the year, the Group completed five acquisitions: Ranches Primary School: Dubai; Horizon International School: Dubai; Colegio Meres: Spain; Dunalastair: Chile and Instituto Educativo Olinca: Mexico.

The Group incurred costs of £3.3m in relation to legal and financial due diligence and other professional services associated with these acquisitions during the year ended 31 August 2022. These costs have been included in acquisition and business exploration costs in the Group's consolidated Statement of Comprehensive Income.

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

Cash outflows from operations are reflected in the Consolidated Cash flow Statement on page 29. Cash outflows relating to acquisitions are shown net of cash acquired and include deferred consideration of £12.1m paid in respect of previous acquisitions.

If all of the acquisitions had occurred on 1 September 2021, the Group Revenue would have been £653.9m and the Group net loss would have been £48.2m. In determining these amounts, management has assumed that the fair value adjustment that arose on the dates of acquisitions would have been the same if the acquisitions had occurred on the 1 September 2021.

The acquisition of Obersee Bilingual School took place towards the end of the prior year and therefore, provisional fair values were included within the financial statements for the year ended 31 August 2021. In accordance with IFRS 3, the Group finalised the acquisition accounting within the 12 month measurement period window post acquisition. There were no material changes to the provisional balances presented in the prior year.

More detail is provided on each acquisition below:

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

Obersee Bilingual School, Switzerland

On 27 April 2021, the Group acquired a 51% shareholding of Obersee Bilingual School GmbH ("OBS") for a total consideration of CHF 7.0m (£5.7m).

OBS, is a school based in Wollerau, Switzerland. The school had a capacity of c. 400 at the date of the acquisition.

Finalisation of the acquisition accounting for OBS resulted in an overall decrease in goodwill of £1.2m, with a corresponding increase in customer relationships of £1.8m and an associated £0.6m deferred tax liability.

Effect of acquisitions

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

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	717	-	717
Fair value of intangible assets			
Customer relationships	-	1,761	1,761
Trade and other receivables	955	-	955
Cash and cash equivalents	1,475	-	1,475
Trade and other payables	(1,120)	-	(1,120)
Other loans and borrowings	(404)	-	(404)
Deferred tax liability	-	(599)	(599)
Provisions	(87)	-	(87)
Deferred revenue	(1,622)	-	(1,622)
Net identifiable assets acquired	<u>(86)</u>	<u>1,162</u>	<u>1,076</u>
Deemed consideration			<u>11,092</u>
Total consideration cash			<u>11,092</u>
Value of consideration in excess of net assets acquired attributed to Goodwill			<u>10,016</u>

The total consideration and goodwill value are the amounts attributable to a 100% shareholding in OBS, an adjustment of £6.0m has been made in the Statement of Changes in Equity to represent the Non-controlling interest share of the fair value of assets at acquisition. £5.4m of this adjustment was recognised in the prior year.

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

Ranches Primary School, Dubai

On 13 September 2021, the Group acquired a 100% shareholding of International Management Ventures LLC ("Ranches") for a total consideration of AED 70.8m (£13.9m). Contingent consideration of £2.9m is recognised at the date of acquisition at its fair value, contingent on future results of the school.

Ranches, is a school based in Arabian Ranches II, Dubai. The school had a capacity of c. 850 at the date of the acquisition.

In the period from acquisition to 31 August 2022, Ranches contributed £7,203,000 of revenue and £728,000 of profit to the consolidated net loss for the year.

If this acquisition had occurred on 1 September 2021, the contribution to Group revenue would have been £7,469,000, and contribution to Group net loss would have been £755,000 profit. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 September 2021.

Effect of acquisitions

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

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	22,876	(13,328)	9,548
Fair value of intangible assets			
Customer relationships	-	3,698	3,698
Trade and other receivables	1,436	-	1,436
Cash and cash equivalents	2,242	-	2,242
Trade and other payables	(3,580)	-	(3,580)
Other loans and borrowings	(25,374)	(39)	(25,413)
Net identifiable assets acquired	<u>(2,400)</u>	<u>(9,669)</u>	<u>(12,069)</u>
Cash consideration paid at acquisition date			11,054
Contingent consideration			2,872
Total consideration cash			<u>13,926</u>
Value of consideration in excess of net assets acquired attributed to Goodwill			<u>25,995</u>

Property, plant and equipment includes a right of use asset relating to a property lease with a book value of £22.8m. An assessment of the fair value of the property lease valued the asset at £9.5m.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Colegio Meres, Spain

On 25 January 2022, the Group acquired a 100% shareholding in Colegio Meres S.L. ("Meres") for a total consideration of €37.5m (£31.5m).

Meres, is a school based near Oviedo, Spain. The school had c. 1,200 students at the date of the acquisition.

In the period from acquisition to 31 August 2022, Meres contributed £3,264,000 of revenue and £250,000 of profit to the consolidated net loss for the year.

If this acquisition had occurred on 1 September 2021, the contribution to Group revenue would have been £6,048,000, and contribution to Group net loss would have been £1,432,000 profit. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 September 2021.

Effect of acquisitions

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

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	353	17,026	17,379
Fair value of intangible assets			
Customer relationships	-	2,687	2,687
Brands and licences	-	3,951	3,951
Inventories	9	-	9
Trade and other receivables	736	-	736
Cash and cash equivalents	658	-	658
Trade and other payables	(1,190)	-	(1,190)
Deferred revenue	(192)	-	(192)
Deferred tax liability	-	(5,916)	(5,916)
Net identifiable assets acquired	374	17,748	18,122
 Total consideration cash			31,523
 Value of consideration in excess of net assets acquired attributed to Goodwill			13,401

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Horizon International School, Dubai

On 8 February 2022, the Group acquired a 100% shareholding of Horizon International School LLC ("Horizon") for a total consideration of AED 242.4m (£48.8m).

Horizon, is a school based in Umm Al Sheif, Dubai. The school had a capacity of c. 1,600 at the date of the acquisition.

In the period from acquisition to 31 August 2022, Horizon contributed £5,132,000 of revenue and £1,128,000 of profit to the consolidated net loss for the year.

If this acquisition had occurred on 1 September 2021, the contribution to Group revenue would have been £10,832,000, and contribution to Group net loss would have been £3,132,000 profit. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 September 2021.

Effect of acquisitions

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

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	7,197	5,762	12,959
Fair value of intangible assets			
Customer relationships	-	12,179	12,179
Trade and other receivables	946	-	946
Cash and cash equivalents	2,537	-	2,537
Trade and other payables	(3,221)	-	(3,221)
Other loans and borrowings	(3,966)	48	(3,918)
Net identifiable assets acquired	<u>3,493</u>	<u>17,989</u>	<u>21,482</u>
Total consideration cash			<u>18,796</u>
Value of consideration in excess of net assets acquired attributed to Goodwill			<u>27,314</u>

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Dunalastair, Chile

On 30 April 2022, the Group acquired a 100% shareholding of Colegio Dunalastair Penalolen SPA, Colegio Dunalastair SPA and Colegio Dunalastair Valle Norte SPA ("Dunalastair") for a total consideration of CLP 117,038m (£109.3m). £38.4m was paid at the acquisition date, the remaining balance of £70.9m is due in 2025.

Dunalastair, is a group of three school based in Santiago, Chile. The school had a capacity of c. 5,010 at the date of the acquisition.

In the period from acquisition to 31 August 2022, Dunalastair contributed £10,035,000 of revenue and £3,533,000 of profit to the consolidated net loss for the year.

If this acquisition had occurred on 1 September 2021, the contribution to Group revenue would have been £22,831,000, and contribution to Group net loss would have been £3,901,000 profit. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 September 2021.

Effect of acquisitions

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

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	493	82,863	83,356
<i>Fair value of intangible assets</i>			
Brands and licences	-	5,739	5,739
Trade and other receivables	1,397	-	1,397
Cash and cash equivalents	896	-	896
Tax recoverable	533	-	533
Deferred tax asset	1,227	-	1,227
Other financial assets	906	-	906
Trade and other payables	(2,143)	-	(2,143)
Deferred revenue	(4,142)	-	(4,142)
Current tax liabilities	(776)	-	(776)
Deferred tax liability	-	(23,923)	(23,923)
Net identifiable assets acquired	(1,609)	64,679	63,070
Cash consideration paid at acquisition date			38,384
Deferred consideration			70,898
Total consideration cash			109,282
Value of consideration in excess of net assets acquired attributed to Goodwill			46,212

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Instituto Educativo Olinca, Mexico

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

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

In the period from acquisition to 31 August 2022, Olinca contributed £181,000 of revenue and £956,000 of losses to the consolidated net loss for the year.

If this acquisition had occurred on 1 September 2021, the contribution to Group revenue would have been £8,320,000, and contribution to Group net loss would have been £1,527,000 profit. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition had occurred on the 1 September 2021.

Effect of acquisitions

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

	Book values recognised on acquisition £'000	Fair value adjustments £'000	Provisional values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	5,016	32,869	37,885
Fair value of intangible assets			
Brands and licences	1,203	(1,203)	-
Trade and other receivables	520	-	520
Indemnification asset	-	176	176
Cash and cash equivalents	1,338	-	1,338
Tax recoverable	592	-	592
Trade and other payables	(1,534)	-	(1,534)
Other loans and borrowings	(3,146)	-	(3,146)
Deferred revenue	(1,113)	-	(1,113)
Current tax liabilities	(372)	(176)	(548)
Deferred tax liabilities	-	(9,862)	(9,862)
Net identifiable assets acquired	2,504	21,804	24,308
Cash consideration paid at acquisition date			20,250
Deferred consideration			13,857
Total consideration cash			34,107
Value of consideration in excess of net assets acquired attributed to Goodwill			9,799

The net assets and goodwill recognised on the acquisition of Olinca disclosed above should be considered the best estimate on currently available information and could be subject to change. As the acquisition of Olinca took place towards the end of the current financial period, as at the date of these financial statements the initial accounting for the business combination is incomplete and the determination of fair value adjustments is ongoing. In accordance with IFRS 3, the Group has 12 months from the acquisition date in order to finalise the acquisition accounting and accordingly fair value adjustments may be recorded in the next financial year.

