# NOTICE

THIS OFFERING MEMORANDUM IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR (2) NON-U.S. PERSONS WHO ARE OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this notice, whether received by email or otherwise received as a result of electronic communication. You are advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THIS OFFERING MEMORANDUM IN A FORM THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

**Confirmation of your representation**: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the notes, investors must be either (1) qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act ("*QIBs*") or (2) non-U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) who are outside of the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act; provided that investors resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area). The Offering Memorandum is being sent at your request. By accepting this e-mail and by accessing the Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the attached Offering Memorandum (collectively, the "*Initial Purchasers*") that:

(1) you acknowledge that you are receiving such Offering Memorandum in electronic format, and

(2) you or the customers you represent are:

  (a) QIBs, or

  (b) outside the United States and that you are not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia (and if you are resident in a Member State of the European Economic Area, you are a qualified investor).

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person.

Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Offering Memorandum is being furnished in connection with an offering exempt from registration under the U.S. Securities Act.

The Offering Memorandum has not been approved by an authorized person in the United Kingdom. The securities may not be offered or sold other than to persons whose ordinary activities involve these persons in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "*FSMA*") by us. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

The Offering Memorandum has been addressed to you in an electronic form. You are reminded that documents transmitted electronically may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any initial purchaser, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum accessed by you in electronic format and any version that will be provided to you at a later date.

**OFFERING MEMORANDUM**
**STRICTLY CONFIDENTIAL**

**NOT FOR GENERAL DISTRIBUTION**
**IN THE UNITED STATES**

# Cognita Financing plc

**£280,000,000 7.75% Senior Secured Notes due 2021**

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Cognita Financing plc (the "*Issuer*"), a public limited company incorporated under the laws of England and Wales, is offering £280,000,000 aggregate principal amount of its 7.75% Senior Secured Notes due 2021 (the "*Notes*"). The Issuer will pay interest on the Notes semi-annually on each February 15 and August 15, commencing on February 15, 2016. The Notes will mature on August 15, 2021.

The proceeds from the offering of the Notes (the "*Offering*"), together with cash on hand, will be used by the Issuer to repay certain existing credit facilities as further described herein (the "*Refinanced Credit Facilities*").

Prior to August 15, 2017, some or all of the Notes may be redeemed at any time at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest to, but not including, the redemption date and a "make-whole" premium, as described in this offering memorandum (this "*Offering Memorandum*"). The Issuer may redeem some or all of the Notes at any time on or after August 15, 2017, at the redemption prices set forth in this Offering Memorandum, plus accrued and unpaid interest to, but not including, the redemption date. In addition, prior to August 15, 2017, the Issuer may redeem, at its option, no more than 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings.

The Notes may also be redeemed at 100% of their principal amount plus accrued interest upon the occurrence of certain changes in applicable tax law. Upon the occurrence of a change of control (as defined herein), the Issuer will be required to offer to repurchase the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of the repurchase.

The Notes will be general senior obligations of the Issuer. The Notes will be secured by first priority security interests over the same assets that secure the Revolving Credit Facility (as defined herein), comprising of fixed and floating charges on an equal and ratable first priority basis, over substantially all the assets of the Issuer and the Guarantors (as defined herein), including: shares of capital stock of each of the Issuer and the Guarantors (other than the Company (as defined below)); certain bank accounts; the rights of the Issuer under the Proceeds Loan (as defined herein) and certain real property in England; and separate mortgages over certain properties in Singapore, each in accordance with the Agreed Security Principles (as defined herein), the Security Documents (as defined herein) and the Intercreditor Agreement (as defined herein) (the "*Collateral*"). The Collateral will be granted by (i) Cognita Bondco Parent Limited (the "*Company*"), Cognita Holdings Limited ("*Cognita Holdings*") and the Issuer on the Issue Date (as defined herein), (ii) the Acceding English Subsidiary Guarantors (as defined herein) as soon as practicable but in any case within three business days of the Issue Date and (iii) the Acceding Singapore Subsidiary Guarantors (as defined herein) as soon as practicable but in any case within 80 days of the Issue Date. Subject to the Agreed Security Principles, the Revolving Credit Facility, certain operating facilities and certain hedging obligations will be secured on a "super priority" basis and will receive proceeds from the enforcement of the Collateral ahead of the Notes.

On the Issue Date, the Notes will be guaranteed (the "*Guarantees*") on a senior basis by the Company and Cognita Holdings. As soon as practicable but in any case within three business days of the Issue Date, the Notes will be guaranteed on a senior basis by the Acceding English Subsidiary Guarantors (as defined herein) and as soon as practicable but in any case within 10 business days of the Issue Date, the Notes will be guaranteed on a senior basis by the Acceding Singapore Subsidiary Guarantors (as defined herein). For a description of the terms of the Notes, the Collateral and the Guarantees, see "*Description of the Notes*."

There is currently no public market for the Notes. Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market of the Luxembourg Stock Exchange (the "*Euro MTF*"). This Offering Memorandum may not be reproduced or used for any other purpose, nor furnished to any other person other than those to whom copies have been sent by the Issuer or the Initial Purchasers.

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**Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 25.**

**The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"), or the securities laws of any other jurisdiction, and are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act that are also qualified purchasers as defined under Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "*U.S. Investment Company Act*") and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the U.S. Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under "*Transfer Restrictions*."**

The Notes will be in registered form and will initially be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof and will only be transferable in minimum principal amounts of £100,000 and integral multiples of £1,000 in excess thereof. The Notes will be represented on issue by one or more Global Notes, which we expect will be delivered through Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking, société anonyme ("*Clearstream*") on or about August 7, 2015 (the "*Issue Date*").

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Issue Price: 100% (plus accrued interest, if any, from the Issue Date).

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*Joint Global Coordinators*

**Morgan Stanley** **KKR** **Barclays**

*Joint Bookrunner*

**Commerzbank** **HSBC**

The date of this Offering Memorandum is July 31, 2015.

Prospective investors should rely only on the information contained in this Offering Memorandum. None of the Issuer or the Initial Purchasers (as defined herein) has authorized anyone to provide prospective investors with different information, and prospective investors should not rely on any such information. None of the Issuer, the Guarantors or the Initial Purchasers is making an offer of these Notes in any jurisdiction where this offer is not permitted. Prospective investors should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been prepared.

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## NOTICE TO INVESTORS

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE U.S. OR TO U.S. PERSONS WHICH IS NOT A QUALIFIED PURCHASER AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND UNLESS THE NOTES ARE REGISTERED UNDER THE U.S. SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IS AVAILABLE. SEE "*PLAN OF DISTRIBUTION*" AND "*TRANSFER RESTRICTIONS*." INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A UNDER THE U.S. SECURITIES ACT.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, the Guarantors, Morgan Stanley & Co. International plc, KKR Capital Markets Limited, Barclays Bank PLC, Commerzbank Aktiengesellschaft and HSBC Bank plc, as initial purchasers of the Notes (the "*Initial Purchasers*"). This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantors since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to that date.

By receiving this Offering Memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes. The contents of this Offering Memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer and the Group, the terms of the Offering and the merits and risks involved.

The Offering is being made in reliance upon exemptions from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering and in reliance on the exemption 3(c)(7) from the U.S. Investment Company Act of 1940, as amended. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "*SEC*") or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The Initial Purchasers reserve the right to withdraw the Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the Notes. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe any such restrictions. None of the Issuer, the Initial Purchasers or their respective representatives are making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a further description of certain restrictions on the Offering and sale of the Notes and the distribution of this Offering Memorandum, see "*Notice to Certain European Investors*" and "*Transfer Restrictions*."

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this Offering Memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, the Initial Purchasers or their respective affiliates will have any responsibility therefor.

No action has been taken by the Initial Purchasers, the Issuer or any other person that would permit an offering or the circulation or distribution of this Offering Memorandum or any offering material in relation to the Issuer or the Notes in any country or jurisdiction where action for that purpose is required.

The Notes will only be issued in fully registered form and in denominations of £100,000 and integral multiples of £1,000 in excess thereof. Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act ("*Rule 144A*") will be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). Notes sold to non-U.S. persons outside the U.S. in reliance on Regulation S under the U.S. Securities Act ("*Regulation S*") will be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of the Euroclear System ("*Euroclear*") and Clearstream Banking SA ("*Clearstream*") and registered in the name of the nominee of the common depositary. See "*Book-Entry, Delivery and Form*."

The Issuer and the Guarantors accept responsibility for the information contained in this Offering Memorandum. The Issuer and the Guarantors, and not the Initial Purchasers, have ultimate authority over the statements contained in this Offering Memorandum, including the content of these statements and whether and how to communicate them. To the best of the knowledge and belief of the Issuer and the Guarantors (having taken reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts in all material respects and does not omit anything likely to affect the import of such information in any material respect.

IN CONNECTION WITH THIS ISSUE, MORGAN STANLEY & CO. INTERNATIONAL PLC (THE "*STABILIZING MANAGER*") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

## NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("*RSA 421-B*") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## NOTICE TO U.S. INVESTORS

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under "*Transfer Restrictions*." The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*."

## NOTICE TO CERTAIN EUROPEAN INVESTORS

### European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in member states of the European

Economic Area ("*EEA*"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the Offering contemplated in this Offering Memorandum must only do so in circumstances in which no obligation arises for any of the Issuer, any of the Guarantors or any of the Initial Purchasers to produce a prospectus for such offer. None of the Issuer, the Guarantors or any Initial Purchaser has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, and includes any relevant implementing measure in the Relevant Member State (as defined below).

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "*Relevant Member State*"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "*Relevant Implementation Date*"), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time to:

- "qualified investors," as defined in the Prospectus Directive;
- fewer than 150, natural or legal persons (other than qualified investors, as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer and Initial Purchasers; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall result in a requirement for the publication by any Issuer, any Guarantor or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

### Germany

The Offering is not a public offering in the Federal Republic of Germany. The Notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the "*German Securities Prospectus Act*") and any other applicable German law. Consequently, in Germany the Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("*BaFin*") or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the German Securities Prospectus Act.

### United Kingdom

This Offering Memorandum is directed only at persons (the "*Relevant Persons*") who (i) fall within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (iii) are persons to whom an

invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated.

This Offering Memorandum must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

**Luxembourg**

This Offering Memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg ("*Luxembourg*"). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg law of July 10, 2005 on prospectuses for securities, as amended.

**Singapore**

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase, and this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, (Cap. 289) (the "*SFA*"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

"*securities*" (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Where Notes are subscribed or purchased, they are subject to restrictions on transferability and resale and may not be transferred or resold in Singapore except as permitted under the SFA.

## SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

**United States**

The Company and the Issuer are incorporated under the laws of England and Wales. All our directors and executive officers live outside the United States. Substantially all our and their assets are located outside the United States. As a result, although we have appointed an agent for service of process under the Indenture, it may be difficult for you to serve process on those persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States.

### England and Wales

The following discussion with respect to the enforceability of certain U.S. court judgments in England and Wales is based upon advice provided to the Issuer and the Guarantors by their English counsel. The United States and the United Kingdom do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (although the United States and the United Kingdom are both parties to the New York Convention on Arbitral Awards). Any judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities law, would not be directly enforceable in England and Wales. In order to enforce any such judgment in England and Wales, proceedings must be initiated by way of civil law action on the judgment debt before a court of competent jurisdiction in England and Wales. In this type of action, an English court generally will not (subject to the matters identified below) reinvestigate the merits of the original matter decided by a U.S. court if:

- the relevant U.S. court had jurisdiction (under English rules of private international law) to give the judgment; and
- the judgment is final and conclusive on the merits of the claim and is for a definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty or otherwise based on a U.S. law that an English court considers to be a penal, revenue or other public law).

An English court may refuse to enforce such a judgment on a number of grounds, including, if it is established that:

- the relevant U.S. court lacked jurisdiction (under English rules of private international law) or the judgment is not final and conclusive;
- the enforcement of such judgment would contravene public policy or statute in England and Wales;
- the enforcement of the judgment is prohibited by statute (including, without limitation, if the amount of the judgment has been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained);
- the English proceedings were not commenced within the relevant limitation period;
- the U.S. court judgment is inconsistent with a previous judgment of an English court in proceedings involving the same issues in question and between the same parties;
- the judgment has been obtained by fraud or in proceedings in which the English principles of natural or substantial justice were breached;
- the bringing of proceedings in the relevant U.S. court was contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (to whose jurisdiction the judgment debtor did not submit), for example, by way of arbitration or proceedings in a different court; or
- an order has been made and remains effective under section 9 of the United Kingdom Foreign Judgments (Reciprocal Enforcement) Act 1933 applying that section to U.S. courts including the relevant U.S. court.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the court discretion to prescribe the manner of enforcement. It may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any set-off or counterclaim against the judgment creditor.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters obtained from U.S. federal or state courts in the manner described above.