Notes to the Financial Statements *(continued)*

3 Revenue

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
School fees and related services	621,138	512,610
Sale of goods	3,091	2,667
Total revenue	624,229	515,277

The Group's revenue by destination is summarised below:

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Europe	272,617	224,179
Asia	221,517	210,035
Latin America	101,960	76,882
Middle East	28,135	4,181
	624,229	515,277

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

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

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Balance at 1 September	206,656	192,122
New contract liabilities	663,396	527,144
Amounts recognised as revenue in year	(621,138)	(512,610)
	248,914	206,656

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Current liabilities	235,592	196,050
Non-current liabilities	13,322	10,606
	248,914	206,656

Notes to the Financial Statements *(continued)*

4 Expenses and auditor's remuneration

<i>Expenses:</i>		Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
	Note		
Cost of inventories recognised as expense		243	59
Depreciation of property, plant and equipment	10	77,743	80,994
Amortisation of other intangibles	11	26,003	19,919
<i>Impairment charge / (reversal):</i>			
Goodwill	11	62,945	3,127
Other intangible assets	11	5,468	26
Property, plant and equipment	10	1,038	(3,817)
		<u> </u>	<u> </u>

Auditor's remuneration:

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

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

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Audit of these financial statements	533	401
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	827	652
Audit-related assurance services	203	-
Taxation compliance services	56	152
	<u>1,619</u>	<u>1,205</u>

Notes to the Financial Statements *(continued)*

5 Staff numbers and costs

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

	Number of employees 2022	Number of employees 2021
Number of teachers	6,792	5,582
Number of administrative staff	3,648	3,394
	<u>10,440</u>	<u>8,976</u>

The aggregate payroll costs of these staff were as follows:

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Wages and salaries	288,024	245,687
Social security costs	25,756	21,004
Contributions to defined contribution plans	16,159	13,478
Share based payments	1,623	386
	<u>331,562</u>	<u>280,555</u>

6 Directors' and other key management personnel remuneration

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

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Aggregate emoluments and fees (including benefits in kind)	958	1,550
Performance bonuses	625	1,729
	<u>1,583</u>	<u>3,279</u>

No Directors have benefits accruing under defined benefit pension schemes. One Director has benefits accruing under a defined contribution pension scheme. During the period, the Group contributed £9,202 (2021: £8,000) to defined contribution pensions schemes on behalf of the Directors of the Company.

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

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Aggregate emoluments and fees (including benefits in kind)	405	820
Performance bonuses	285	1,080
	<u>690</u>	<u>1,900</u>

Notes to the Financial Statements (continued)

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

Transactions with other key management personnel

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

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Key management remuneration including social security costs	5,802	2,813
Termination costs	417	-
Company contributions to money purchase pension schemes	154	62
	6,373	2,875

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

7 Share based payments

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

During the current year, additional shares have been issued to both existing and new members of the MIP.

Share issues

A valuation of the fair value of the shares issued was performed by an independent third party on each of the grant dates. Due to the complex features of the awards, the fair value of all shares at the grant date were derived using the Black-Scholes Option Pricing Model, and based on an assumed equity value.

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

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

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

Modifications

In the prior year, the terms of the existing share issues were modified to extend the date at which an existing put option can be exercised by 2 years.

In accordance with the requirements of IFRS 2 the fair value of the associated equity instruments was estimated as of the date of modification on both a pre and post modification basis. The fair value of the modified shares is higher than on the original basis, and the incremental fair value of £9.62 per share is being charged to the income statement over a period of 3.3 years.

Notes to the Financial Statements (continued)

7 Share based payments (continued)

The MIP is an equity settled share based payment scheme and the annual vesting charge is not amended for changes in market factors. The charge recognised in the current year of £1.6m (2021: £0.4m) includes the reversal of £10.0m (2021: £8.2m) in respect of 863,484 (2021: 476,126) shares forfeited during the year.

8 Finance income and expense

Recognised in income statement

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Finance income:		
Bank interest	2,344	1,192
Other interest receivable	142	145
Exchange gain on foreign currency balances	61,171	10,832
Gain on fair value of forward contracts	16,186	-
Total finance income	79,843	12,169
	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Finance expense:		
Interest payable on bank borrowings	54,791	53,942
Other similar charges payable	3,462	2,585
Finance charges in respect of leases	19,496	15,301
Loss on fair value of forward contracts	-	886
Total finance expense	77,749	72,714

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

Notes to the Financial Statements (continued)

9 Taxation

Recognised in the income statement

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Current tax expense		
Current year	19,303	14,071
Adjustments for prior years	(178)	(687)
Current tax expense	19,125	13,384
Origination and reversal of temporary differences	(2,958)	(13,024)
Recognition of previously unrecognised tax losses	(325)	313
Deferred tax income	(3,283)	(12,711)
Total tax expense	15,842	673

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Loss excluding taxation	(37,303)	(52,916)
Tax using the UK corporation tax rate of 19.00 %	(7,088)	(10,054)
Effect of tax rates in foreign jurisdictions	3,624	3,798
Non-deductible expenses- Goodwill impairment	11,960	594
Non-deductible expenses-Other	10,877	11,025
Current year losses for which no deferred tax asset was recognised	2,472	6,351
Unrelieved withholding tax	464	922
Over provided in prior years	(503)	(374)
Group relief outside consolidation	(6)	210
Recognition of previously unrecognised tax losses	(5,958)	(11,799)
Total tax expense	15,842	673

The main rate of UK Corporation tax is at 19% and an effective increase in the main rate to 25% from 1 April 2023 was substantively enacted on 24 May 2021. Deferred tax assets and liabilities have been calculated based on the rate of 25% (2021: 25%) substantively enacted at the balance sheet date.

Notes to the Financial Statements (continued)

10 Property, plant and equipment - Group

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Cost						
Balance at 1 September 2020	220,831	818,995	70,154	27,505	89,914	1,227,399
Acquisitions through business combinations	20,736	18,774	2,270	723	-	42,503
Additions	1,283	63,647	6,871	8,878	58,086	138,765
Disposals	(35,110)	(72)	(426)	(156)	(285)	(36,049)
Asset reclassification	6,931	32,824	1,503	97	(41,355)	-
Effect of movements in foreign exchange	(7,565)	(24,425)	(288)	(873)	(1,947)	(35,098)
Balance at 31 August 2021 and 1 September 2021	207,106	909,743	80,084	36,174	104,413	1,337,520
Acquisitions through business combinations	146,728	13,392	614	393	-	161,127
Additions	3,534	94,205	11,958	7,488	18,384	135,569
Disposals	-	(131,157)	(626)	(1,324)	-	(133,107)
Asset reclassification	2,354	3,351	471	(218)	(5,958)	-
Effect of movements in foreign exchange	17,074	88,769	6,639	3,842	11,453	127,777
Balance at 31 August 2022	376,796	978,303	99,140	46,355	128,292	1,628,886
Depreciation and impairment						
Balance at 1 September 2020	41,239	84,424	20,729	13,355	376	160,123
Depreciation charge for year	7,468	51,466	12,140	9,920	-	80,994
Net impairment reversals	(578)	(3,178)	43	(104)	-	(3,817)
Asset reclassification	(99)	99	-	-	-	-
Disposals	(2,594)	(282)	(367)	(145)	-	(3,388)
Effect of movements in foreign exchange	(469)	(4,335)	646	(638)	-	(4,796)
Balance at 31 August 2021 and 1 September 2021	44,967	128,194	33,191	22,388	376	229,116
Depreciation charge for year	6,872	54,225	8,746	7,900	-	77,743
Net impairment charge ¹	-	1,038	-	-	-	1,038
Asset reclassification	(23)	(39)	39	23	-	-
Disposals	-	(23,577)	(625)	(1,321)	-	(25,523)
Effect of movements in foreign exchange	1,452	24,301	4,837	3,003	-	33,593
Balance at 31 August 2022	53,268	184,142	46,188	31,993	376	315,967
Net book value						
At 31 August 2021	162,139	781,549	46,893	13,786	104,037	1,108,404
At 31 August 2022	323,528	794,161	52,952	14,362	127,916	1,312,919

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

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

Notes to the Financial Statements (continued)

10 Property, plant and equipment - Group (continued)

Right-of-use assets included within property, plant and equipment as at 31 August 2022

The table below provides further details of the Group's right-of-use assets for the year ended 31 August 2022:

	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost				
Balance as at 1 September 2020	372,705	76	38	372,819
Additions	79,781	209	5,045	85,035
Effect of movements in foreign exchange	(10,070)	(8)	(20)	(10,098)
Balance as at 31 August 2021 and 1 September 2021	442,416	277	5,063	447,756
Additions ¹	106,463	1,263	435	108,161
Effect of movements in foreign exchange	29,112	9	81	29,202
As at 31 August 2022	577,991	1,549	5,579	585,119
Depreciation				
Balance as at 1 September 2020	18,757	7	21	18,785
Depreciation charge for the year	25,624	56	273	25,953
Effect of movements in foreign exchange	(657)	(2)	(8)	(667)
Balance as at 31 August 2021 and 1 September 2021	43,724	61	286	44,071
Depreciation charge for the year	29,734	86	500	30,320
Effect of movements in foreign exchange	3,948	4	32	3,984
As at 31 August 2022	77,406	151	818	78,375
Net book value				
At 31 August 2021	398,692	216	4,777	403,685
At 31 August 2022	500,585	1,398	4,761	506,744

¹ Of the additions in the current year £7.5m (2021: £6.1m) related to lease modifications and £17.1m (2021: £19.3m) Right-of-Use assets acquired through acquisitions.

During the year, £83.6m(2021: £59.6m) of new right-of-use assets arose from lease agreements entered into during the year, including £74.1m of assets from the sale and leaseback of freehold property within Hong Kong. The sale and lease back transaction completed on 20th July 2022 and was considered a true sale in accordance with IFRS 15. Accordingly, the Group derecognised existing assets of £115.0m and at the same time recognised right of use assets and lease liabilities of £74.1m and £91.4m respectively.

In prior year, right of use additions included £25.6m of assets from the ground rent sale and leaseback of freehold properties at five UK schools. The sale and leaseback transaction completed on 23 August 2021 and was considered a true sale in accordance with IFRS 15. Accordingly, the Group derecognised existing assets of £32.4m and at the same time recognised a right of use assets and lease liabilities of £25.6m and £27.3m respectively.

Notes to the Financial Statements (continued)

11 Intangible assets - Group

	Goodwill	Software	Favourable leases	Customer relationships	Brands and licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 September 2020	1,209,292	17,957	480	70,108	222,881	1,520,718
Acquisitions through business combinations	89,564	15	-	19,626	179	109,384
Additions	-	3,555	-	7	10	3,572
Effect of movements in foreign exchange	(25,224)	(52)	(22)	(1,464)	(4,114)	(30,876)
Balance at 31 August 2021 and 1 September 2021	1,273,632	21,475	458	88,277	218,956	1,602,798
Acquisitions through business combinations	122,721	-	-	18,564	9,690	150,975
Additions	-	245	-	-	44	289
Assets reclassification ¹	(1,761)	-	-	1,761	-	-
Effect of movements in foreign exchange	121,287	175	1	11,149	21,631	154,243
Balance at 31 August 2022	1,515,879	21,895	459	119,751	250,321	1,908,305
Amortisation and impairment						
Balance at 1 September 2020	232,479	6,234	80	11,124	20,930	270,847
Amortisation for the year	-	3,663	40	8,068	8,148	19,919
Impairment charge / (reversal)	3,127	(65)	-	-	91	3,153
Effect of movements in foreign exchange	(3,246)	(50)	(8)	(491)	(390)	(4,185)
Balance at 31 August 2021 and 1 September 2021	232,360	9,782	112	18,701	28,779	289,734
Amortisation for the year	-	3,913	53	12,904	9,133	26,003
Impairment charge	62,945	18	-	422	5,028	68,413
Effect of movements in foreign exchange	12,240	189	1	2,670	3,303	18,403
Balance at 31 August 2022	307,545	13,902	166	34,697	46,243	402,553
Net book value						
At 31 August 2021	1,041,272	11,693	346	69,576	190,177	1,313,064
At 31 August 2022	1,208,334	7,993	293	85,054	204,078	1,505,752

¹ Finalisation of the acquisition accounting for OBS resulted an increase in customer relationships of £1.8m, refer to note 2 for further details.

Notes to the Financial Statements (continued)

11 Intangible assets - Group (continued)

Impairment testing of CGUs (Group of CGUs) containing goodwill

Goodwill and other intangible assets are spread across the Group's regions. The carrying value of goodwill is monitored by reference to CGUs. A CGU is typically each geographical region in which the business operates, except for the UK, Hong Kong and Singapore which are further split into types of business. Management reviews the business performance and completes the CGU impairment analysis based on these geographical regions. Goodwill is therefore monitored by management at this level.

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

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

Key assumptions

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

Key Assumption	Management Rationale
Revenue growth - Driver: Fee increases	Unless restricted by regulatory guidelines, internal forecasts incorporated within the fair value calculations assume annual fee increases over the relevant DCF period appropriate to the markets in which we operate. Fee increases for all CGUs are based on inflation, adjusted for circumstances specific to that CGU, and in line with historical growth.
Revenue growth - Driver: Pupil numbers	Pupil numbers are determined based on past performance and additional capacity that arise in relation to expansion projects. These incorporate current market trends where relevant specific to the market which the CGU operates. For the Group's schools operating in the Northern Hemisphere, opening pupil numbers are known for the following academic year at the date of performing the impairment test. Annual fee increases vary by country and sometimes by school and are based on the economic and competitive environment in which the school operates.
Revenue growth - Driver: Additional capacity	Utilisation assumptions range from a small decline to moderate growth in most of our schools. Exceptions relate to schools where a significant amount of incremental capacity has recently been or is currently being developed, as detailed below: <ul style="list-style-type: none"> • CHIREC - Development of an additional campus increasing capacity by 2,400 in June 2024. • Italy - Development of an additional campus increasing capacity by 280 by September 2024. • Spain - Construction of a new campus in downtown Barcelona with an incremental capacity of 750 in September 2024. • Vietnam - AAVN incremental capacity of 600 in August 2024 and development of a new campus in Hanoi with an incremental capacity of 1,500 in August 2024.
Cost base	Future costs within the forecast period have been determined based on previous spends observed whilst incorporating future expected inflationary increases and the incremental costs associated with an increase in organic growth.

Notes to the Financial Statements (continued)

11 Intangible assets - Group (continued)

Key assumptions (continued)

Key Assumption	Management Rationale
Long term growth rate	The long-term growth rates disclosed below have been determined based on the long-term inflation rate expected within the country the CGU operates in.
Discount rates	Based on the estimated weighted average cost of capital of a "market participant" within the geographical regions where the CGU operates, these are drawn from market data and business in similar sectors.

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

	Discount Rate Applied (%)		Terminal Growth Rate Applied (%)		Cashflow Forecast Period (Years)	
	2022	2021	2022	2021	2022	2021
UK Schools	8.6%	8.2%	1.9%	2.0%	5	5
UK Active Learning Group	8.6%	8.2%	1.9%	2.0%	10	5
Spain	9.8%	8.7%	1.8%	1.5%	5	5
Switzerland	7.8%	7.1%	1.1%	1.0%	5	10
Chile	12.9%	11.1%	3.0%	3.0%	5	5
Brazil	13.2%	12.3%	3.0%	3.5%	10	5
Thailand	11.0%	9.8%	1.5%	2.5%	10	5
Vietnam	14.6%	11.2%	4.0%	2.0%	10	10
Hong Kong Woodland	11.1%	8.7%	2.1%	2.0%	5	5
Singapore Australian International School	9.9%	8.9%	2.5%	2.0%	10	5
Singapore Stamford American International School	9.9%	8.9%	2.5%	2.0%	10	10
CHIREC	14.4%	13.4%	5.0%	5.9%	10	10
Middle East	11.6%	9.1%	2.0%	1.0%	5	5
Italy	8.3%	7.3%	1.5%	1.5%	5	5
Ranches	11.6%	N/A	2.0%	N/A	5	N/A
Meres	9.8%	N/A	1.8%	N/A	5	N/A
Horizon International School	11.6%	N/A	2.0%	N/A	10	N/A
Dunalastair	12.9%	N/A	3.0%	N/A	10	N/A
Mexico	13.1%	N/A	3.2%	N/A	10	N/A

Notes to the Financial Statements (continued)

11 Intangible assets - Group (continued)

The table below details the carrying amount of goodwill allocated to each of these groups of CGUs, the recoverable amount of the CGU and the amount of impairment recognised in these financial statements where relevant:

	Year ended 2022			Year ended 2021		
	Recoverable amount of CGU (where impairment is recognised)	Goodwill impairment recognised	Carrying value of goodwill	Recoverable amount of CGU (where impairment is recognised)	Goodwill impairment recognised	Carrying value of goodwill
	£'000	£'000	£'000	£'000	£'000	£'000
UK Schools	n/a	n/a	104,034	282,948	2,553	104,034
UK Active Learning Group	17,334	14,220	4,829	n/a	n/a	19,049
Spain	n/a	n/a	88,625	n/a	n/a	88,513
Switzerland ¹	n/a	n/a	20,675	n/a	n/a	20,312
Chile	n/a	n/a	75,395	205,206	251	72,857
Brazil	n/a	n/a	32,163	45,891	323	27,058
Thailand	n/a	n/a	66,753	n/a	n/a	63,923
Vietnam	n/a	n/a	176,131	n/a	n/a	155,038
Hong Kong Stamford	n/a	n/a	191	n/a	n/a	163
Hong Kong Woodland	-	15,694	-	n/a	n/a	13,616
Singapore Australian International School	382,697	16,076	223,816	n/a	n/a	212,086
Singapore Stamford American International School	386,186	16,955	219,212	n/a	n/a	208,786
CHIREC	n/a	n/a	37,198	n/a	n/a	34,219
Middle East	n/a	n/a	24,567	n/a	n/a	20,823
Italy	n/a	n/a	796	n/a	n/a	795
Ranches	n/a	n/a	30,812	n/a	n/a	-
Meres	n/a	n/a	13,714	n/a	n/a	-
Horizon International School	n/a	n/a	31,633	n/a	n/a	-
Dunalastair	n/a	n/a	47,598	n/a	n/a	-
Mexico ²	n/a	n/a	10,192	n/a	n/a	-
As at 31 August	786,217	62,945	1,200,334	534,045	3,127	1,041,272

¹Goodwill arising in the prior period for the Obersee Bilingual School acquisition has been allocated to the Group's existing Switzerland CGU during the year reflecting the full integration of this acquisition.