It is, however, uncertain whether an English court would impose liability on the Group in an action predicated upon the U.S. federal securities law brought in England and Wales.

### Singapore

The following discussion with respect to the enforceability of certain U.S. court judgments in Singapore is based upon advice provided to the Issuer and the Guarantors by their Singapore counsel. There is no statutory regime in Singapore which provides for the reciprocal enforcement by registration in Singapore of a judgment of any federal or state court in the United States. As such, a common law action has to be commenced in the Singapore courts to enforce, in Singapore, any such judgment. A final and conclusive judgment properly obtained in the competent federal or state courts of the United States for a fixed sum of money in respect of any legal suit or

proceedings which can be enforced by execution in the jurisdiction of the relevant court and has not been stayed or satisfied in whole, may be sued on in Singapore as a debt due if:

- the relevant U.S. court had jurisdiction;
- the judgment debtor was, at the time such procedure was initiated, had voluntarily appeared, submitted or agreed to submit to the jurisdiction of the relevant court and/or the judgment debtor had a sufficient territorial connection (either carrying on business or ordinarily resident within the jurisdiction of the relevant U.S. court) with the relevant U.S. court;
- the judgment debtor has been duly served with the process of the relevant U.S. court;
- that judgment has not been obtained by fraud;
- there is no appeal pending, or the judgment debtor is either not entitled to appeal or does not intend to appeal against the judgment;
- the enforcement of that judgment would not be contrary to public policy in Singapore;
- that judgment has not been obtained in contravention of the principles of natural justice; and
- that judgment of the relevant court does not include the payment of taxes, a fine or penalty.

Since a common law action on a foreign judgment is an action on an implied debt, it is subject to the limitation period of six years in section 6(1) of the Limitation Act (Cap. 163) and/or such action may be barred under the Foreign Limitation Periods Act (Cap. 111A).

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding

- our strategy, outlook and growth prospects, including our operational and financial targets;
- the economic outlook in general and, in particular, economic conditions in the United Kingdom, Singapore, Chile, Brazil, Spain, Thailand and Vietnam;
- the competitive environment in which we operate;
- the expected growth of the markets in which we operate;
- growth in demand for our services;
- our expansion plans, including planned expansion into and growth in mature and emerging markets and potential acquisitions;
- our ability to obtain necessary regulatory approvals for our newly developed schools; and
- our ability to develop new schools and expand capacity in our existing schools.

In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” or “will” or the negative of such terms or other comparable terminology. The forward-looking statements used herein are based on a number of assumptions and estimates and are subject to known and unknown risks, uncertainties and other factors that may or may not occur in the future. As such, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from those expressed or implied by our forward-looking statements. Important risks, uncertainties and other factors that could cause these differences include those listed under the captions “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Industry*” and “*Business*” and relate to, among others:

- the level of student enrollment in our schools;
- our ability to increase the profitability of our schools;
- our ability to attract, employ, train and retain sufficiently qualified teachers, principals, school administrators and support staff;

- significant competition in each geographic market in which we operate;
- political, economic, social, regulatory and legal conditions in our domestic and foreign markets;
- collective bargaining agreements and employee relations;
- restrictions on our ability to transfer and distribute funds, including as a result of exchange controls in certain countries;
- legal and regulatory risks;
- our ability to maintain accreditations, permission or certifications;
- the safeguarding of our students;
- events that impact our reputation, including incidents related to the health or safety of our students and staff;
- crime in certain countries and regions in which we operate;
- risks associated with our joint ventures;
- changes in the pattern of payment of tuition fees in our schools;
- fluctuations in currency exchange rates;
- our ability to identify, complete and successfully integrate acquisitions;
- our capability to upgrade or expand our school facilities;
- unanticipated costs in connection with the expansion of our business;
- capital needs to fund growth initiatives or to operate our existing business;
- the disposal or closing of our schools;
- our ability to renew or find new leases for our school properties;
- insufficient insurance and increases in insurance premiums;
- our dependence on key senior management personnel;
- the incompatibility or failures of our information technology systems, including security breaches;
- our ability to implement new IT systems successfully;
- risks related to the ownership structure of our schools in Thailand and Vietnam.
- potential tax liabilities;
- risks related to potential infringement of third-party intellectual property rights or enforcement of our intellectual property rights;
- risks relating to our substantial indebtedness, the Notes, our structure and our ability to meet our debt service obligations; and
- other factors discussed in "*Risk Factors*."

We urge you to read the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*" and "*Business*" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. The forward- looking statements herein speak only as of the date on which the statements were made. We undertake no obligation, and do not intend, to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise.

## INDUSTRY AND MARKET DATA

Information contained in this Offering Memorandum regarding markets, market size, market position, market share, growth rates and other industry data pertaining to our business consists of estimates and data taken or derived from various public and private sources, including market research, publicly available information and industry publications, as well as our knowledge of our industry and markets. In certain cases, there is no readily available external information to validate market-related analyses and estimates, necessitating reliance on internally developed estimates.

While the Issuer has compiled, extracted, reproduced or incorporated by reference market or other industry data from external sources, including third parties, analysts or industry or general publications, the Issuer and the Initial

Purchasers have not independently verified that data. Subject to the foregoing, neither the Issuer nor the Initial Purchasers can assure investors of the accuracy and completeness of, or take any responsibility for, such data.

While the Issuer believes that its internal estimates are reasonable, such estimates have not been verified by any independent sources, and the Issuer cannot assure potential investors as to the accuracy of such estimates or that a third-party using different methods to assemble, analyze or compute market data would obtain the same result. Neither the Issuer nor any third-party data provider cited in this Offering Memorandum intend to, and does not, assume any obligations to update any data, including industry or market data, set forth in this Offering Memorandum. As a result, investors should be aware that such data in this Offering Memorandum and estimates based on such data may not be reliable indicators of future results.

Market data attributed to Parthenon has been calculated based on the following methodology (the "*Parthenon Methodology*"):

- Estimated global private-pay K-12 market data is based on Parthenon estimates, using global enrollment numbers up to 2012 sourced from UNESCO and enrollment numbers between 2012 and 2015 extrapolated based on historical growth from UNESCO. Parthenon estimates also utilize fee estimates based on a high level methodology where countries are grouped into income buckets and the relevant pricing is derived based on household spending on education for each bucket. Pricing is assumed to grow in line with inflation.
- Estimated country-specific private-pay K-12 market data is based on Parthenon estimates, using enrollment numbers sourced from relevant country statistics offices and enrollment forecasts based on historic performance and projection of known factors that have driven market growth. Parthenon estimates also utilize fee and fee growth data based on sample surveys of private schools in the relevant countries.
- Historical country-specific data is based on Parthenon analysis, including a primary survey of international schools. In the United Kingdom, historical enrollment numbers are sourced from the Independent School Council, an industry body that tracks private school enrollment.

Given the high degree of fragmentation in the market and limited third party reporting upon which to base quantitative growth assessments, there is an inherent degree of uncertainty in the Parthenon projections, and they are highly susceptible to changes.

Market data attributed to IHS is the copyrighted property of IHS Inc. ("*IHS*") and represent data, research, opinions or viewpoints published by IHS, and is not a representation of fact. The market data attributed to IHS speaks as of June 15, 2015 (with respect to the United Kingdom), May 30, 2015 (with respect to Chile and Thailand) and May 15, 2015 (with respect to Singapore, Brazil, Vietnam and Spain). The information and opinions expressed in the market data attributed to IHS are subject to change without notice and IHS has no duty or responsibility to update the data. Moreover, while the market data attributed to IHS is from sources considered reliable, the accuracy and completeness thereof is not warranted, nor are the opinions and analyses which are based upon it. To the extent permitted by law, IHS shall not be liable for any errors or omissions or any loss, damage or expense incurred by reliance on the market data attributed to IHS or any statement contained herein, or resulting from any omission.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Information

Each of the Issuer and the Company were incorporated under the laws of England and Wales on July 3, 2015, in each case, for the purposes of facilitating the Refinancing Transactions, including the Offering and the use of proceeds therefrom and issuing the Notes offered hereby. Neither the Issuer nor the Company have any material assets or liabilities and have not engaged in any activities other than those related to their incorporation in preparation for the Refinancing Transactions.

Consequently, limited historical financial information relating to the Issuer and the Company is available, and, unless otherwise indicated, the financial information presented in this Offering Memorandum is the historical consolidated financial information of Cognita Holdings and its consolidated subsidiaries. The financial information included in this Offering Memorandum with respect to the Issuer consists only of the Issuer's initial balance sheet as of July 10, 2015, which has been prepared in accordance with U.K. GAAP. Following this Offering, we intend to use the consolidated financial information of the Company and its consolidated subsidiaries for reporting purposes.

Cognita Holdings's audited consolidated financial statements as of and for the fiscal years ended August 31, 2012, 2013 and 2014 have been prepared in accordance with U.K. GAAP. Cognita Holdings's unaudited condensed consolidated interim financial information as of and for the nine months ended May 31, 2014 and

2015, which has also been prepared in accordance with U.K. GAAP, is unaudited, and all information contained in this Offering Memorandum with respect to those periods is also unaudited.

We have included an unaudited restatement of our consolidated profit and loss account and consolidated balance sheet as of and for the fiscal year ended August 31, 2014 to reflect a change of accounting approach in relation to revenue recognition of facility fees that are paid to us when a student joins the relevant school and that are generally non-refundable under our policy. On September 1, 2014, we changed our revenue recognition approach in relation to facility fees to recognize revenue over the average tenure of a student within the relevant school (the "*Current Revenue Recognition Approach*"). Previously, facility fees were recognized when the student joined the relevant school. The unaudited restatement of our consolidated profit and loss account and consolidated balance sheet as of and for the year ended August 31, 2014 as well as the unaudited consolidated profit and loss account and unaudited consolidated balance sheet as of and for the nine months ended May 31, 2014 and 2015 are prepared on the basis of the Current Revenue Recognition Approach and appear in the unaudited condensed interim financial statements for Cognita Holdings and related notes thereto appearing elsewhere in this Offering Memorandum.

From September 1, 2014, we refer to the segment formerly known as our Europe segment as our Spain segment. References to our Europe segment in Cognita Holdings's audited consolidated financial statements as of and for the fiscal years ended August 31, 2012, 2013 and 2014 have been renamed as our Spain segment for the purposes of this Offering Memorandum for the fiscal years ended August 31, 2012, 2013 and 2014.

The financial information presented as of and for the twelve months ended May 31, 2015 is derived from adding the unaudited condensed consolidated interim profit and loss account for the nine months ended May 31, 2015 to the unaudited restated consolidated profit and loss account for the fiscal year ended August 31, 2014 and subtracting the unaudited condensed consolidated interim profit and loss account for the nine months ended May 31, 2014. The profit and loss account for the twelve months ended May 31, 2015 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

Our consolidated financial information is presented in pound sterling.

**Non-U.K. GAAP Financial Measures**

This Offering Memorandum contains non-U.K. GAAP measures and ratios, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, *Pro forma* Adjusted EBITDA, Regional Adjusted EBITDA, Regional Adjusted EBITDA margin, net total debt and leverage and coverage ratios, that are not required by, or presented in accordance with, U.K. GAAP. We define EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and *Pro forma* Adjusted EBITDA as follows:

- EBITDA means profit/(loss) on ordinary activities before taxation before net interest, loss on disposal of fixed assets, depreciation and amortization and exceptional costs;
- Adjusted EBITDA means EBITDA after excluding the non-cash charge in connection with our management incentive plan;
- Adjusted EBITDA margin means Adjusted EBITDA divided by Group turnover and share of joint ventures, expressed as a percentage;
- *Pro forma* Adjusted EBITDA means Adjusted EBITDA as further adjusted to reflect the full year impact of the acquisition of GayLussac, the utilization impact for North Bridge House Senior School and Sixth Form—Canonbury and the utilization impact for Stamford American International School;
- Regional Adjusted EBITDA means Adjusted EBITDA before Group central costs. Group central costs consist of costs with respect to certain centralized functions relating to executive governance and strategy, finance, compliance, mergers and acquisitions, human resources, marketing and IT; and
- Regional Adjusted EBITDA margin means Regional Adjusted EBITDA divided by Group turnover and share of joint ventures, expressed as a percentage.

We present non-U.K. GAAP measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-U.K. GAAP measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under U.K. GAAP. Non-U.K. GAAP measures and ratios, such as EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, *Pro forma* Adjusted EBITDA, Regional Adjusted EBITDA, Regional Adjusted EBITDA margin, net total debt and leverage and coverage ratios are not measurements of our performance or liquidity under U.K. GAAP and should not be considered as alternatives to

operating profit or profit for the year or any other performance measures derived in accordance with U.K. GAAP or any other generally accepted accounting principles or as alternatives to cash flows from operating, investing or financing activities. See "*—Financial Information*."