²The purchase price allocation exercise was ongoing at the balance sheet date and the associated goodwill balance remains provisional until the exercise is complete.

Singapore schools: AIS and SAIS

The continuing impact of COVID-19 during the first half of the year has impacted our Singapore schools, with lower pupils being enrolled than expected and leading to sub-optimal utilisation levels. Recovery is expected over time; however, this has led to lower forecast cashflows in the near term, which has reduced the recoverable amount of both AIS and SAIS and resulted in an impairment charge of £16.1m and £17.0m, respectively.

Woodland, Hong Kong

Government actions taken to mitigate the impact of COVID-19 in Hong Kong, including mandated closures and restricted operating hours, have significantly impacted the performance of Woodland during the year. Uncertainty over the availability of care arrangements for younger pupils has led to a higher proportion of parents caring for children at home. The early years market in Hong Kong continues to face challenges and, as a result, a full write down of the CGU has been recognised. The total impairment charge of £22.2m has been allocated as follows: £15.7m against goodwill, £5.5m across trade names and customer relationships and £1.0m to leasehold land and buildings.

Notes to the Financial Statements (continued)

11 Intangible assets - Group (continued)

Active Learning Group

ALG's performance has suffered because of travel restrictions and short-term staff shortages limiting the businesses' ability to operate at full scale. However, significant market demand continues to exist for the services provided and the expectation is that ALG will return to pre-pandemic levels of performance in the short term and exceed these in the medium to long term. These performance challenges, however, have led to lower cashflow forecasts and therefore a lower estimated recoverable amount of the CGU, resulting in an impairment charge to goodwill being recognised for £14.2m.

Sensitivity analysis

Impairment calculations are sensitive to changes in underlying forecast cashflows, in particular to changes in terminal growth expectations during the period modelled, and discount rates.

Assuming all other assumptions held are constant:

- A 1 percentage point increase in discount rates would give rise to an additional impairment charge of £152.1m.
- Achievement of 10% EBITDA growth lower than forecast would give rise to an additional impairment charge of £60.1m.
- A 5% relative decrease in terminal growth rate would give rise to an additional impairment charge of £7.8m.
- A 10-percentage point increase in sustained short-term inflation for FY23 compared to plan forecast assumptions would give rise to an additional impairment charge of £17.4m.

This would impact the relevant CGUs as follows:

	1% Percentage Point Higher Discount Rate	10% Relative Lower EBITDA Growth	5% Relative Lower growth in terminal period	10 Percentage Points Higher Short-Term Inflation
	Impairment £'000	Impairment £'000	Impairment £'000	Impairment £'000
UK Active Learning Group	2,682	2,716	174	1,186
Chile	4,895	-	-	-
Singapore Stamford American International School	48,905	18,588	3,818	5,962
Singapore Australian International School	45,980	11,874	3,534	3,753
Thailand	6,836	3,555	-	2,860
Vietnam	27,453	17,643	-	1,286
CHIREC	3,511	431	-	-
Horizon International School	4,693	1,008	-	-
Dunalastair	3,213	1,980	-	528
Mexico	3,912	2,352	302	1,863
	152,080	60,147	7,828	17,438

Additional Sensitivities

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

CGU	Key Assumption	Sensitivity	Impairment £'000
Thailand	Utilisation is expected to increase by 18% above previously achieved levels within the ten-year DCF period	Utilisation has been restricted to historic observable rates	21,579
Horizon International School	The school is expected to improve its rating from "good" to "outstanding" by FY28	An "outstanding" status will not be achieved within the ten-year period	7,277
Mexico	Utilisation is expected to increase by 12% above previously achieved levels within the ten-year DCF period	Utilisation within the DCF period is restricted to historic observable rates	4,284
UK Active Learning Group	Pre-covid profitability levels will be achieved by FY25	Pre-COVID EBITDA levels are delayed by two years	4,203

Notes to the Financial Statements (continued)

11 Intangible assets - Group (continued)

Additional Sensitivities (continued)

CGU	Key Assumption	Sensitivity	Impairment £'000
Singapore Stamford American International School	The school is expected to increase utilisation by 21% over the 10-year DCF period through organic growth	Organic growth has been reduced by a relative 10% for each year within the DCF period, leading to a 19% increase in expected utilisation	9,016
Singapore Australian International School	The school is expected to increase utilisation by 5% over the 10-year DCF period through organic growth	Organic growth has been reduced by a relative 25% for each year within the DCF period, leading to a 4% increase in expected utilisation	4,912
	Total		51,271

Impairment - other assets

In addition to the annual impairment testing of goodwill, management considers annually (or more often where circumstances require) whether indicators of impairment exist in relation to other assets with these being a decline in actuals relating to pupils and/or EBITDA compared to the prior year budget and the next anticipated financial year. Trading performance of the Group has been in line with expectations apart from Asia and most notably the continuing impact of COVID-19 on performance in the first half of the year.

Where an indicator of impairment exists, the school has been tested for impairment. Several of our schools have also performed better than expected during the year, usually as part of a targeted turnaround plan with specific actions driving greater or earlier than expected benefits. Where appropriate, such schools have been tested to assess the need to reverse previously recognised impairment charges.

No impairment losses or reversals have been recognised in the current year in respect of individual schools testing.

12 Deferred tax assets and liabilities - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2022 £'000	Assets 2021 £'000	Liabilities 2022 £'000	Liabilities 2021 £'000
Property, plant and equipment	3,748	712	(64,948)	(8,318)
Intangible assets	1,200	733	(56,135)	(69,988)
Provisions	3,462	3,133	-	(28)
Tax losses	13,437	16,938	-	-
Other	8,787	8,580	(915)	(1,635)
Tax assets/(liabilities)	30,634	30,096	(121,998)	(79,969)
Net of tax (liabilities)/assets	(16,735)	(18,325)	16,735	18,325
Net tax assets/(liabilities)	13,899	11,771	(105,263)	(61,644)

Movement in deferred tax during the year:

	2022 £'000	2021 £'000
At beginning of year	(49,873)	(35,563)
Recognised on acquisition	(39,685)	(2,939)
Reallocation from goodwill	-	(25,651)
Credit to the income statement in respect of current year	3,283	12,711
Foreign exchange movement	(5,089)	1,569
At end of year	(91,364)	(49,873)

Notes to the Financial Statements (continued)

12 Deferred tax assets and liabilities – Group (continued)

Recognised deferred tax assets and liabilities (continued)

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

The Group has determined that it cannot recognise deferred tax assets on £171.3m (2021: £136.7m). If the Group was able to recognise all unrecognised deferred tax assets equity would have increased by £40.3m (2021: £33.8m) net based on the statutory tax rate of each respective country. This would lead to a total deferred tax asset of £54.2m (2021: £45.6m)

The Company has no unrecognised deferred tax assets.

13 Inventories

	Group 2022 £'000	Group 2021 £'000
Goods for resale	1,013	1,036
	<u>1,013</u>	<u>1,036</u>

14 Trade and other receivables

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Non-current				
Other receivables	29,723	20,854	1,133	956
	<u>29,723</u>	<u>20,854</u>	<u>1,133</u>	<u>956</u>
Current				
Trade receivables	74,942	70,744	-	-
Other receivables	16,209	19,455	694	358
Prepayments and accrued income	14,009	8,941	-	-
Amount due from parent company	11,715	-	11,715	-
Amounts owed by subsidiary undertakings	-	-	1,356,047	1,145,762
Amounts receivable in respect of finance leases	3,090	3,080	-	-
	<u>119,965</u>	<u>102,220</u>	<u>1,368,456</u>	<u>1,146,120</u>

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

15 Cash and cash equivalents

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash and cash equivalents	<u>291,506</u>	<u>134,018</u>	<u>19</u>	<u>576</u>

Notes to the Financial Statements (continued)

16 Other interest-bearing loans and borrowings

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

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Non-current liabilities				
Bank loans	1,028,374	876,896	981,682	826,416
Lease liabilities	543,406	394,878	-	-
	<u>1,571,780</u>	<u>1,271,774</u>	<u>981,682</u>	<u>826,416</u>
Current liabilities				
Bank loans	25,812	21,179	13,021	12,214
Lease liabilities	13,542	10,733	-	-
	<u>39,354</u>	<u>31,912</u>	<u>13,021</u>	<u>12,214</u>
Total interest-bearing loans and borrowings	<u>1,611,134</u>	<u>1,303,686</u>	<u>994,703</u>	<u>838,630</u>

As at 31 August 2022, the Group had a fully utilised Term Loan B Facility totalling £778.9m (2021: £623.7m) and a £219.1m (2021: £218.8m) Second Lien Facility. The Group also had a £120m (2021: £100m) Revolving Credit Facility (Expiry date: April 2025) which was undrawn at 31 August 2022 and 31 August 2021.

Included in non-current liabilities within Secured Bank Loans is £16.2m (2021: £15.9m) of debt issue costs.

Included in current liabilities within Secured Bank Loans is accrued interest of £13m (2021: £12.2m).

Transition to SONIA

The group has assessed its exposure to GBP LIBOR contracts and consequences of the LIBOR benchmark reform. Exposures to LIBOR were identified in the Group's revolving credit facilities and the Term Loan B. The Group's revolving credit facility and term loan B which are subject to floating interest rates were amended in October 2021 to reference SONIA instead of LIBOR.

Terms and debt repayment schedule

Group

Type	Currency	Interest rate	Year of maturity	Carrying amount 2022 £'000	Carrying amount 2021 £'000	Loan Principal value 2022 £'000	Loan Principal value 2021 £'000
Bank Loans	CLP	2.5% to 5.5%	Mar 22 to Jul 33	40,960	43,041	40,975	42,977
Bank Loans	EUR	Fixed 1.4% to 1.5%	Apr 22 to Apr 28	9,747	8,086	9,747	8,086
Bank Loans	EUR	EURIBOR +1.5% to +1.9%	Apr 24 to Nov 25	7,657	7,646	7,657	7,646
Term Loan B	GBP	SONIA + 5%	Oct 25	199,921	199,857	200,000	200,000
Term Loan B	EUR	EURIBOR +4.25%	Oct 25	422,483	420,012	424,215	423,639
Second Lien	EUR	EURIBOR + 7.5%	Jan 27	219,817	218,761	219,068	218,771
Government Loan	EUR	0%	Sep 26	223	276	223	276
Government Loan	CHF	0%	Mar 25	477	396	477	396
Term Loan B1	EUR	EURIBOR +4.25%	Oct 25	152,482	-	154,636	-
Corporate Loan	GBP	6.47%	Nov 24	419	-	400	-
				<u>1,054,186</u>	<u>898,075</u>	<u>1,057,398</u>	<u>901,791</u>

Notes to the Financial Statements (continued)

16 Other interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule (continued)

Company

Type	Currency	Interest rate	Year of maturity	Carrying amount 2022 £'000	Carrying amount 2021 £'000	Loan Principal value 2022 £'000	Loan Principal value 2021 £'000
Term loan B	GBP	SONIA + 5%	Oct 25	199,921	199,857	200,000	200,000
Term Loan B	EUR	EURIBOR +4.25%	Oct 25	422,483	420,012	424,215	423,639
Second Lien	EUR	EURIBOR + 7.5%	Jan 27	219,817	218,761	219,068	218,771
Term Loan B1	EUR	EURIBOR +4.25%	Oct 25	152,482	-	154,636	-
				994,703	838,630	997,919	842,410

Finance lease liabilities

Total lease payments made during the year were £33.6m (2021: £27.7m) and interest charges with respect to IFRS 16 totalled £19.5m for the year (2021: £15.3m).

The maturity analysis of lease liabilities are shown below:

Group	Present value of minimum lease payments 2022 £'000	Interest 2022 £'000	Future minimum lease payments 2022 £'000	Present value of minimum lease payments 2021 £'000	Interest 2021 £'000	Future minimum lease payments 2021 £'000
Less than one year	13,542	28,779	42,321	10,733	17,539	28,272
Between one and five years	45,303	111,075	156,378	41,355	66,229	107,584
More than five years	498,103	679,364	1,177,467	353,523	523,988	877,511
	556,948	819,218	1,376,166	405,611	607,756	1,013,367

Amounts recognised in consolidated statement of comprehensive income

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Interest expense on lease liabilities	19,496	15,301
Expenses relating to short term leases	652	730
Expenses relating to variable lease payments not included in the measurement of lease liabilities	123	159
Gains from sale and leaseback transactions	(8,930)	(3,705)
	11,341	12,485

Notes to the Financial Statements (continued)

16 Other interest-bearing loans and borrowings (continued)

Changes in liabilities from financing activities for the year ended 31 August 2022

	Loans and borrowings £'000	Finance lease liabilities £'000	Derivative financial instruments £'000	Total £'000
Balance at 1 September 2021	898,075	405,611	1,789	1,305,475
Changes from financing cash flows				
Proceeds from loans and borrowings	244,305	-	-	244,305
Repayment of borrowings	(92,767)	-	-	(92,767)
Repayment of capital element of lease liabilities	-	(33,552)	-	(33,552)
Transactions costs related to loans and borrowings	(5,144)	-	-	(5,144)
Interest paid	(50,197)	-	-	(50,197)
Total changes from financing cash flows	96,197	(33,552)	-	62,645
Effects of foreign exchange rates	(1,800)	15,987	-	14,187
Other changes				
Interest expense	61,714	19,496	-	81,210
Unrealised gain on derivatives	-	-	(14,183)	(14,183)
Modifications of existing leases	-	7,448	-	7,448
New leases entered into in the year	-	104,018	-	104,018
Lease liabilities acquired through acquisitions	-	37,940	-	37,940
	61,714	168,902	(14,183)	216,433
Balance at 31 August 2022	1,054,186	556,948	(12,394)	1,598,740

	Loans and borrowings £'000	Finance lease liabilities £'000	Derivative financial instruments £'000	Total £'000
Balance at 1 September 2020	905,486	339,134	3,035	1,247,655
Changes from financing cash flows				
Proceeds from loans and borrowings	86,248	-	-	86,248
Repayment of borrowings	(77,633)	-	-	(77,633)
Repayment of capital element of lease liabilities	-	(27,655)	-	(27,655)
Interest paid	(50,322)	-	-	(50,322)
Total changes from financing cash flows	(41,707)	(27,655)	-	(69,362)
Effects of foreign exchange rates	(22,231)	(6,205)	-	(28,436)
Other changes				
Interest expense	56,527	15,301	-	71,828
Unrealised loss on derivatives	-	-	(1,246)	(1,246)
Modifications of existing leases	-	6,096	-	6,096
New leases entered into in the year	-	59,619	-	59,619
Lease liabilities acquired through acquisitions	-	19,321	-	19,321
	56,527	100,337	(1,246)	155,618
Balance at 31 August 2021	898,075	405,611	1,789	1,305,475

Notes to the Financial Statements *(continued)*

17 Trade and other payables

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Non-current				
Other payables	1,307	104	-	-
Deferred consideration	76,572	11,796	-	-
Accruals	21	397	-	-
Deposits	69	69	-	-
	77,969	12,366	-	-
Current				
Trade payables	16,806	11,680	-	-
Other taxes and social security	5,370	5,088	-	14
Other payables	11,593	8,990	-	-
Deferred and contingent consideration ¹	26,694	11,404	-	-
Accruals	66,489	55,738	175	271
Deposits	16,476	16,959	-	-
	143,428	109,859	175	285

¹ Includes contingent consideration of £3.5m (2021: £nil)

Notes to the Financial Statements *(continued)*

18 Other financial assets / (liabilities)

Group and Company	2022 £000	2021 £000
Non-current		
Financial assets / (liabilities) designated as fair value through profit or loss	-	(340)
Current		
Financial assets / (liabilities) designated as fair value through profit or loss	12,394	(1,449)
	<u>12,394</u>	<u>(1,789)</u>

Other financial assets for the year ended 31 August 2022 relate to coupon-only foreign currency interest rate swaps which were entered into in July 2019 with counterparty banks which are lenders in the Senior Facility Agreement. The coupon-only foreign currency interest rate swaps mitigate the Group's exposure to future fluctuations in interest rates and the Singapore Dollar/GBP and Singapore Dollar/Euro exchange rates, respectively, in relation to debt service costs.

19 Employee benefits - Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £16.2m (Year ended 2021: £13.4m), see note 5.

Multi-employer defined benefit plan

Teachers' Pension Scheme

The Group participates in the TPS for some of its teaching staff. The defined contribution pension charge for the period includes contributions payable to the TPS of £8.5m (2021: £8.0m) and at the period end £0.7m (2021: £0.7m) was accrued in respect of contributions to this scheme.

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

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

Notes to the Financial Statements (continued)

20 Provisions

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

Group	Property £'000	Severance Allowance £'000	Other £'000	Total £'000
Balance at 1 September 2020	1,182	1,340	1,372	3,894
Amounts arising from acquisitions	87	-	7,250	7,337
Provisions made during the period	-	702	3,866	4,568
Provisions used during the period	(378)	(342)	(167)	(887)
Provisions reversed during the period	(67)	(296)	(117)	(480)
Foreign exchange movement	(33)	(17)	(47)	(97)
Balance at 31 August 2021	791	1,387	12,157	14,335
Non-current	713	1,387	1,057	3,157
Current	78	-	11,100	11,178
	791	1,387	12,157	14,335

Property

The property provision represents the anticipated costs of returning it to their original state as required by the terms of the related lease with these expected to be fully utilised within their relevant periods. 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. £1.6m has been recognised as a result of the Hong Kong sale and leaseback with respect to reinstatement costs under the new lease.

Severance allowance

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.

Other

During the year ended 31 August 2022, the Group made a provision of £1.7m for UK employment tax liabilities related to a GSOP management incentive plan operated in periods ended 31 August 2010 to 2013. In the current year, the First Tier Tribunal published its decision in relation to a GSOP test case, finding in favour of HMRC. The test case is not being appealed by the taxpayer. Consequently, the Group has entered settlement discussions with HMRC in relation to these historic liabilities.

Costs of pension provisions within the UK under the TPS scheme, Thailand under the Thai Labour Protection Act, Spain under a fidelity agreement and a provision for indemnification assets with respect to prior period acquisitions are also included in other provisions.

Notes to the Financial Statements *(continued)*

21 Capital and reserves

Share capital

Authorised called up and fully paid			Nominal value per share	Total share nominal value 2022 £'000	Total share nominal value 2021 £	Share consideration 2022 £'000	Share consideration 2021 £'000
Class of share	Number 2022	Number 2021					
Ordinary	1,591,749,807	1,563,749,807	£0.0001	159	156	1,606,539	1,578,539
				<u>159</u>	<u>156</u>	<u>1,606,539</u>	<u>1,578,539</u>

During the year 28,000,000 shares were issued for total consideration of £28m (2021: 116,600,671 shares were issued for total consideration of £116.6m).