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the consolidated financial statements of Cognita Holdings or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof. The non-U.K. GAAP measures we present may also be defined differently than the corresponding terms under the Indenture. Some of the limitations of these non-U.K. GAAP measures are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we eliminate in calculating *Pro forma* Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

The unaudited as adjusted financial information presented in this Offering Memorandum has been derived from or developed by applying adjustments to our historical results as of and for the twelve months ended May 31, 2015 to give effect to the Offering and the use of proceeds therefrom, as if it occurred on May 31, 2015 with respect to balance sheet data and June 1, 2014 with respect to data derived from our profit and loss account. The unaudited adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances and may differ materially from the actual adjusted amounts. The unaudited as adjusted financial information is presented for informational purposes only. The unaudited as adjusted financial information does not purport to represent what our results of operations or financial condition would have been had the Offering and the use of proceeds therefrom actually occurred at the beginning of the period or on the date indicated, and they do not purport to project the results of operations or financial condition for any future period or as of any future date. The unaudited as adjusted financial information should be read in conjunction with the information contained in "*Selected Historical Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and related notes thereto appearing elsewhere in this Offering Memorandum. The unaudited as adjusted financial information is not intended to represent pro forma financial information prepared in accordance with the requirements of Regulation S-X promulgated under the U.S. Securities Act or other SEC requirements, IFRS or U.K. GAAP.

**Operating Data**

Except as otherwise indicated, in this Offering Memorandum the amounts or percentages, as the case may be, of our number of schools, full time equivalent ("*FTE*") student numbers, FTE staff, capacity and utilization are based on internal information and management estimates and are unaudited. Actual amounts and percentages may differ from the amounts and percentages presented based on such management estimates.

**Expected Conversion to IFRS**

Commencing with the fiscal year ending August 31, 2015, we intend to prepare our financial statements in accordance with IFRS. We have not included financial information prepared in accordance with IFRS in this Offering Memorandum. Our historical consolidated financial information appearing elsewhere in this Offering Memorandum has been prepared in accordance with U.K. GAAP. We have not prepared our financial statements in accordance with, nor have we reconciled our financial statements to IFRS. Therefore, we are unable to identify or to quantify any changes to our historical financial position, operating results or cash flows under IFRS. There may be significant differences in our reported results under IFRS compared to our historical financial information prepared under U.K. GAAP. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Expected Conversion to IFRS*."

## CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this Offering Memorandum:

- "*Acceding English Subsidiary Guarantors*" means, collectively, each of Cognita UK Holdings Limited, Cognita Limited, Cognita Schools Limited, Super Camps Limited, Cognita International Holdings Limited, Cognita Funding 1 Limited, Cognita UK Brazil Holdings Limited and Cognita UK Mexico Holdings Limited.
- "*Acceding Singapore Subsidiary Guarantors*" means, collectively, each of Cognita Singapore Holdings Pte. Ltd., Cognita Asia Holdings Pte. Ltd., Australian International School Pte. Ltd., Stamford American International School Pte. Ltd. and Camp Asia Cognita Pte. Ltd.
- "*Acceding Subsidiary Guarantors*" means, collectively, the Acceding Singapore Subsidiary Guarantors and the Acceding English Subsidiary Guarantors.
- "*Agreed Security Principles*" means the "Agreed Security Principles" to be set out in a schedule to the Revolving Credit Facility Agreement, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.
- "*Brazilian real*" or "*BRL*" means the lawful currency of Brazil.
- "*Bregal Capital*" means the investment fund The Bregal Fund III L.P. acting by its general partner Bregal General Partner III Jersey L.P. acting by its general partner Bregal Capital General Partner Jersey Limited and advised by Bregal Capital LLP.
- "*business day*" means any day other than a Saturday, Sunday or public holiday in the United Kingdom, Singapore, Thailand or Spain, as applicable.
- "*Chilean peso*" or "*CLP*" means the lawful currency of Chile.
- "*Cohort*" means year level or grade level in a school.
- "*Company*" means Cognita Bondco Parent Limited.
- "*Cognita Holdings*" means Cognita Holdings Limited.
- "*Cognita Midco*" means Cognita Midco Limited.
- "*Cognita Topco*" means Cognita Topco Limited.
- "*Collateral*" means the fixed and floating charges on an equal and ratable first priority basis, over substantially all the assets of the Issuer and the Guarantors, including: shares of capital stock of each of the Issuer and the Guarantors (other than the Company); certain bank accounts; the rights of the Issuer under the Proceeds Loan and certain real property in England; and separate mortgages over certain properties in Singapore, each in accordance with the Agreed Security Principles, the Security Documents and the Intercreditor Agreement. The Collateral will be granted by (i) the Company, Cognita Holdings and the Issuer on the Issue Date, (ii) the Acceding English Subsidiary Guarantors as soon as practicable but in any case within three business days of the Issue Date and (iii) the Acceding Singapore Subsidiary Guarantors as soon as practicable but in any case within 80 days of the Issue Date.
- "*English Guarantors*" means, collectively, the Company, Cognita Holdings and the Acceding English Subsidiary Guarantors.
- "*EU*" means the European Union.
- "*euro*" or "€" means the lawful currency of the European Monetary Union.
- "*Expro*" means our interschool program for student events and exchange programs that operates across our schools.
- "*Former Debt Instruments*" means, collectively, (i) £50.8 million in aggregate principal amount of deeply discounted bonds issued by Cognita Limited to The Bregal Fund LP and related parties between November 2004 and February 2010, (ii) £114.8 million in aggregate principal amount of deeply discounted bonds issued by Cognita Funding 1 Limited to The Bregal Fund LP and related parties from March 2010 to February 2013 and (iii) £18.7 million of PIK loans issued by Cognita Funding 1 Limited to The Bregal Fund LP and related parties in January and October 2009. Such Former Debt Instruments were transferred from The Bregal Fund LP and related parties to Cognita Topco on March 22, 2013 in exchange for the issue of ordinary shares in Cognita Topco and were eliminated as a result.

- "*Former Topco Debt Instruments*" means, collectively, each of (i) £114.9 million in aggregate principal amount of deeply discounted bonds issued by Cognita Topco to Cognita Funding 1 Limited in March 2013 and (ii) £18.7 million in aggregate principal amount of PIK loans issued by Cognita Topco to Cognita Funding 1 Limited in March 2013, each of which were capitalized at their respective book values in March 2015.
- "*FTE*" means full time equivalent.
- "*Guarantees*" means the guarantees issued by each of the Guarantors on a senior basis guaranteeing the Notes.
- "*Guarantors*" means, collectively, the Company, Cognita Holdings and the Acceding Subsidiary Guarantors as guarantors of the Notes, and "*Guarantor*" refers to each of them.
- "*IFRS*" means the International Financial Reporting Standards, as adopted by the EU.
- "*Indenture*" means the indenture to be dated on or about the Issue Date governing the Notes by and among, *inter alios*, the Issuer, the Guarantors and the Trustee.
- "*Intercreditor Agreement*" means the intercreditor agreement dated July 31, 2015, among, *inter alios*, the Issuer, the Guarantors, the Security Agent, the lenders and agent under the Revolving Credit Facility Agreement and certain counterparties under hedging obligations and to which the Trustee will accede on the Issue Date.
- "*Issue Date*" means August 7, 2015.
- "*Issuer*" means Cognita Financing plc.
- "*KKR*" means certain investment funds advised by Kohlberg Kravis Roberts & Co. LP or its affiliates.
- "*Notes*" means the £280,000,000 aggregate principal amount of 7.75% senior secured notes due 2021 offered hereby by the Issuer.
- "*Offering*" means the offering of the Notes.
- "*Local Facilities*" means, collectively, the facilities described under "*Description of Other Indebtedness—Local Facilities*," which will remain outstanding following the Refinancing Transactions, including the Offering and the use of proceeds therefrom.
- "*pound sterling,*" "*GBP*" or "*£*" means the lawful currency of the United Kingdom.
- "*Refinanced Credit Facilities*" means, collectively, the following credit facilities to be repaid in full and terminated as part of the Refinancing Transactions:
  - term and revolving facilities agreement dated November 30, 2004 as amended, restated and/or novated from time to time by and among, *inter alios*, Cognita UK Holdings Limited as parent and Bank of Scotland PLC as arranger, agent, original lender and security agent;
  - loan agreement dated November 25, 2010 as amended, restated and/or novated from time to time by and among, *inter alios*, Cognita Hastings Holdings, S.L. as borrower and Banco Bilbao Vizcaya Argentaria, S.A. as lender (the "*2010 BBVA Refinanced Credit Facility*");
  - loan agreement dated April 11, 2012 as amended, restated and/or novated from time to time by and among, *inter alios*, Cognita BSB Property, S.L. as borrower and Banco Bilbao Vizcaya Argentaria, S.A. as lender (together with the 2010 BBVA Refinanced Credit Facility, the "*BBVA Refinanced Credit Facilities*");
  - loan agreement dated March 23, 2010 as amended, restated and/or novated from time to time by and between Stamford American International School Pte. Ltd. as borrower and the Economic Development Board as lender;
  - facility agreement dated November 12, 2014 as amended, restated and/or novated from time to time by and between British Education Management Systems Company Limited as borrower and The Siam Commercial Bank PLC as lender; and
  - facility agreement dated May 15, 2015 as amended, restated and/or novated from time to time by and between Australian International School Pte. Ltd. as borrower and Australian and New Zealand Banking Group Limited and DBS Bank Ltd as lenders (the "*AIS Refinanced Credit Facility*").

- "*Refinancing Transactions*" means:
  - the issuance by the Issuer of £280 million in aggregate principal amount of Notes offered hereby;
  - the contribution of the proceeds of the Notes offered hereby as a subordinated intercompany loan to the Company (the "*Proceeds Loan*");
  - the repayment of all outstanding indebtedness under the Refinanced Credit Facilities and the payment of related accrued interest and break costs in connection with the cancellation and discharge of the Refinanced Credit Facilities;
  - the termination of our existing interest rate swaps in connection with the Refinanced Credit Facilities;
  - the entry into the Revolving Credit Facility Agreement;
  - the elimination of the Topco Debt Instruments following the issuance of the Notes; and
  - the payment of fees and expenses in connection with the foregoing transactions, including the fees and expenses to be incurred in connection with the Offering.
- "*Restricted Group*" means the Company and its subsidiaries.
- "*Revolving Credit Facility*" means our £60 million revolving credit facility dated July 31, 2015, as described more fully under "*Description of Other Indebtedness—Revolving Credit Facility Agreement*."
- "*Revolving Credit Facility Agreement*" means the agreement governing the Revolving Credit Facility.
- "*SEC*" means the U.S. Securities and Exchange Commission.
- "*Security Agent*" means U.S. Bank Trustees Limited.
- "*Security Documents*" has the meaning ascribed to it under the "*Description of the Notes*."
- "*Shareholders' Arrangements*" means the shareholders' agreement dated March 27, 2013, as amended from time to time, by and between Bregal Capital, KKR, Cognita Topco, and Cognita Holdings and the articles of association of Cognita Topco relating to Bregal Capital's and KKR's investment in the Group.
- "*Singapore dollars*," "*SGD*" or "*S$*" means the lawful currency of Singapore.
- "*Student Retention Rate*" is calculated as the number of students recorded in the opening roll for a period plus the number of students joining during such period less the number of students leaving during such period as a percentage of the total number of students in the opening roll for a period plus the number of students joining during such period.
- "*Thai baht*" or "*THB*" means the lawful currency of Thailand.
- "*Topco Debt Instruments*" means £167.7 million in aggregate principal amount of deeply discounted bonds issued by Cognita Limited to Cognita Topco in December 2014.
- "*Total Assets*" means total assets as adjusted to eliminate intercompany debtors and goodwill.
- "*Total Enrollment*" means the total number of students enrolled in our schools on a FTE basis. Students who enrolled in our schools on a part-time basis such as nursery aged students, are pro-rated based on attendance.
- "*Trustee*" means U.S. Bank Trustees Limited, as trustee under the Indenture.
- "*U.K. GAAP*" means accounting principles generally accepted in the United Kingdom.
- "*U.S. Investment Company Act*" means the U.S. Investment Company Act of 1940, as amended.
- "*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended.
- "*USD*" or "*$*" means the lawful currency of the United States of America.
- "*Vietnamese dong*" or "*VND*" means the lawful currency of Vietnam.