Rights of shares

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

Reserves

Equity reserve

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

Translation reserve

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

Notes to the Financial Statements (continued)

22 Financial instruments

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

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

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

Categories of financial instruments

	Note	Group carrying amount 2022 £'000	Group carrying amount 2021 £'000	Company carrying amount 2022 £'000	Company Carrying amount 2021 £'000
Financial assets measured at amortised cost					
Trade and other receivables	14	135,679	113,177	1,369,589	1,147,076
Cash and cash equivalents	15	291,506	134,018	19	576
Financial assets measured at fair value					
Forward currency contracts and interest rate swaps	19	12,394	-	12,394	-
Total financial assets		439,579	247,195	1,382,002	1,147,652
	Note	Group carrying amount 2022 £'000	Group carrying amount 2021 £'000	Company carrying amount 2022 £'000	Company Carrying amount 2021 £'000
Financial liabilities measured at amortised cost					
Interest-bearing loans and borrowings	16	1,611,134	1,303,686	994,703	838,630
Trade and other payables	17	149,517	37,802	-	-
Financial liabilities measured at fair value					
Forward currency contracts and interest rate swaps	19	-	1,789	-	1,789
Total financial liabilities		1,760,651	1,343,277	994,703	840,419
Total net financial instruments		1,321,072	1,096,082	(387,299)	(307,233)

a) Fair values of financial instruments

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

The Company financial instruments measured at fair value are forward currency contracts and interest rate swaps which are measured based on Level 1 inputs (2021: Level 1).

Notes to the Financial Statements (continued)

22 Financial instruments (continued)

b) Credit risk

Financial risk management

Group

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

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

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

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

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

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

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

On the above basis, the loss allowance as at 31 August 2022 has been determined as follows for trade receivables:

Group	Year ended 31 August 2022				Year ended 31 August 2021			
	Expected Loss Rate 2022 %	Gross 2022 £'000	Provision for Expected Credit Losses 2022 £'000	Total 2022 £'000	Expected Loss Rate 2021 %	Gross 2021 £'000	Provision for Expected Credit Losses 2021 £'000	Total 2021 £'000
Not past due	1%	53,371	(362)	53,009	1%	46,981	(322)	46,659
Past due 0-30 days	5%	14,960	(781)	14,179	5%	13,585	(639)	12,946
Past due 31-120 days	31%	9,476	(2,971)	6,505	27%	11,602	(3,121)	8,481
Past due by more than 120 days	92%	15,384	(14,135)	1,249	81%	14,053	(11,395)	2,658
		<u>93,191</u>	<u>(18,249)</u>	<u>74,942</u>		<u>86,221</u>	<u>(15,477)</u>	<u>70,744</u>

Notes to the Financial Statements *(continued)*

22 Financial instruments *(continued)*

b) Credit risk *(continued)*

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

	2022 £'000	2021 £'000
Balance at 1 September	(15,477)	(12,590)
Provisions made during the year	(4,101)	(4,301)
Provisions used during the year	319	202
Provisions reversed during the year	2,557	1,241
Amounts arising from acquisition/disposal	(1,054)	(529)
Amounts written off	215	203
Foreign exchange movement	(708)	297
Balance at 31 August	<u>(18,249)</u>	<u>(15,477)</u>

The net £1m impairment of financial assets (year ended 2021: £2.7m) recognised in the income statement during the year excludes the effects of foreign exchange movements and acquired provisions.

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

Company

The Company has a number of receivable intercompany balances that are repayable on demand. Management have assessed these balances and concluded that any expected credit losses would be immaterial should repayment be demanded.

c) Liquidity risk

Financial risk management

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

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

The cash position at the balance sheet date remains strong at £291.5m. Cash collection trends have remained encouraging and we continue to monitor this closely over the coming months to identify any deviation.

Notes to the Financial Statements (continued)

22 Financial instruments (continued)

c) Liquidity risk (continued)

As at 31 August 2022, the Group had a Term Loan B Facility totalling £778.9m (2021: £623.6m) and a £219.1m (2021: £218.8m) Second Lien Facility. The Group also had a £120m (2021: £100m) Revolving Credit Facility expiry date of April 2025 which was undrawn at 31 August 2022 and 31 August 2021.

During the year ended 31 August 2022, the Groups liquidity benefitted from the receipt of equity funding of £28.0m.

The maturity of borrowings at the balance sheet date is set out in note 16 to the financial statements. In total, as at 31 August 2022, the Lernen Bidco Limited Group had drawn borrowings of £1,054.2m (2021: £898.1m) of which £1,028.4m (2021: £876.9m) would be repayable after 31 August 2022. The Group has a strong working capital position as student contracts require cash payment in advance of tuition services on an annual, termly or monthly basis. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

Liquidity risk - Group

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

	Carrying amount £'000	Contractual cash flows £'000	2022 Phasing of contractual cash flows		
			1 year or less £'000	2 to 5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
Secured bank loans	1,054,186	1,250,183	81,490	1,155,808	12,885
Lease liabilities	556,948	1,376,166	42,321	156,378	1,177,467
Trade and other payables	149,517	149,517	71,569	77,948	-
	1,760,651	2,775,866	195,380	1,390,134	1,190,352

	Carrying amount £'000	Contractual cash flows £'000	2021 Phasing of contractual cash flows		
			1 year or less £'000	2 to 5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
Secured bank loans	898,075	898,075	21,179	861,420	15,476
Lease liabilities	405,611	1,013,367	28,272	107,584	877,511
Trade and other payables	122,225	122,225	109,859	12,321	45
	1,425,911	2,033,667	159,310	981,325	893,032

Notes to the Financial Statements (continued)

22 Financial instruments (continued)

d) Market risk

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

Market risk - Foreign exchange risk

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

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

Market risk - Foreign exchange risk - Company

The Company had limited exposure to foreign currency risk at 31 August 2022 as it holds third party borrowings designated in Euro but has extended loans also designated in Euro to other Group entities worth EUR 928.8m (2021: EUR 748.5m).

Sensitivity analysis - Group

If sterling had been 10% stronger / weaker at 31 August 2022, Group equity would have increased / decreased by £85.4m (2021: £69.8m) as a result of third party borrowings designated in Euro. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Market risk - Interest rate risk

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

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2022 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 - 2022			Total £'000	Interest rate - 2021			Total £'000
	Fixed £'000	Floating £'000	Zero £'000		Fixed £'000	Floating £'000	Zero £'000	
Financial assets:								
Cash	-	291,506	-	291,506	-	134,018	-	134,018
Trade and other receivables	-	-	135,679	135,679	-	-	110,097	110,097
Financial liabilities:								
Bank loans	-	-	-	-	-	-	-	-
Trade and other payables	-	-	(149,517)	(149,517)	-	-	(28,812)	(28,812)
Revolving Credit Facility	-	-	-	-	-	-	-	-
Secured bank loans	(51,126)	(1,002,360)	(700)	(1,054,186)	(51,126)	(846,276)	(673)	(898,075)
Finance leases	-	-	(556,948)	(556,948)	-	-	(405,611)	(405,611)

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

Sensitivity analysis

At 31 August 2022, the Group had exposure to interest rate sensitivity in respect of variable rate loans. In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have increased / decreased the result for the year by £10m (2021: £8.5m).

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

Notes to the Financial Statements *(continued)*

22 Financial instruments *(continued)*

e) Capital management

Group and Company

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

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

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

23 Leases

Group

During the year £0.4m was recognised as an expense in the income statement in respect of variable lease payments not included in the lease liability (2021: £0.2m).

24 Capital Commitments

Group

As at 31 August 2022, the Group had total capital commitments of £33,249,000 (2021: £33,190,000).

At the end of the period, there were ongoing building projects within the UK to increase class capacity, the contractual commitment of these works totalled £3,516,000 (2021: £8,278,000).

In December 2014, the Group entered into a 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 2022 is £7,789,000 (2021: £7,789,000) which is likely to be payable in 2023.

As at 31 August 2022, the Group had capital commitments pertaining to the following:

- £2,940,000 (2021: £2,675,000) for the construction of a school in Vietnam (Hanoi) as well as the expansion of an existing campus (Hanoi).
- £10,721,000 (2021: £592,000) for the expansion of a campus within India.
- £8,283,000 (2021: £11,250,000) for the construction of a new campus in Barcelona (BSB City, Spain).

Notes to the Financial Statements *(continued)*

25 Contingencies

Group Guarantees

During the year ended 31 August 2022, the Group held a Senior Facilities Agreement and a Second Lien Facility. Lernen Bidco Limited and certain subsidiary undertakings are guarantors of the Senior Facility Agreement. Under this arrangement, the facilities are secured on the group assets.

The total gross exposure in relation to the Senior Facility and Second Lien Facility was £1,010.9m (2021: £854.6m) including accrued interest, at the balance sheet date.

Reinstatement of leased land

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

It has been estimated that the maximum liability at 31 August 2022 should a reinstatement be required would be £7.2m (2021: £6.3m). This estimated contingent liability represents the cost of demolition of the entire area of construction including substructure, extraction of piles, back filling to original levels and re-turfing.

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

Tax claims

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

Notes to the Financial Statements (continued)

26 Related parties

Group

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

Company

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

	Year ended 31 August 2022		Year ended 31 August 2021	
	Lernen Midco 2 Ltd £'000	Lernen Bondco Plc £'000	Lernen Midco 2 Ltd £'000	Lernen Bondco Plc £'000
Beginning of period	-	-	251	4,896
Loan issued during the year	11,417	-	-	-
Interest charged	298	-	-	-
Settlement during the year	-	-	(251)	(4,968)
Effects of change in foreign exchange rate	-	-	-	72
End of period	11,715	-	-	-

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

27 Ultimate parent company and parent company of larger group

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

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

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

28 Events after the Balance Sheet date

Acquisition of York Preparatory School, New York City

On 1 September 2022, the Group acquired the operating assets of York Preparatory School ("York") in New York City, USA for £45m and entered into an agreement to purchase the associated property within 12 months for £43.2m. The school founded in 1969 is an independent college and preparatory day school for grades 6-12 with 333 pupils, located in the upper west side neighbourhood of Manhattan.

Acquisition of Redcol Holding, Colombia

On 30 September 2022, the Group acquired Redcol Holding ("Redcol") in Colombia for £124m. Redcol comprises of 9 schools and is a leading K12 schools group within Colombia with over 7000 pupils. It has a clear focus on delivering holistic education and is Cognita's biggest acquisition to date.

Notes to the Financial Statements (continued)

29 Investments in subsidiaries

	Shares in subsidiary undertakings £'000	Total £'000
Cost at 1 September 2021 and 31 August 2022	1,321,087	1,321,087
Provision for impairment at 1 September 2021 and 31 August 2022	(453,800)	(453,800)
Net Book Value at 31 August 2021 and 31 August 2022	<u>867,287</u>	<u>867,287</u>

The Company's investment in Cognita Topco Ltd of £867.3m (2021: £867.3m) has been determined with reference to the expected future cashflow generation of the investee.

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

Subsidiary undertaking	Class of share capital held	% held 2022	% held 2021	Registered Office (Appendix)	Country of incorporation	Nature of business
Cognita Topco Limited *#	Ordinary	100%	100%	1	Jersey	Holding Company
Cognita Midco Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Bondco Parent Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Financing Plc #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Limited #	Ordinary	100%	100%	2	England & Wales	Management/Holding Company
Cognita Schools Limited	Ordinary	100%	100%	2	England & Wales	Education
Cognita International Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK USA Holdings Limited **	Ordinary	100%	N/A	2	England & Wales	Holding Company
Super Camps Limited #	Ordinary	100%	100%	2	England & Wales	Education
ALG Cognita Limited #	Ordinary	100%	100%	2	England & Wales	Education
ALG Active Learning Centres Limited #	Ordinary	100%	100%	2	England & Wales	Education
St Nicholas Preparatory School Limited #	Ordinary	100%	100%	2	England & Wales	Education
Cognita Funding 1 Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Mexico Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Brazil Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Ardmore Education Limited #	Ordinary	100%	100%	1	England & Wales	Education
Ardmore Educational Travel Limited #	Ordinary	100%	100%	1	England & Wales	Education
Ardmore Language Schools Limited #	Ordinary	100%	100%	1	England & Wales	Education
Ardmore Language Schools Inc	Ordinary	100%	100%	3	USA	Education
Swiss International School Zurich North GmbH	Ordinary	100%	100%	4	Switzerland	Education
Obersee Bilingual School GmbH	Ordinary	51%	51%	5	Switzerland	Education
The British School of Barcelona S.A.	Ordinary	100%	100%	6	Spain	Education
ELIS Cognita S.L.	Ordinary	100%	100%	6	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	100%	6	Spain	Holding Company
Cognita BSB Property S.L.	Ordinary	100%	100%	6	Spain	Property/ Holding Company
Cognita Hastings Property S.L.	Ordinary	100%	100%	6	Spain	Property
Cognita Hastings Holdings S.L.	Ordinary	100%	100%	6	Spain	Education
British School Children's Garden S.L.	Ordinary	100%	100%	6	Spain	Education
Colegio de Madrid S.L.	Ordinary	90%	90%	6	Spain	Education

Notes to the Financial Statements (continued)

29 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held 2022	% held 2021	Registered Office (Appendix)	Country of incorporation	Nature of business
The English Montessori School S.A.	Ordinary	100%	100%	7	Spain	Education
Mirasur International School, S.L.	Ordinary	75%	75%	8	Spain	Education
Colegio Meres S.L.**	Ordinary	100%	N/A	9	Spain	Education
Cognita Singapore Holdings Pte Limited	Ordinary	100%	100%	10	Singapore	Holding Company
Cognita Asia Holdings Pte Limited	Ordinary	100%	100%	10	Singapore	Management/Holding Company
St Andrews Dusit Thailand Pte Limited	Ordinary	100%	100%	10	Singapore	Management/Holding Company
Camp Asia Cognita Pte Limited	Ordinary	100%	100%	10	Singapore	Education
Australian International School Pte Limited	Ordinary	100%	100%	11	Singapore	Education
Brighton College (Singapore) Pte Limited	Ordinary	100%	100%	11	Singapore	Education
Stamford American International School Pte Limited	Ordinary	100%	100%	12	Singapore	Education
St Andrews Dusit Campus Company Limited	Ordinary	70%	70%	13	Thailand	Education
British Education Management Systems Company Limited	Ordinary	100%	100%	14	Thailand	Education
Silom Education Company Limited	Ordinary	100%	100%	15	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	100%	16	Thailand	Education
Cognita Brasil Participacoes Ltda	Ordinary	100%	100%	17	Brazil	Management/Holding Company
Cognita Brasil Escolas Participacoes 3 Ltda	Ordinary	100%	100%	17	Brazil	Holding Company
Cognita Brasil Escolas Participacoes 4 Ltda	Ordinary	100%	100%	17	Brazil	Holding Company
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	100%	18	Brazil	Education
Centro Educacional Pingo De Gente Ltda	Ordinary	100%	100%	19	Brazil	Education
Escola Cidade Jardim - Playpen Ltda	Ordinary	100%	100%	20	Brazil	Education
Maxi Distribuidora De Material Didatico Ltda	Ordinary	100%	100%	21	Brazil	Education
Neodna Cursos Preparatorios Ltda	Ordinary	100%	100%	22	Brazil	Education
Socie da de Educacional Maxi Ltda	Ordinary	100%	100%	23	Brazil	Education
Menezes, Moura E Cia Ltda	Ordinary	100%	100%	24	Brazil	Education
Cognita Brasil Escolas Participacoes 5 Ltda	Ordinary	100%	100%	25	Brazil	Holding Company
Escola Villare de Educacao Infantil Ltda	Ordinary	100%	100%	26	Brazil	Education
Escola Villare Ltda	Ordinary	100%	100%	27	Brazil	Education
Villare Comercio De Materials Didaticos Ltda	Ordinary	100%	100%	28	Brazil	Services Company
Cognita Chile SPA	Ordinary	100%	100%	29	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	100%	29	Chile	Holding Company
Desarrollos Educacionales, SA	Ordinary	100%	100%	30	Chile	Management/Holding Company
Soc. Educacional Huechuraba, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Penalolen, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Temuco, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Puerto Montt, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Valle Lo Campino, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Ciudad Del Este, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Lo Aguirre, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Chicureo, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Curauma, SA	Ordinary	100%	100%	30	Chile	Education
Soc. Educacional Chicauma, SA	Ordinary	100%	100%	30	Chile	Education
Inmobiliaria Tierra Fertil, SA	Ordinary	100%	100%	30	Chile	Services Company
Servicios Educacionales, SA	Ordinary	100%	100%	30	Chile	Services Company
Gestion Educativa, SA	Ordinary	100%	100%	30	Chile	Services Company
Soc. Educacional American British School Ltda	Ordinary	100%	100%	30	Chile	Education
Soc Educacional Loyola SA	Ordinary	100%	100%	31	Chile	Education
Soc. Educacional Manquecura Nunoa Ltda	Ordinary	100%	100%	32	Chile	Education
Soc Educacional Greenland School, SA	Ordinary	100%	100%	33	Chile	Education

Notes to the Financial Statements (continued)