In this Offering Memorandum, the terms "*Group*," "*we*," "*us*" and "*our*" refer collectively to the Company and its direct and indirect subsidiaries. Unless otherwise specified, financial and operating data and key performance indicators of the Group refers to the historical consolidated information of Cognita Holdings and its consolidated subsidiaries.

## EXCHANGE RATE INFORMATION

The following tables set out, for the periods set forth below, the high, low, average and period-end Bloomberg Generic Rate expressed as U.S. dollar per £1.00 and Singapore dollar per £1.00, respectively. The Bloomberg Generic Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Generic Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. None of the Issuer, the Guarantors or the Initial Purchasers represent that the U.S. dollar, Singapore dollar or pound sterling amounts referred to below could be or could have been converted into pound sterling at any particular rate indicated or any other rate.

The average rate for a year, a month, or for any shorter period, means the average of the daily Bloomberg Generic Rates during that year, month, or shorter period, as the case may be.

| | Period end | Average | High | Low |
|---|---|---|---|---|
| | (U.S. dollar per £) | | | |
| **Year** | | | | |
| 2010 | 1.5612 | 1.5458 | 1.6362 | 1.4334 |
| 2011 | 1.5543 | 1.6041 | 1.6707 | 1.5343 |
| 2012 | 1.6255 | 1.5851 | 1.6279 | 1.5318 |
| 2013 | 1.6557 | 1.5649 | 1.6557 | 1.4867 |
| 2014 | 1.5577 | 1.6476 | 1.7166 | 1.5517 |

| | Period end | Average | High | Low |
|---|---|---|---|---|
| | (U.S. dollar per £) | | | |
| **Month** | | | | |
| January 2015 | 1.5060 | 1.5160 | 1.5586 | 1.4989 |
| February 2015 | 1.5438 | 1.5335 | 1.5528 | 1.5039 |
| March 2015 | 1.4818 | 1.4969 | 1.5366 | 1.4744 |
| April 2015 | 1.5351 | 1.4961 | 1.5438 | 1.4632 |
| May 2015 | 1.5291 | 1.5456 | 1.5776 | 1.5120 |
| June 2015 | 1.5712 | 1.5587 | 1.5883 | 1.5201 |
| July 2015 (through July 30, 2015) | 1.5598 | 1.5557 | 1.5639 | 1.5361 |

| | Period end | Average | High | Low |
|---|---|---|---|---|
| | (Singapore dollar per £) | | | |
| **Year** | | | | |
| 2010 | 2.0034 | 2.1053 | 2.2824 | 1.9872 |
| 2011 | 2.0149 | 2.0159 | 2.0718 | 1.9307 |
| 2012 | 1.9847 | 1.9802 | 2.0249 | 1.9363 |
| 2013 | 2.0916 | 1.9578 | 2.0917 | 1.8577 |
| 2014 | 2.0651 | 2.0871 | 2.1416 | 2.0277 |

| | Period end | Average | High | Low |
|---|---|---|---|---|
| | (Singapore dollar per £) | | | |
| **Month** | | | | |
| January 2015 | 2.0402 | 2.0274 | 2.0627 | 2.0095 |
| February 2015 | 2.1031 | 2.0781 | 2.1031 | 2.0333 |
| March 2015 | 2.0336 | 2.0611 | 2.0982 | 2.0291 |
| April 2015 | 2.0321 | 2.0172 | 2.0382 | 2.0003 |
| May 2015 | 2.0604 | 2.0630 | 2.0937 | 2.0139 |
| June 2015 | 2.1167 | 2.0961 | 2.1251 | 2.0597 |
| July 2015 (through July 30, 2015) | 2.1455 | 2.1164 | 2.1455 | 2.0738 |

## SUMMARY

### Overview

We are a leading global operator of private-pay K-12 schools. As of May 31, 2015, we operated 66 schools across Asia, Europe and Latin America with an average total capacity of 38,068 places and a total average enrollment of 31,018 FTE students. Since August 31, 2012, our total capacity has increased by 70.0% and our total enrollment has increased by 72.8%. For the twelve months ended May 31, 2015, our Group turnover and share of joint ventures and *Pro forma* Adjusted EBITDA were £289.6 million and £56.2 million, respectively.

We offer a wide and diverse range of curricula across regions to appeal to both local and expatriate populations, including: the British curriculum, which is based on the standardized national curriculum for England, Wales and Northern Ireland and which, with respect to our Spain segment, is supplemented with the Spanish national curriculum; the International Baccalaureate ("*IB*"), a prestigious and rigorous internationally recognized diploma program; the American curriculum (American Education Reach Out standard, Massachusetts state standards and the New York state standards); the Australian national curriculum; the Brazilian (bilingual) curriculum, which is based on the Brazilian national curriculum; and the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum.

We operate in both developed and developing markets and our success in increasing enrollment reflects the underlying strength and favorable dynamics of these markets. The developed markets in which we operate, including the United Kingdom, are characterized by stable market fundamentals, including a large middle class and a strong private school presence. Our success in the developing markets in which we operate is based on the sizeable pools of expatriate families in these markets and the increasing wealth among local families, each of whom value and demand high quality education for their children. Substantially all of our revenues are from private pay sources without exposure to changes in government funding. In addition, we believe that, throughout our organization, we benefit from our established reputation for providing academic excellence, high quality teachers and appealing school facilities.

Our educational philosophy of "Teaching Excellence" lies at the core of each of our schools' unique value proposition and sets the standards by which we operate and further develop our schools. We place significant emphasis on delivering individualized teaching and learning and providing exceptional student outcomes, irrespective of students' individual abilities. The majority of our schools follow a non-selective admissions policy and we seek to support each student in achieving outcomes to the best of his or her ability through our commitment to high standards in all aspects of teaching, care and school management. We strengthen this approach by setting individualized learning goals which provide the right level of challenge and support for growing minds and by implementing processes for regularly tracking and benchmarking student attainment.

We organize our business into the following segments:

***United Kingdom***. We operate 43 schools in the United Kingdom. This segment accounted for £132.7 million or 45.8% of our Group turnover and share of joint ventures, £21.1 million or 35.3% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 15.9% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 10,766 average FTE students in this segment. The average revenue per FTE student for this segment (including our 50% share of the St Nicholas Joint Venture) was £12,470 per annum for the twelve months ended May 31, 2015.

***Spain***. We operate four schools in Spain. This segment accounted for £21.9 million or 7.6% of our Group turnover and share of joint ventures, £4.3 million or 7.2% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 19.6% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 2,796 average FTE students in this segment. The average revenue per FTE student for this segment was £7,833 per annum for the twelve months ended May 31, 2015.

***Asia***. We operate eight schools in Asia, comprising of two schools in Singapore, three schools in Vietnam and three schools in Thailand. This segment accounted for £104.8 million or 36.2% of our Group turnover and share of joint ventures, £28.0 million or 46.9% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 26.7% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 7,135 average FTE students in this segment. The average revenue per FTE student for this segment was £14,688 per annum for the twelve months ended May 31, 2015.

***Latin America***. We operate 11 schools in Latin America, comprising of two schools in Brazil and nine schools in Chile. This segment accounted for £30.2 million or 10.4% of our Group turnover and share of joint ventures, £6.3 million or 10.6% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 20.9% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 10,321

average FTE students in this segment. The average revenue per FTE student for this segment was £2,926 per annum for the twelve months ended May 31, 2015.

**Our Strengths**

***Attractive Market Fundamentals with Strong Resilience and Sustainable Drivers of Growth***

We operate in the large, growing and fragmented global private-pay K-12 education market. Parthenon estimates, using the Parthenon Methodology, that the global private-pay K-12 education market generated revenues of more than £215 billion in the twelve months ended June 30, 2015 and grew at a CAGR of 7.9% in the period from June 30, 2004 to June 30, 2015, comprising student enrollment growth at a CAGR of 3.9% with the remainder attributable to growth in tuition fee levels.

The private-pay K-12 education market has been resilient through the recent global economic downturn, primarily due to the continuing demand from parents who view expenditure on their children's education as largely non-discretionary. This resilience can be observed in the United Kingdom, where private-pay K-12 education market revenues increased each year between 2007 and 2014, despite the challenging economic conditions caused by the global financial crisis. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues in private-pay K-12 education between June 30, 2007 and June 30, 2015 was 3.7%, which exceeded the United Kingdom nominal GDP average annual growth rate of 3.1% during the same period, according to IHS. Moreover, in Spain, which also experienced challenging economic conditions caused by the global financial crisis, Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues in private-pay K-12 education between June 30, 2010 and June 30, 2015 was 3.9%. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues between June 30, 2015 and June 30, 2020 will be 4.0% and 2.7% for the United Kingdom and Spain, respectively, demonstrating the continued potential for growth in these markets.

In the developing markets in which our schools target local families, we have seen an increase in household disposable income in recent years, which has made private education affordable for an increasing number of families. According to IHS, household disposable income in our markets in Vietnam, Thailand, Brazil and Chile has increased by 14.9%, 8.3%, 12.5% and 11.0%, respectively, from 2004 to 2014. Furthermore, we believe that demand for private education in these regions is supported by the importance which parents and students living in non-English speaking countries place on English language fluency, which, in turn, supports demand for English language or bilingual schools. We believe that these increases in disposable income, combined with the demand for high quality education, are key drivers of growth in student enrollment in private-pay K-12 schools in these markets. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues in private-pay K-12 education between June 30, 2010 and June 30, 2015 for Thailand, Brazil and Chile was 7.4%, 12.5% and 5.9%, respectively, and that between June 30, 2015 and June 30, 2020, these markets will grow by 6.5%, 9.5% and 6.5%, respectively.

The international markets in which we serve expatriate families, including Singapore, Vietnam and Thailand, have experienced strong growth in foreign direct investment ("*FDI*"), with an associated increase in expatriate populations who, we believe, prioritize quality and continuity of education for their children and seek schools that provide a similar curriculum and academic standards as schools in their home countries. Annual growth in FDI between 2010 and 2015 in Singapore, Vietnam and Thailand was 5.3%, 5.7% and 9.7%, respectively, and between 2015 and 2020 is projected to be 7.6%, 8.8% and 4.1%, respectively, according to Oxford Economics. We expect this continued growth in FDI to result in growth in expatriate populations in these countries. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues in private-pay K-12 education between June 30, 2010 and June 30, 2015 for Singapore, where we only cater to expatriate families, was 15.4%, and that between June 30, 2015 and June 30, 2020, it will grow at 9.5% per annum.

In addition, many employers support expatriate education expenditure, which often takes the form of reimbursements to parents for tuition fees, direct payment of fees to educational institutions or lump sum payments that parents can use to pay tuition fees, if they so choose. This employer support drives demand for high-quality education by improving the affordability of private-pay K-12 education for expatriate families.

***Global Scale and Reputation Provides Significant Competitive Advantages to Capitalize on Growth in Private-Pay K-12 Education***

The global market for private-pay K-12 schools has benefited from sustained growth as the increase in demand from parents for high-quality education for their children has outstripped the supply of quality private-pay K-12 education.

As a result of our significant scale and operational experience, we are better placed to address certain barriers to expanding in existing markets or entering new markets compared to smaller operators, including the requirement for significant financial resources in order to invest in new school facilities or to acquire existing schools, the need to meet legal, financial and other requirements in securing government licenses and regulatory approvals, the ability to recruit and retain high quality teachers, particularly in expatriate markets, and the tendency of property developers and landlords to prefer operators with a strong track record and financial resources.

The global market for private-pay K-12 education is characterized by high levels of fragmentation. We believe that the majority of private-pay K-12 schools are operated by single-school operators, who lack the competitive advantages of the global platform available to us. Moreover, we believe that many successful not-for-profit and family-owned schools are often motivated by prestige and exclusivity and hence apply selective admissions criteria, limiting the supply in their market. In contrast, our non-selective admissions policy means that we can accept students from a larger applicant pool.

***High Quality Academic Offering with Proven Ability to Deliver Academic Excellence***

We deliver high quality academic offerings across our schools through our focus on teaching excellence, and we operate schools across a broad range of curricula, enabling us to appeal to both local and expatriate populations in diverse markets internationally, and to prepare our students for entry into a broad range of international tertiary educational institutions. Teaching excellence at our schools is supported by:

- *Robust Academic Design*: A majority of our schools operate a non-selective admissions policy and offer curricula aimed at stimulating and challenging our students. Our teachers seek to ensure that every student is supported in achieving outcomes to the best of his or her individual ability. All of our schools are subject to rigorous governance, academic oversight and quality assurance.
- *Individualized Learning:* We focus on individualized learning by setting tailored goals which seek to provide the right level of challenge and support for each student and we underpin this approach with data and processes for benchmarking individual student attainment, predictive tools and tracking.
- *Academic Environment:* We focus on providing an enhanced learning environment and experience for our students, which is supported by our well-invested campuses and facilities. We also offer a broad range of extra-curricular activities to enrich the student experience.
- *High Quality Teaching Staff:* We seek to recruit and retain talented teachers and we have management systems that enable us to maintain a consistently high standard of teaching. Frequent appraisals, lesson observations and external assessments form an integral part of our quality assurance.
- *Focus on Outcomes:* We continuously monitor each school's progress by measuring improvements in academic outcomes and benchmarking of progress across our portfolio of schools.

Our continued focus on teaching excellence has enabled our schools to achieve examination outcomes which are generally well above the relevant national, regional or global averages for each curriculum, for example:

- Over the past three years, our British curriculum schools in our United Kingdom and Spain segments consistently achieved GCSE outcomes significantly above the United Kingdom national average.
- Over the past three years, students at our IB curriculum schools achieved outcomes ahead of the "world points average" despite being non-selective schools, whilst the IB curriculum is, in many cases, offered by selective schools.
- Over the past three years, students at our Australian curriculum school achieved "Australian Tertiary Admission Rank" ("*ATAR*") results above the average in New South Wales.
- Since acquiring our schools in Chile in June 2013, these schools have achieved PSU results (the standardized university examination used in Chile) above the national average.

The high quality academics and student care delivered by our schools are also recognized by external school inspections. As of May 31, 2015, 40% of inspections by Ofsted of our United Kingdom and British curriculum schools worldwide resulted in an overall inspection rating of "outstanding" on all measures and 60% resulted in an overall inspection rating of "good," "good with outstanding features" or "good with satisfactory features," while none have resulted in an overall inspection rating of "satisfactory" or below. This is notably better than the average for English independent schools overall as of March 2015, whereby only 14% were ranked as "outstanding", 61% were ranked as either "good" or "good with outstanding features" and 25% were ranked as "satisfactory" or below. As per the latest inspections prior to our acquisition or the first inspections occurring

thereafter of our British curriculum schools worldwide, 2% resulted in an overall inspection rating of "outstanding" on all measures, 90% resulted in an overall inspection rating of "good," "good with outstanding features" or "good with satisfactory features," 5% resulted in an overall inspection rating of "satisfactory" and 3% resulted in an overall inspection rating of "inadequate," demonstrating our ability to improve the quality of our schools over time.

***Established Operating Platform Enabling Implementation of Global Best Practices***

We employ a systematic approach to student enrollment and retention across our platform. Our focus on student recruitment is facilitated by dedicated in-school admissions and marketing professionals and regional experts. Each school's individual marketing strategy is tailored to the local market and to create awareness among parents of prospective students and build loyalty and advocacy among families of currently enrolled students. Our admissions process is tailored around parent and student interest, with a strong focus on engagement with teachers through school visits. Once enrolled, student retention is a focus for the whole school community, with parent satisfaction regularly monitored through survey programs, the findings of which are used to identify improvement opportunities across our schools. We also continually monitor the number of students who leave our schools and attempt to identify and respond to any issues that influence the level of voluntary churn.

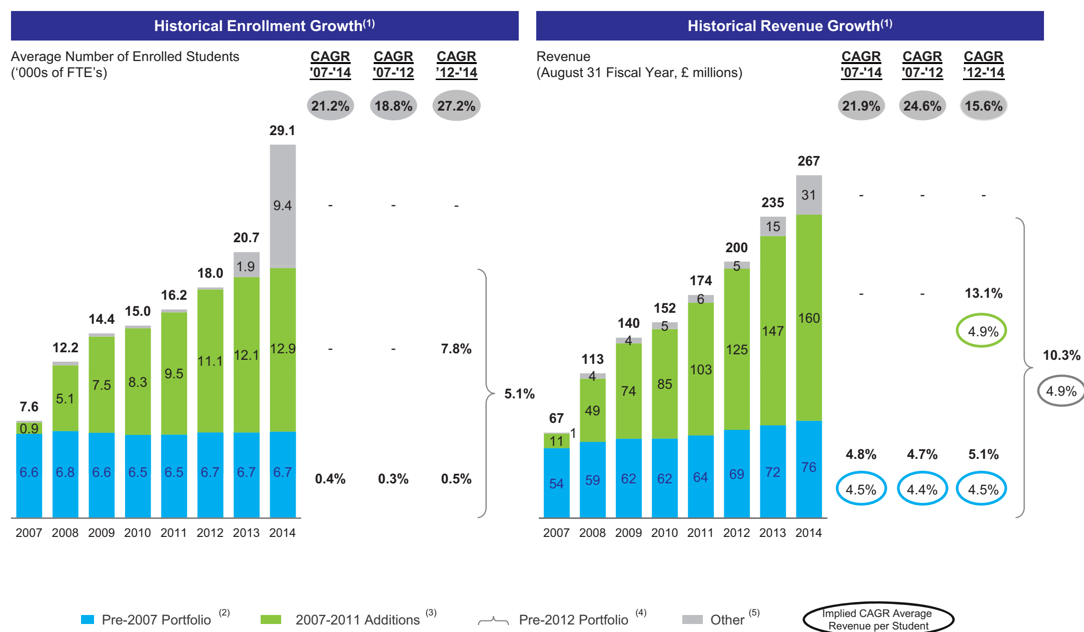
Furthermore, we view employing skilled and well-educated teachers at all of our schools as an important driver of the success of our product offering, and we have a professional and diligent approach to recruitment and selection, with tailored practices specific to each region. We also invest in the professional development of our teachers to help them to enhance their skills as well as to maintain high motivation levels, for example, by providing the opportunity for teachers with high potential to complete Masters programs in education. By operating as a global group, we also provide internal opportunities to our teachers such as workplace shadowing and secondments, which may be unavailable with single school operators. Our global platform and Group central and regional management teams free up school management and teachers from dealing with commercial and administrative matters so that they have more time to focus on teaching high quality academics.

Our global platform also allows us to deliver an enhanced student learning experience, including, for example, student exchange programs and interschool sports challenges. In addition to our schools, we operate holiday activity camps for children, primarily in the United Kingdom and Singapore and in various other locations. We also actively encourage teacher exchanges and the transfer of knowledge and best practices among our teaching faculty.

***Attractive Financial Profile with High Revenue Visibility***

- *High visibility and predictability:* We have relatively predictable revenues and cash flows because of the visibility of our student enrollments. As each grade advances within a school from one academic year to the next, we can reliably estimate, assuming student retention rates remain consistent with historical trends, the future number of students in the school in the upcoming academic year. In addition, we continue to benefit from a high degree of revenue visibility driven by the advance confirmation of student enrollment within any given academic period for the next academic period. For example, as of June 2015, we had already enrolled students securing approximately 90% of our forecasted enrollments for the fiscal year ending August 31, 2016. In most jurisdictions, we have minimum notice periods for students to withdraw without penalty, and we offer only limited refunds of tuition and other fees, which reduces the financial impact of churn and provides high visibility with respect to revenues for the relevant academic period. Moreover, average year-on-year Student Retention Rates for the last three fiscal years ended August 31, 2014, have been approximately 81.6% in Asia, 85.4% in the United Kingdom, 90.6% in Spain and 91.8% in Latin America. Our revenue visibility enables us to make operational adjustments, balance utilization, expand capacity and manage costs more effectively, which facilitates an efficient use of resources.

- *Historical enrollment and revenue growth*: The following chart shows our historical enrollment and revenue growth on a like-for-like basis with respect to schools we have owned between the fiscal years ended August 31, 2006 to 2014 and also between the fiscal years ended August 31, 2011 and 2014.




*Source: Company Information*

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(1) The numerical figures set out in the table above are subject to rounding adjustments and, as a result, the totals and percentages relating to such data in this Offering Memorandum may vary slightly from the actual arithmetic totals and percentages relating to the information presented in the table above.

(2) A school is included in the Pre-2007 Portfolio if it has been owned by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2014. This excludes schools that were acquired or disposed of at any time after August 31, 2006.

(3) A school is included in 2007-2011 Additions if it has been acquired by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2011 and owned by us until August 31, 2014.

(4) A school is included in the Pre-2012 Portfolio if it has been owned by us from the first day of the fiscal year ended August 31, 2012 to August 31, 2014. This excludes schools that were acquired or disposed of at any time after August 31, 2011.

(5) Other comprises all other elements of our offerings, including camps, schools that we commenced operating after August 31, 2011 and schools that we formerly owned but which we disposed of prior to August 31, 2014. For historical revenue growth, Other also includes adjustments for currency exchange rate differences and adjustments between our management accounts and our audited financial statements.

- *Historically resilient revenues:* For a constant perimeter of schools in our portfolio from the first day of the fiscal year ended August 31, 2007 to August 31, 2014 (Pre-2007 Portfolio), which were in the United Kingdom, student enrollment increased from 6,557 students to 6,726 students, representing a CAGR of 0.4%, turnover increased from £54.4 million to £75.8 million, representing a CAGR of 4.8% and average revenue per FTE student increased at a CAGR of 4.5% over this period. Turnover increased year-on-year throughout this period, despite the global financial crisis, which we believe demonstrates the resilience of our revenues supported by the inelastic nature of demand from parents who view expenditure on their children's education as largely non-discretionary. Historically, our ability to increase fees above cost inflation has been supported by high demand and price inelasticity.

- *Consistent revenue growth through organic growth, capacity expansions and acquisitions:* We have consistently increased Group turnover through organic enrollment growth and fee increases as well as capacity expansions and acquisitions. Our global enrollments have increased from 17,953 average FTE students to 29,065 average FTE students, representing a CAGR of 27.2% for the last three fiscal years ended August 31, 2014. Over the same period, Group turnover increased from £199.6 million to £266.8 million, representing a CAGR of 15.6%. Average turnover per student decreased due to the acquisition of schools in Chile during this period, which operate at a lower price point than the rest of the Group. For a constant perimeter of our schools (primarily in the United Kingdom, Spain and Asia) from the first day of the fiscal year ended August 31, 2012 to August 31, 2014 student enrollments increased from 17,800 average FTE students to 19,671 average FTE students, representing a CAGR of 5.1%, turnover increased from £194.1 million to £236.1 million, representing a CAGR of 10.3% and average revenue per FTE student increased at a CAGR of 4.9% for the last three fiscal years ended August 31, 2014.

- *Strong growth in Regional Adjusted EBITDA driven by top line growth and disciplined approach to cost management and operating leverage:* Our top line growth coupled with our disciplined approach to cost management has enabled us to achieve consistent Regional Adjusted EBITDA growth and an increase in Regional Adjusted EBITDA margin over the three fiscal years ended August 31, 2014. In addition, Regional Adjusted EBITDA has increased in each of our segments in the three fiscal years ended August 31, 2014. Over this period, we delivered a Regional Adjusted EBITDA CAGR of 23.3% and an increase in Regional Adjusted EBITDA margin from 17.8% in the fiscal year ended August 31, 2012 to 20.2% in the fiscal year ended August 31, 2014. This improvement was achieved despite investment in regional resources to position the Group for future growth.
- *Strong cash conversion:* We had an operating cash conversion rate of 78.2% for the twelve months ended May 31, 2015, which was driven by:
  - structurally negative working capital due to the advance collection of tuition fees, which becomes increasingly favorable as enrollments grow;
  - efficiently managed capital expenditure (operating capital expenditure has averaged 5.8% of Group turnover for the three fiscal years ended August 31, 2014); and

In addition, our ability to generate cash is supported by a low blended effective tax rate, given that some of our schools are located in jurisdictions with lower tax rates than the United Kingdom and with favorable tax treatment for educational institutions.

#### *Attractive Real Estate Portfolio*

Our operations are backed by a large and attractive portfolio of well-invested and well maintained campuses and facilities. Our real estate portfolio comprises of 94 sites, of which 46 are owned on a freehold basis and the remaining 48 are leasehold properties on lease terms that we believe are favorable for our operations. The majority of our leasehold properties have lease tenures exceeding 10 years. For example, our schools in Singapore, Stamford American International School and Australian International School, have remaining lease tenures of 25 years and 16 years, respectively. In addition, the majority of our leases in the United Kingdom have security of tenure under the Landlord and Tenant Act. The book value of our real estate portfolio at cost as of August 31, 2014 was £384 million. See "*Business—Properties*" for more information on our properties.

#### *Experienced Management Team with Global and Local Expertise*

We have a highly experienced management team with a proven track record of global development and expansion, academic improvement, value creation and unique credentials in the education sector. Our senior management team has in excess of 50 years of aggregate experience in the education sector, with strong backgrounds in management, education, marketing, human resources, real estate and finance.