29 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share	% held capital held 2022	% held 2021	Registered Office (Appendix)	Country of incorporation	Nature of business
Inmobiliaria e Inversiones Valle Verde, SA	Ordinary	100%	100%	33	Chile	Property
Inversiones Y Negocios Inmobiliarios, SA	Ordinary	100%	100%	33	Chile	Property/ Holding Company
Colegio Dunalastair Penalolen Spa **	Ordinary	100%	N/A	34	Chile	Education
Colegio Dunalastair Spa **	Ordinary	100%	N/A	35	Chile	Education
Colegio Dunalastair Valle Norte Spa **	Ordinary	100%	N/A	36	Chile	Education
Bauhinia Education and Training Company Limited	Ordinary	100%	100%	37	Hong Kong	Holding Company
Stamford American School of Hong Kong Limited	Ordinary	100%	100%	37	Hong Kong	Dormant
Spring Blossom Education Limited	Ordinary	100%	100%	38	Hong Kong	Holding Company
Flora Education Limited	Ordinary	100%	100%	38	Hong Kong	Education
Woodland Holdings (HK) Ltd	Ordinary	100%	100%	38	Hong Kong	Holding Company
Woodland Playgroups Ltd	Ordinary	100%	100%	38	Hong Kong	Education
Woodland Pre-Schools Ltd	Ordinary	100%	100%	38	Hong Kong	Education
The Woodland Sai Kung Pre-School Ltd	Ordinary	100%	100%	38	Hong Kong	Property
The Woodland Pre-School (Happy Valley) Ltd	Ordinary	100%	100%	38	Hong Kong	Property
The Woodland Pre-School (Pokfulam) Ltd	Ordinary	100%	100%	38	Hong Kong	Property
The Woodland Kennedy Town Playgroup (Davis Street) Ltd	Ordinary	100%	100%	38	Hong Kong	Property
The Woodland Beachside Pre-School Ltd	Ordinary	100%	100%	38	Hong Kong	Property
The Woodland Montessori Pre-School (Repulse Bay) Ltd	Ordinary	100%	100%	38	Hong Kong	Property
Pacific Crown (HK) Ltd	Ordinary	100%	100%	38	Hong Kong	Property
Vanguard Era Investments Limited	Ordinary	100%	100%	39	BVI ##	Holding Company
VOF PE Holding 1 Limited	Ordinary	100%	100%	40	BVI ##	Holding Company
International Schools Limited	Ordinary	100%	100%	41	BVI ##	Holding Company
International Education Corporation Joint Stock Company	Ordinary	100%	100%	42	Vietnam	Education
Lotus Education and Training One Member Company Ltd	Ordinary	100%	100%	43	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	100%	44	Vietnam	Holding Company
Global Education Network Lotus Company Limited	Ordinary	100%	100%	44	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	100%	100%	44	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	100%	100%	45	Vietnam	Holding Company
Cognita Middle East OpCo Holdings Limited	Ordinary	100%	100%	46	UAE – Abu Dhabi	Holding Company
Cognita Middle East PropCo Holdings Limited (Abu Dhabi)	Ordinary	100%	100%	46	UAE - Abu Dhabi	Holding Company
Cognita Middle East PropCo Holdings Limited (Dubai)	Ordinary	100%	100%	47	UAE - Dubai	Holding Company
Royal Grammar Schools Guildford LLC	Ordinary	100%	100%	48	UAE - Dubai	Holding Company
Horizons English School LLC	Ordinary	100%	100%	49	UAE - Dubai	Education
International Management Ventures LLC**	Ordinary	100%	N/A	50	UAE - Dubai	Education
Horizon International School LLC**	Ordinary	100%	N/A	51	UAE - Dubai	Education
Cognita EnrichME Sport Training LLC **	Ordinary	100%	N/A	52	UAE - Dubai	Education
Cognita Middle Management One Person Company LLC **	Ordinary	100%	N/A	52	UAE - Dubai	Holding Company
Kamalasana Properties & Service Private Limited	Ordinary	100%	100%	53	India	Management/ Property Company
Shri Shakti School Private Limited	Ordinary	100%	100%	53	India	Management/ Property Company
Chirec Educational Society###	Membership rights	N/A	N/A	54	India	Education Society

Notes to the Financial Statements (continued)

29 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held 2022	% held 2021	Registered Office (Appendix)	Country of incorporation	Nature of business
Chirec International Academy Society###	Membership rights	N/A	N/A	55	India	Education Society
Cognita Italy Holdings S.R.L.	Ordinary	100%	100%	56	Italy	Holding Company
Kindergarten S.R.L.	Ordinary	100%	100%	57	Italy	Education
Servizi Integrati alla Scuola S.R.L.	Ordinary	100%	100%	58	Italy	Education
Consorzio Per Crescere	Ordinary	100%	100%	58	Italy	Education
Abstranmex S.A. de C.V. **	Ordinary	100%	N/A	59	Mexico	Holding Company
Leroa S.A. de C.V. **	Ordinary	100%	N/A	59	Mexico	Holding Company
Instituto Educativo Olinca, S.C. **	Ordinary	100%	N/A	60	Mexico	Education
Cognita Latam S.A **	Ordinary	100%	N/A	61	Panama	Holding Company
Cognita US Holdings Inc **	Ordinary	100%	N/A	62	USA	Holding Company
Cognita US Propco LLC **	Ordinary	100%	N/A	62	USA	Holding Company

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

* Directly held

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

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

"BVI" means British Virgin Islands.

Control is exercised through contractual and substantive membership rights.

Notes to the Financial Statements (continued)

Appendix - List of registered offices

- 1 15 Esplanade, St Helier, Jersey JE1 1RB
- 2 EMW, Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, MK5 8FR
- 3 420 Lexington Avenue, Suite 309, New York, NY 10170 USA
- 4 Industriestrasse 50, 8304 Wallisellen, Switzerland
- 5 Eichenstrasse 4c, 8808 Pfaffikon SZ, Switzerland
- 6 Plaza del Doctor Letamendi 1-2, 4ª planta (08007 Barcelona - Spain)
- 7 Calle La Salle C/N 28023, Madrid
- 8 Plaza del Doctor Letamendi 1-2, 4ª planta (08007 Barcelona - Spain)
- 9 Camino del Colegio, 33199 Meres, Asturias, Spain
- 10 60 Anson Road #18-04 Mapletree Anson, Singapore 079914
- 11 1 Lorong Chuan, Singapore 556818
- 12 1 Woodleigh Lane, Singapore, 357684
- 13 253 Ratchawithi Road, Kwaeng Suan Chittlada, Khet Dusit, Bangkok
- 14 7 Sukhumvit 107, Bang Na, Bangkok 10260, Thailand
- 15 9 Convent Road, Silom, Bang Rak, Bangkok 10550, Thailand
- 16 1M. 7 Ban Chang- Makhankhoo Road Samnak Thon, Ban Chang, Rayong, 21130 Thailand
- 17 Av. Lineu de Paula Machado, 1490 - Cidade Jardim - São Paulo - SP - 05601-000, Brazil
- 18 Rua Maria Caldas, 35 - São Francisco - Niterói - RJ - 24365-050, Brazil
- 19 Rua Galicia, 34, Jardim Espanha II, Adrianópolis, CEP 69.057-062, Manaus
- 20 Praça Professor Américo de Moura, 101 - Cidade Jardim - São Paulo - SP - 05670-060, Brazil
- 21 Av. Duque de Caxias, 1589 - Sala 1 - Jardim Petrópolis - Londrina - PR - 86015-000
- 22 Rua Benjamin Constant, 1400 - Centro - Londrina - PR - 86020-270
- 23 Av. Duque de Caxias, 1589 - Igapó - Londrina - PR - 86015-000
- 24 Av. Maringá, 1700 - Sala 1 - Vitória - Londrina - PR - 86060-000
- 25 Avenida Lineu de Paula Machado, 1490 Sala 6 - City: São Paulo - State: São Paulo
- 26 Rua Wenceslau Bras, 140 - City: São Caetano do Sul - State: São Paulo
- 27 Rua Piaui, 876/888/890 and 892 - City: São Caetano do Sul - State: São Paulo
- 28 Rua Floriano Peixoto, 303 - City: São Caetano do Sul - State: São Paulo
- 29 Avda. Andres Bello, 2711 - Piso 19 - Las Condes - Santiago - Chile - 8320000
- 30 Marchant Pereira 10, Piso 14. Providencia, Santiago, Chile
- 31 Los Cedros 7550, Huechuraba, Santiago, Chile
- 32 Avenida Irarrazaval No. 5310, borough of Nunoa, Chile
- 33 Av. Oceánica 6300 Estación Central, Santiago, Chile
- 34 Av. Quilín 8669, Penalolen, Cerrillos, Región Metropolitana, Chile
- 35 Av. las Condes 11931, Las Condes, Región Metropolitana, Chile
- 36 Camino del Solar 9300, Chicureo, Colina, Región Metropolitana, Chile
- 37 14 Hutchison House, 10 Harcourt Road, Hong Kong
- 38 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
- 39 Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands
- 40 Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands
- 41 International Trust Company B.V.I Limited, P.O. Box 659, Road Town, Tortola, British Virgin Islands
- 42 No. 649A, Vo Truong Toan Street, An Phu Ward, District 2, Ho Chi Minh City, Vietnam
- 43 92 Nguyen Huu Canh, Ward 22, Binh Thanh District, Ho Chi Minh City, Vietnam
- 44 Level 4, VietComReal Building, 68 Nguyen Hue St, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
- 45 26 Vo Truong Toan, An Phu Ward, District 2, Ho Chi Minh City, Vietnam.
- 46 PO Box 35665, 34th & 35th Floor, Al Maqam Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates
- 47 Unit GV-00-10-03-8C-19-0, Level 3, Gate Village, Building 10, Dubai International Finance Centre, PO Box 112967, Dubai, United Arab Emirates
- 48 Office 518, Regus, The Bridge, 2nd Floor, P.O. Box 392269, Dubai Sports City, Dubai UAE
- 49 Street 30b Off Al Wasl Road, PO Box 6749, Dubai, United Arab Emirates
- 50 Ranches Primary School, Arabian Ranches, Dubai, United Arab Emirates
- 51 Street 9A, Off Al Wasl Road, Umm Al Sheif, Dubai, United Arab Emirates
- 52 1902, Boulevard Plaza Tower 2, Downtown, Dubai, United Arab Emirates
- 53 Municipal No. 1-55/12, CHIREC Avenue, Kondapur, Kothaguda (PO) Hyderabad Hyderabad TG 500084 IN
- 54 1-55/12 Serilingampally Mandal, Kondapur, Kothaguda Post, Hyderabad, 500084 India
- 55 Plots 280 to 282. Telecom Officers' Colony, Bhagyalakshmi Nagar Phase II, Serilingampally, Hyderabad, 500019, India
- 56 Milan Corso Vercelli no. 40
- 57 Via S.Gallo 105, 50129 Florence, Italy
- 58 Viale Giacomo Matteotti 52, 50132 Florence, Italy
- 59 Vito Alessio Robles, 51 Interior 203, Colonia Exhacienda de Guadalupe Chimalistac CP 01050, Delegación Álvaro Obregón, CDMX, México
- 60 Periférico Sur 5170, Colonia Pedregal de Carrasco, CP 04700, Delegación Álvaro Obregón, CDMX, México
- 61 Calle Obarrio 58, PH58, Panama
- 62 251 Little Falls Drive, Wilmington, DE 19808