Our operating model is based on regionalization, whereby local school management teams focus on the provision of education and regionalized teams manage certain functions, such as human resources, marketing and admissions, quality assurance, property and facilities management, IT systems and some finance functions. Our central Group team is responsible for strategy, governance, finance and general oversight of the Group. This allows the local school-based leadership teams, headmasters and academic staff to focus on delivering academic excellence customized for the school and its catchment.

### Our Strategy

We consistently focus on the following elements of our Group strategy to maintain our position as one of the leading global operators of private-pay K-12 schools.

#### *Continue to Operate in Selected Attractive and Scalable Markets*

Our global operations as well as our track record of successful acquisitions enables us to effectively evaluate market opportunities and to select the most attractive markets and catchments in which to operate. We intend to continue to evaluate strategic expansion and acquisition opportunities to develop capacity in markets in which we have experience or which we have identified as attractive based on rigorous analysis of the relevant market dynamics.

We have already identified a number of capacity expansion opportunities in certain regions. For example, we are in the process of expanding our offering in Singapore by creating dedicated early learning facilities that are scheduled to open in August 2017. These expansions will include state of the art facilities and provide over 2,100 additional places. In addition, we plan to continue to selectively evaluate opportunities to acquire businesses in new or existing markets in order to increase our market share.

***Continue Delivering High Quality Education to Maintain and Increase Demand for Our Product Offerings***

Our aim is to become the school operator of choice and to drive enrollments across our portfolio by focusing on high quality educational outcomes and student and parent satisfaction. Academic rigor and excellence are at the core of our value proposition to parents and students and influence all of our strategic decisions and we intend to maintain our systematic approach towards improving the quality of the provision of education in all of our schools to deliver superior academic outcomes.

We will also continue to develop a tailored educational provision which appeals to the specific parent and student demographic of each of our schools, including language development programs (such as daily Mandarin in our Singapore schools), unique educational experiences (such as direct university partnerships offering college credits), high quality athletic programs and extensive co-curricular clubs and activities.

***Leveraging Our Global Platform and Reputation***

We intend to utilize our regionalized management approach to allow our regional and local school management teams to focus on delivering educational excellence customized for their respective region and school, while sharing academic and administrative best practices across all of our schools. At the same time, our global scale provides operating leverage and economies of scale through consolidation of specialized functions and know-how at the regional or Group level.

In addition, we intend to continue our strategy of attracting and retaining high-quality teaching professionals by offering professional development opportunities and prospects of global mobility and career progression throughout our network of schools. Furthermore, we believe that our high levels of support staff, which allow our teachers to focus on the educational needs of individual students, enhance the level of job satisfaction of our teachers and enables us to recruit and retain "best-in-class" teachers.

***Maximizing Operating and Financial Performance***

We continuously monitor and evaluate the operational performance of our schools and staff across our global platform to identify opportunities for enhancement. Ongoing focus on optimizing our marketing and admissions processes is a key feature of our strategy to increase student enrollments and improve utilization of our platform.

We will also seek to consistently generate fee growth above cost inflation, supported by the growing demand for private-pay K-12 education in the markets in which we operate, our strong reputation and the quality of our educational provision, in order to grow our revenue and increase our EBITDA margins. We will continue to place significant emphasis on optimizing resources to manage our costs efficiently, including centralized or regional procurement of goods and services to benefit from economies of scale, improved operating leverage and maintaining operational flexibility.

**The Refinancing Transactions**

The gross proceeds from the Offering will be approximately £280 million, and will, together with cash on hand, primarily be used to:

- repay all outstanding indebtedness under our Refinanced Credit Facilities and related accrued interest and any break costs in connection with the cancellation and discharge of such facilities;
- pay costs related to the termination of existing interest rate swaps in connection with the Refinanced Credit Facilities; and
- pay fees and expenses in connection with the Refinancing Transactions, including the foregoing transactions and the Offering.

The estimated sources and uses of the funds are shown in the table below. Actual amounts are subject to adjustments and may vary from estimated amounts depending on several factors, including cash on hand, the amount of outstanding indebtedness on the Issue Date, actual accrued interest and any break costs under the Refinanced Credit Facilities, currency exchange rates with respect to indebtedness under the Refinanced Credit Facilities and actual fees and expenses.

| (£ in millions) Sources of Funds | | Uses of Funds | |
|---|---|---|---|
| Notes offered hereby | 280.0 | Refinanced Credit Facilities[1][2] | 297.2 |
| Cash on hand | 32.1 | Termination of existing interest rate swaps in connection with the Refinanced Credit Facilities | 0.5 |
| | | Transaction costs[1][3] | 14.4 |
| **Total sources** | **312.1** | **Total uses** | **312.1** |

(1) For purposes of this table and the numbers in this note, the Singapore dollar, euro and Thai baht amounts, as applicable, have been translated for convenience only at the rate of £1.00 = S$2.1455, £1.00 = €1.4271 and £1.00 = THB54.8305, which represent the rates of exchange as of July 30, 2015, as published by Bloomberg Generic Rate.

(2) As part of the Refinancing Transactions, the outstanding indebtedness under the Refinanced Credit Facilities, including accrued interest and any break costs in connection with discharging the Refinanced Credit Facilities, will be repaid in full with the proceeds from the Offering and cash on hand no later than: (i) 30 days after the Issue Date, in the case of the BBVA Refinanced Credit Facilities and (ii) 10 business days after the Issue Date, in the case of the other Refinanced Credit Facilities. The estimated outstanding principal amount of indebtedness under the Refinanced Credit Facilities to be repaid as part of the Refinancing Transactions, excluding accrued interest and any break costs, is £297.2 million compared to £302.8 million as of May 31, 2015, reflecting a decrease of £7.0 million due to movements in exchange rates and a net increase of £1.4 million resulting from repayments and drawdowns under the Refinanced Credit Facilities, in each case following May 31, 2015. The amount of Refinanced Credit Facilities set forth in the table above also reflects £0.6 million of borrowings under the AIS Refinanced Credit Facility that have been drawn on July 22, 2015 and which will be repaid as part of the Refinancing Transactions. Following their repayment in full, the Refinanced Credit Facilities will be cancelled and discharged as part of the Refinancing Transactions.

(3) Reflects our estimate of fees and expenses associated with the Refinancing Transactions, including discounts, fees and other commissions, advisory and other professional fees, transaction costs and estimated accrued interest and any break costs in connection with the Refinanced Credit Facilities.

## Recent Developments

### *Changes in Senior Management*

On June 1, 2015, we appointed David Pearce as our new Group Chief Financial Officer, effective from October 1, 2015 and on July 6, 2015, we appointed Max Vialou-Clark as our new Chief Executive Officer Europe with immediate effect. For further information regarding these changes to our senior management team, see "*Management—Newly Appointed Officer*" and "*Management—Senior Management Team.*"

### *Acquisition Opportunities*

As part of our ongoing corporate strategy to target expansion in attractive markets, we selectively consider strategic acquisition opportunities from time to time. We are currently engaged in a process of evaluating one such opportunity which is material and at an advanced stage. If we were to decide to submit an offer with respect to this opportunity and if such offer were to be successfully consummated, we would be able to significantly expand and diversify our business and add materially to our assets, revenue and EBITDA.

## Our Shareholders

Bregal Capital indirectly controls 51.1% of the voting rights attaching to Cognita Topco's shares and KKR indirectly controls 48.9% of the voting rights attaching to Cognita Topco's shares.

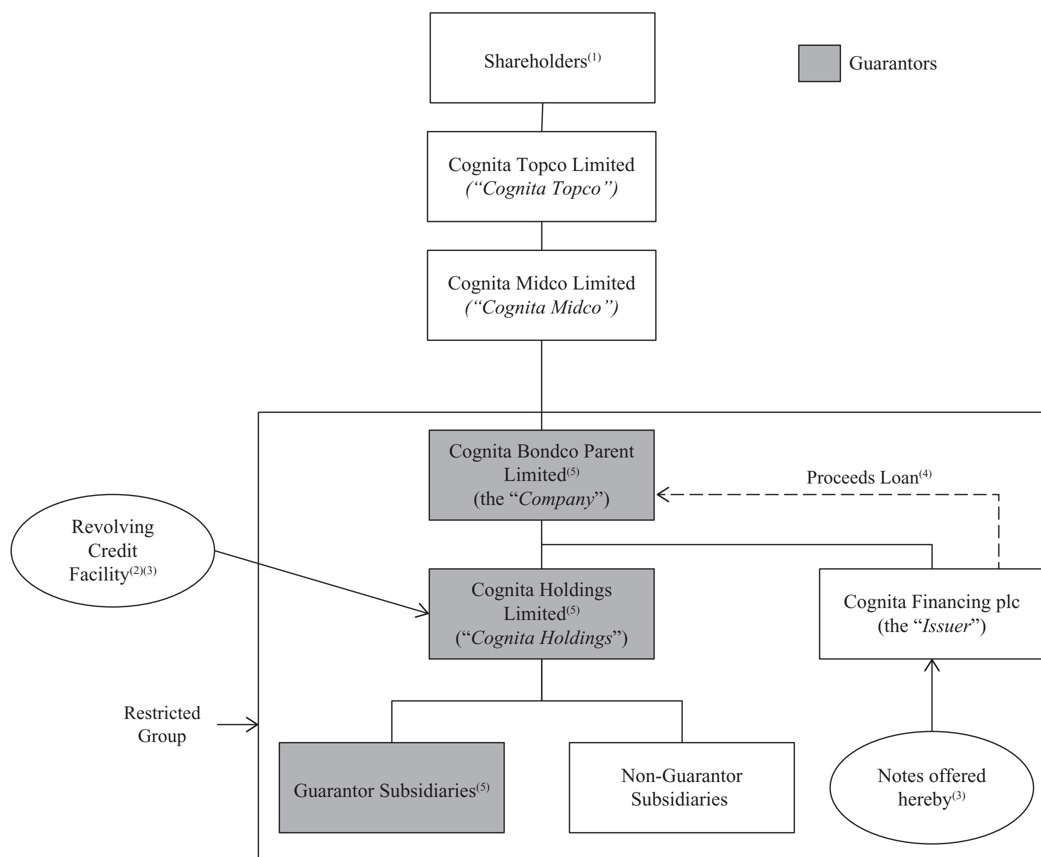
Bregal Capital forms part of the private equity investment business operated by COFRA Holding AG, a European holding company for a privately-owned group of companies, which also include C&A, a clothing retail organization, and Redevco, a real estate company. In October 2004, Bregal Capital established Cognita with the objective of creating a leading independent schools business, initially in the United Kingdom and then internationally.

KKR is a leading global investment firm with a long history of investing in Europe. Founded in 1976 and led by Henry Kravis and George Roberts, KKR had $99 billion in assets under management as of March 31, 2015. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms. KKR made its investment in the Group in June 2013.

See "*Principal Shareholders*."

**Corporate Structure and Financing Agreements**

The following diagram summarizes certain aspects of our corporate and financing structure, on an as adjusted basis after giving effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom. All entities shown below are 100% wholly-owned unless otherwise indicated. See "*Description of the Notes*" and "*Description of Other Indebtedness*" for more information.




(1) KKR indirectly controls 48.9% of the voting rights attaching to Cognita Topco's shares and Bregal Capital indirectly controls 51.1% of the voting rights attaching to Cognita Topco's shares.

(2) On July 31, 2015, Cognita Holdings entered into a Revolving Credit Facility in the amount of £60 million. On the Issue Date, the Revolving Credit Facility is expected to be undrawn and fully available. See "*Description of Other Indebtedness—Revolving Credit Facility*."

(3) The obligations of the Issuer under the Indenture and the Revolving Credit Facility will be guaranteed by the Guarantors and secured by fixed and floating charges on an equal and ratable first priority basis, over substantially all the assets of the Issuer and the Guarantors, including: shares of capital stock of each of the Issuer and the Guarantors (other than the Company); certain bank accounts; the rights of the Issuer under the Proceeds Loan and certain real property in England; and separate mortgages over certain properties in Singapore, each in accordance with the Agreed Security Principles, the Security Documents and the Intercreditor Agreement, as described under "*—The Offering—Security*" and "*Description of the Notes—Security*." The Guarantees will be granted by (i) the Company and Cognita Holdings on the Issue Date, (ii) the Acceding English Subsidiary Guarantors as soon as practicable but in any case within three business days of the Issue Date and (iii) the Acceding Singapore Subsidiary Guarantors as soon as practicable but in any case within 10 business days of the Issue Date. The Collateral will be granted by (i) the Company, Cognita Holdings and the Issuer on the Issue Date, (ii) the Acceding English Subsidiary Guarantors as soon as practicable but in any case within three business days of the Issue Date and (iii) the Acceding Singapore Subsidiary Guarantors as soon as practicable but in any case within 80 days of the Issue Date. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility, certain hedging obligations and certain operating facilities will receive priority in relation to any proceeds received upon any enforcement action over any Collateral. Any remaining proceeds received upon any enforcement action over any Collateral will be applied *pro rata* to the repayment of all obligations under the Indenture and the Notes and any other senior secured Indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*."

(4) Following the receipt of the proceeds of the Proceeds Loan, we expect to use the proceeds of the Proceeds Loan and cash on hand to repay the outstanding indebtedness under the Refinanced Credit Facilities, including accrued interest and break costs in connection with discharging the Refinanced Credit Facilities no later than (i) 30 days after the Issue Date, in the case of the BBVA Refinanced Credit Facilities and (ii) 10 business days after the Issue Date, in the case of the other Refinanced Credit Facilities. The outstanding principal amount of indebtedness under the Refinanced Credit Facilities as of May 31, 2015 was £302.8 million, which amount excludes accrued interest and any break costs. Following their repayment in full, the Refinanced Credit Facilities will be cancelled and discharged as part of the Refinancing Transactions.

(5) As of and for the twelve months ended May 31, 2015, the Guarantors represented 72% of our turnover, 75% of our Total Assets and generated 65% of our EBITDA. The Issuer and the Guarantors will also guarantee the Revolving Credit Facility. As of May 31, 2015, after giving effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom, on a consolidated basis, our subsidiaries that will not guarantee the Notes would have had £41.5 million in outstanding debt (the "*Local Facilities*").

**The Offering**

*The summary below describes the principal terms of the Notes. It may not contain all the information that is important to you. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this Offering Memorandum contain more detailed descriptions of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.*

**Issuer** . . . . . . . . . . . . . . . . . . . . . . . . . . . Cognita Financing plc (the "*Issuer*").

**Notes Offered** . . . . . . . . . . . . . . . . . . . . . £280,000,000 aggregate principal amount of 7.75% Senior Secured Notes due 2021 (the "*Notes*").

**Issue Date** . . . . . . . . . . . . . . . . . . . . . . . . August 7, 2015 (the "*Issue Date*").

**Issue Price** . . . . . . . . . . . . . . . . . . . . . . . 100% (plus accrued and unpaid interest from the Issue Date).

**Maturity Date** . . . . . . . . . . . . . . . . . . . . August 15, 2021.

**Interest** . . . . . . . . . . . . . . . . . . . . . . . . . . 7.75%.

**Interest Payment Dates** . . . . . . . . . . . . . Semi-annually in arrears on each February 15 and August 15, commencing on February 15, 2016. Interest will accrue from the Issue Date.

**Minimum Denomination** . . . . . . . . . . . . Each Note will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.

**Ranking of the Notes** . . . . . . . . . . . . . . . The Notes will be:

- general, senior obligations of the Issuer;
- secured by first priority liens over the Collateral, but under the terms of the Intercreditor Agreement will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a super priority basis, including creditors under the Revolving Credit Facility, certain providers of operating facilities and counterparties to certain hedging obligations, have been paid in full, as described under "*Description of the Notes—Security*;"
- *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the guarantee given by the Issuer in favor of the Revolving Credit Facility;
- senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes;
- effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets of the Issuer that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness; and
- unconditionally guaranteed on a senior secured basis by the Guarantors, subject to certain guarantee limitations.

**Guarantees** . . . . . . . . . . . . . . . . . . . . . . . The Notes will be guaranteed on a senior secured basis by the Company and certain of its subsidiaries (collectively, the "*Guarantors*"). The Guarantees will be granted by (i) the Company and Cognita Holdings on the Issue Date, (ii) the Acceding English Subsidiary Guarantors as soon as practicable but in any case within three business days of the Issue Date and (iii) the Acceding Singapore Subsidiary Guarantors as soon as practicable but in any case within 10 business days of the Issue Date.

As of and for the twelve months ended May 31, 2015, the Guarantors represented 72% of our turnover, 75% of our Total Assets and generated 65% of our EBITDA. The Issuer and the Guarantors will also guarantee the Revolving Credit Facility. As of May 31, 2015, after giving effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom, on a consolidated basis, our subsidiaries that will not guarantee the Notes would have had £41.5 million in outstanding debt.

The Guarantees will be subject to the terms of the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*."

**Ranking of the Guarantees** .......... Each Guarantee will be a general senior obligation of the relevant Guarantor and will be:

- secured by first priority liens over the Collateral, but will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a super priority basis, including obligations owed to lenders under the Revolving Credit Facility, certain providers of operating facilities and counterparties to certain hedging obligations, have been paid in full;
- *pari passu* in right of payment with all of the Guarantors' existing and future senior indebtedness, including any indebtedness under the Revolving Credit Facility, operating facilities and certain hedging obligations;
- senior in right of payment to all existing and future subordinated indebtedness of the Guarantors;
- effectively senior in right of payment to any existing or future obligations of the relevant Guarantor secured on a basis junior to the Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- effectively subordinated to any existing and future indebtedness of subsidiaries of the Company that do not guarantee the Notes.

**Security** .......................... Subject to the operation of the Agreed Security Principles, certain perfection requirements, the release of the security granted in favor of the Refinanced Credit Facilities, the grant of certain consents with respect to the mortgages over properties in Singapore and any Permitted Collateral Liens (as defined in "*Description of the Notes—Certain Definitions*"), each of the Issuer and the Guarantors will grant in favor of the Security Agent, fixed and floating charges on an equal and ratable first priority basis, over substantially all the assets of the Issuer and the Guarantors, including: shares of capital stock of each of the Issuer and the Guarantors (other than the Company); certain bank accounts; the rights of the Issuer under the Proceeds Loan and certain real property in England; and separate mortgages over certain properties in Singapore, each in accordance with the Agreed Security Principles, the Security Documents and the Intercreditor Agreement (*the "Collateral*"). The Collateral will be granted by (i) the Company, Cognita Holdings and the Issuer on the Issue Date, (ii) the Acceding English Subsidiary Guarantors as soon as practicable but in any case within three business days of the Issue Date and (iii) the Acceding Singapore Subsidiary Guarantors as soon as practicable but in any case within 80 days of the Issue Date.

Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility, certain hedging obligations and certain operating facilities will receive priority in relation to any proceeds received upon any enforcement action over any Collateral. Any remaining proceeds received upon any enforcement action over any Collateral will be applied *pro rata* to the repayment of all obligations under the Indenture and the Notes and any other senior secured indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*."

**Additional Amounts** ............... All payments made by the Issuer or any Guarantor on the Notes will be made without withholding or deduction for Taxes unless required by law. If any of the Issuer or Guarantors are required by law to withhold or deduct for such Taxes in any Relevant Taxing Jurisdiction (as defined below) with respect to a payment on the Notes, the Issuer or Guarantors will pay the additional amounts necessary so that the net amount received by the holders of the Notes after such withholding or deduction will equal the amounts that they would have received in the absence of such withholding or deduction, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes*."

**Optional Redemption** .............. Prior to August 15, 2017, the Issuer may redeem at its option all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this Offering Memorandum, accrued and unpaid interest and additional amounts, if any, to the redemption date.

On or after August 15, 2017, the Issuer may redeem at its option all or a portion of the Notes at the applicable redemption prices set forth under the caption "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

Prior to August 15, 2017, the Issuer may redeem at its option on one or more occasions the Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 107.75% of the principal amount outstanding, plus accrued and unpaid interest to the redemption date, so long as at least 60% of the aggregate principal amount of the Notes remains outstanding immediately after each such redemption and each such redemption occurs within 180 days after the closing date of the relevant equity offering.

**Optional Redemption for Tax Reasons** ........................ In the event of certain developments affecting taxation, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts (as defined below), if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."

**Change of Control** ................. Upon the occurrence of certain events defined as constituting a change of control, the Issuer may be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. A change of control will not

| | |
|---|---|
| | be deemed to have occurred on one occasion if certain consolidated leverage ratios are not exceeded as a result of such event that constitutes a Specified Change of Control Event (as defined in "*Description of the Notes—Certain Definitions—Specified Change of Control Event*"). See "*Description of the Notes—Change of Control*." |
| **Certain Covenants** | The Indenture will, among other things, restrict the ability of the Restricted Group to:<br>• incur or guarantee additional indebtedness and issue certain preferred stock;<br>• create or incur certain liens;<br>• make certain payments, including dividends or other distributions;<br>• prepay or redeem subordinated debt or equity;<br>• make certain investments;<br>• create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Restricted Group;<br>• sell, lease or transfer certain assets including stock of restricted subsidiaries;<br>• engage in certain transactions with affiliates;<br>• enter into unrelated businesses or engage in prohibited activities;<br>• consolidate or merge with other entities;<br>• impair the security interests for the benefit of the holders of the Notes; and<br>• amend certain documents.<br>Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*." |
| **Transfer Restrictions** | The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer). |
| **No Prior Market** | The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes. |
| **Listing** | Application will be made to have the Notes admitted for trading on the Euro MTF, and to list the Notes on the Official List of the Luxembourg Stock Exchange. |
| **Governing Law for the Notes, the Guarantees and the Indenture** | New York law. |
| **Governing Law for the Intercreditor Agreement** | English law. |
| **Governing Law for the Security Documents** | English and Singapore law. |

| | |
|---|---|
| **Trustee** | U.S. Bank Trustees Limited. |
| **Registrar** | Elavon Financial Services Limited. |
| **Paying Agent and Transfer Agent** | Elavon Financial Services Limited, UK Branch. |
| **Luxembourg Listing Agent** | Lucid Issuer Services Limited. |
| **Security Agent** | U.S. Bank Trustees Limited. |
| **ISIN** | Reg S: XS1272329621; Rule 144A: XS1272330124. |
| **Common Code** | Reg S: 127232962; Rule 144A: 127233012. |

**Risk Factors**

Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section in this Offering Memorandum before making a decision on whether to invest in the Notes.

**Summary Financial and Operating Information**

Each of the Issuer and the Company were incorporated under the laws of England and Wales on July 3, 2015, in each case, for the purposes of facilitating the Refinancing Transactions, including the Offering and the use of proceeds therefrom and issuing the Notes offered hereby. Neither the Issuer nor the Company have any material assets or liabilities and have not engaged in any activities other than those related to their incorporation in preparation for the Refinancing Transactions.

Consequently, limited historical financial information relating to the Issuer and the Company is available, and, unless otherwise indicated, the financial information presented in this Offering Memorandum is the historical consolidated financial information of Cognita Holdings and its consolidated subsidiaries. The financial information included in this Offering Memorandum with respect to the Issuer consists only of the Issuer's initial balance sheet as of July 10, 2015, which has been prepared in accordance with U.K. GAAP. Following this Offering, we intend to use the consolidated financial information of the Company and its consolidated subsidiaries for reporting purposes.

Cognita Holdings's audited consolidated financial statements as of and for the fiscal years ended August 31, 2012, 2013 and 2014 have been prepared in accordance with U.K. GAAP. Cognita Holdings's unaudited condensed consolidated interim financial information as of and for the nine months ended May 31, 2014 and 2015, which has also been prepared in accordance with U.K. GAAP, is unaudited, and all information contained in this Offering Memorandum with respect to those periods is also unaudited.

We have included an unaudited restatement of our consolidated profit and loss account and consolidated balance sheet as of and for the fiscal year ended August 31, 2014 to reflect a change of accounting approach in relation to revenue recognition of facility fees that are paid to us when a student joins the relevant school and that are generally non-refundable under our policy. We changed our revenue recognition approach to our Current Revenue Recognition Approach, which became effective from September 1, 2014. Previously, facility fees were recognized when the student joined the relevant school. The unaudited restatement of our consolidated profit and loss account and consolidated balance sheet as of and for the year ended August 31, 2014 as well as the unaudited consolidated profit and loss account and unaudited consolidated balance sheet as of and for the nine months ended May 31, 2014 and 2015 are prepared on the basis of the Current Revenue Recognition Approach and appear in the unaudited condensed interim financial statements for Cognita Holdings and related notes thereto appearing elsewhere in this Offering Memorandum.

From September 1, 2014, we refer to the segment formerly known as our Europe segment as our Spain segment. References to our Europe segment in Cognita Holdings's audited consolidated financial statements as of and for the fiscal years ended August 31, 2012, 2013 and 2014 have been renamed as our Spain segment for the purposes of this Offering Memorandum for the fiscal years ended August 31, 2012, 2013 and 2014.

The financial information presented as of and for the twelve months ended May 31, 2015 is derived from adding the unaudited condensed consolidated interim profit and loss account for the nine months ended May 31, 2015 to the unaudited restated consolidated profit and loss account for the fiscal year ended August 31, 2014 and subtracting the unaudited condensed consolidated interim profit and loss account for the nine months ended May 31, 2014. The profit and loss account for the twelve months ended May 31, 2015 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

The unaudited as adjusted financial information presented in this Offering Memorandum has been derived from or developed by applying adjustments to our historical results as of and for the twelve months ended May 31, 2015 to give effect to the Offering and the use of proceeds therefrom, as if it had occurred on May 31, 2015 with respect to balance sheet data and June 1, 2014 with respect to data derived from our profit and loss account. The unaudited adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances and may differ materially from the actual adjusted amounts. The unaudited as adjusted financial information is presented for informational purposes only. The unaudited as adjusted financial information does not purport to represent what our results of operations or financial condition would have been had the Offering and the use of proceeds therefrom actually occurred at the beginning of the period or on the date indicated, and such information does not purport to project the results of operations or financial condition for any future period or as of any future date. The unaudited as adjusted financial information should be read in conjunction with the information contained in "*Selected Historical Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and related notes thereto appearing elsewhere in this Offering Memorandum. The unaudited as adjusted financial information is not intended to represent pro forma financial information prepared in accordance with the requirements of Regulation S-X promulgated under the U.S. Securities Act or other SEC requirements, IFRS or U.K. GAAP.

## Summary Consolidated Profit and Loss Account

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | | Twelve Months Ended May 31, |
|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2014 | 2015 | 2015 |
| | | Audited | | Unaudited (£ in millions) | | Unaudited | |
| **Turnover:** | | | | | | | |
| Group and share of joint ventures | 199.6 | 234.6 | 266.8 | 265.5 | 196.7 | 220.8 | 289.6 |
| Share of joint ventures | (2.2) | (2.0) | (2.1) | (2.1) | (1.6) | (1.8) | (2.3) |
| **Group turnover** | **197.4** | **232.6** | **264.7** | **263.4** | **195.1** | **219.0** | **287.3** |
| **Operating costs:** | | | | | | | |
| Recurring | (194.7) | (223.4) | (254.1) | (254.1) | (185.5) | (206.4) | (275.0) |
| Exceptional costs | (10.6) | (21.3) | (8.1) | (8.1) | (5.2) | (16.1) | (19.0) |
| **Total Operating costs** | **(205.3)** | **(244.7)** | **(262.2)** | **(262.2)** | **(190.7)** | **(222.5)** | **(294.0)** |
| **Group operating (loss) / profit** | **(7.9)** | **(12.1)** | **2.5** | **1.2** | **4.4** | **(3.5)** | **(6.7)** |
| Share of operating profit in respect of joint venture | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.5 | 0.5 |
| **(Loss)/Profit before interest and tax** | **(7.4)** | **(11.8)** | **2.8** | **1.5** | **4.7** | **(3.0)** | **(6.2)** |
| Loss on disposal of fixed assets | (0.7) | (0.1) | (0.7) | (0.7) | (0.7) | (0.2) | (0.2) |
| Net interest | (56.1) | (62.4) | (71.0) | (71.0) | (53.3) | (51.1) | (68.8) |
| **Loss on ordinary activities before taxation** | **(64.2)** | **(74.3)** | **(68.9)** | **(70.2)** | **(49.3)** | **(54.3)** | **(75.2)** |
| Tax charge on loss on ordinary activities | (1.7) | (1.3) | (2.5) | (2.4) | (1.8) | (3.5) | (4.1) |
| **Loss on ordinary activities after taxation** | **(65.9)** | **(75.6)** | **(71.4)** | **(72.6)** | **(51.1)** | **(57.8)** | **(79.3)** |
| Minority interest | — | 0.2 | (0.7) | (0.7) | (0.6) | (1.1) | (1.2) |
| **Loss for financial year** | **(65.9)** | **(75.4)** | **(72.1)** | **(73.3)** | **(51.7)** | **(58.9)** | **(80.5)** |

### Summary Consolidated Balance Sheet

| | As of August 31, | | | | As of May 31, |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2015 |
| | Audited | | | Unaudited | |
| | (£ in millions) | | | | |
| **Fixed assets:** | | | | | |
| Intangible assets | 60.8 | 66.4 | 55.8 | 55.8 | 63.4 |
| Tangible assets | 267.2 | 351.1 | 370.6 | 370.6 | 379.5 |
| **Investments:** | | | | | |
| Joint ventures: | | | | | |
| Goodwill in joint venture | 0.3 | 0.2 | — | — | — |
| Share of gross assets | 2.9 | 2.8 | 3.4 | 3.4 | 3.9 |
| Share of gross liabilities | (1.5) | (1.5) | (1.7) | (1.7) | (1.8) |
| | **1.7** | **1.5** | **1.7** | **1.7** | **2.1** |
| **Fixed assets** | **329.7** | **419.0** | **428.1** | **428.1** | **445.0** |
| **Current assets:** | | | | | |
| Stocks | 0.6 | 0.6 | 0.8 | 0.8 | 0.7 |
| Debtors | 50.0 | 61.9 | 65.9 | 66.8 | 58.2 |
| Cash at bank and in hand | 69.2 | 84.7 | 83.8 | 83.8 | 116.1 |
| **Current assets** | **119.8** | **147.2** | **150.5** | **151.4** | **175.0** |
| **Creditors: amounts falling due within one year** | **(230.9)** | **(157.9)** | **(326.6)** | **(333.3)** | **(181.8)** |
| **Net current liabilities** | **(111.1)** | **(10.7)** | **(176.1)** | **(181.9)** | **(6.8)** |
| **Total assets less current liabilities** | **218.6** | **408.3** | **252.0** | **246.2** | **438.2** |
| **Creditors: amounts falling due after more than one year** | **410.0** | **648.0** | **534.7** | **534.7** | **518.3** |
| **Provisions for liabilities** | **1.2** | **4.6** | **5.1** | **5.1** | **6.0** |
| **Capital and reserves:** | | | | | |
| Called-up equity share capital | — | 0.2 | 0.5 | 0.5 | 3.1 |
| Share premium account | 0.1 | 19.6 | 46.1 | 46.1 | 303.5 |
| Other reserves | 1.0 | 1.0 | 3.0 | 3.0 | 4.2 |
| Own share reserve | (0.1) | — | — | — | — |
| Profit and loss account | (193.8) | (271.1) | (343.0) | (348.8) | (403.8) |
| **Total shareholders' deficit** | **(192.8)** | **(250.3)** | **(293.4)** | **(299.2)** | **(93.0)** |
| **Capital and reserves and total shareholders' deficit** | **218.4** | **402.3** | **246.4** | **240.6** | **431.3** |
| Minority interest | 0.2 | 6.0 | 5.6 | 5.6 | 6.9 |
| **Capital employed** | **218.6** | **408.3** | **252.0** | **246.2** | **438.2** |

### Consolidated Cash Flow Statement

| | Fiscal Year Ended August 31, | | | Nine Months Ended May 31, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | Audited | | Unaudited | |
| | (£ in millions) | | | | |
| Net cash inflow from operating activities | 36.6 | 37.3 | 45.4 | 45.0 | 57.8 |
| Dividends received from joint venture | 0.5 | 0.4 | — | — | — |
| Net cash outflow from returns on investments and servicing of finance | (20.9) | (18.5) | (17.5) | (13.8) | (13.7) |
| Taxation paid | (1.6) | (2.3) | (2.3) | (1.9) | (3.0) |
| Net cash outflow from capital expenditure | (44.7) | (48.3) | (58.4) | (44.8) | (35.0) |
| Net cash outflow from acquisitions | (1.4) | (28.3) | (4.9) | (1.2) | (18.2) |
| **Cash outflow before financing** | **(31.5)** | **(59.7)** | **(37.7)** | **(16.7)** | **(12.1)** |
| Net cash inflow from financing | 60.1 | 71.9 | 43.8 | 34.0 | 44.9 |
| **Increase in cash** | **28.6** | **12.2** | **6.1** | **17.3** | **32.8** |

## Operating Data and Non-U.K. GAAP Financial Information

The following tables show certain non-U.K. GAAP financial and operating information of Cognita Holdings.

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | | Twelve Months Ended May 31, |
|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2014 | 2015 | 2015 |
| | | Audited | | Unaudited | | Unaudited | |
| | (£ in millions, except as otherwise indicated) | | | | | | |
| EBITDA[1] | 31.0 | 41.1 | 44.7 | 43.4 | 34.9 | 41.1 | 49.6 |
| Adjusted EBITDA[1] | 31.0 | 41.1 | 46.7 | 45.4 | 36.4 | 42.3 | 51.3 |
| Adjusted EBITDA margin[2] | 15.5% | 17.5% | 17.5% | 17.1% | 18.5% | 19.2% | 17.7% |
| **Capital expenditure:**[3] | | | | | | | |
| Development capital expenditure[4] | 43.0 | 31.9 | 43.2 | 43.2 | 31.8 | 21.5 | 32.9 |
| Operating capital expenditure[5] | 11.4 | 13.8 | 15.2 | 15.2 | 7.0 | 7.5 | 15.7 |
| **Total capital expenditure** | **54.4** | **45.7** | **58.4** | **58.4** | **38.8** | **29.0** | **48.6** |
| Operating free cash flow[6] | 27.2 | 37.6 | 27.6 | 27.6 | 36.0 | 48.5 | 40.1 |
| Operating cash conversion rate[6] | 87.7% | 91.5% | 59.1% | 60.8% | 98.9% | 114.7% | 78.2% |
| ***Pro Forma* Financial Data:** | | | | | | | |
| *Pro forma* Adjusted EBITDA[1] | | | | | | | 56.2 |
| **As Adjusted Company Financial Data:**[7] | | | | | | | |
| As adjusted cash at bank and in hand[8] | | | | | | | 84.0 |
| As adjusted total debt[9] | | | | | | | 323.0 |
| As adjusted net total debt[10] | | | | | | | 239.0 |
| As adjusted cash pay interest expense[11] | | | | | | | 27.9 |
| Ratio of as adjusted total debt to Adjusted EBITDA | | | | | | | 6.3x |
| Ratio of as adjusted net total debt to Adjusted EBITDA | | | | | | | 4.7x |
| Ratio of as adjusted total debt to *Pro forma* Adjusted EBITDA | | | | | | | 5.7x |
| Ratio of as adjusted net total debt to *Pro forma* Adjusted EBITDA | | | | | | | 4.3x |
| Ratio of Adjusted EBITDA to as adjusted cash pay interest expense | | | | | | | 1.8x |
| Ratio of *Pro forma* Adjusted EBITDA to as adjusted cash pay interest expense | | | | | | | 2.0x |

(1) EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA are non-U.K. GAAP measures. EBITDA is calculated as profit/(loss) on ordinary activities before taxation before net interest, loss on disposal of fixed assets, depreciation and amortization and exceptional costs. Adjusted EBITDA is calculated as EBITDA after excluding the charge in connection with our management incentive plan. *Pro forma* Adjusted EBITDA is calculated as Adjusted EBITDA as further adjusted to reflect the full year impact of the acquisition of GayLussac, the utilization impact for North Bridge House Senior School and Sixth Form—Canonbury and the utilization impact for Stamford American International School. Investors should not consider EBITDA, Adjusted EBITDA or *Pro Forma* Adjusted EBITDA (a) as an alternative to profit/(loss) before taxation as a measure of our operating performance, (b) as an alternative to net cash outflows or inflows from operating, investing and financing activities as a measure of our ability to meet cash needs or (c) as an alternative to any other measure of performance under U.K. GAAP. Because companies do not calculate EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA identically, our presentation of such measures may not be comparable to similarly titled measures of other companies. Investors should also note that EBITDA, Adjusted EBITDA and *Pro forma* Adjusted EBITDA as presented above are calculated differently from "Consolidated EBITDA" as defined and used in the Indenture. See "*Description of the Notes—Certain Definitions*" for a definition of "Consolidated EBITDA" in the Indenture. The following is a reconciliation of profit/(loss) before taxation as a measure of our operating performance to EBITDA, Adjusted EBITDA and to *Pro Forma* Adjusted EBITDA:

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | | Twelve Months Ended May 31, |
|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2014 | 2015 | 2015 |
| | | | | (£ in millions) | | | |
| **Loss on ordinary activities after taxation** | **(65.9)** | **(75.6)** | **(71.4)** | **(72.6)** | **(51.1)** | **(57.8)** | **(79.3)** |
| Tax charge on loss on ordinary activities | 1.7 | 1.3 | 2.5 | 2.4 | 1.8 | 3.5 | 4.1 |
| **Loss on ordinary activities before taxation** | **(64.2)** | **(74.3)** | **(68.9)** | **(70.2)** | **(49.3)** | **(54.3)** | **(75.2)** |
| Net interest | 56.1 | 62.4 | 71.0 | 71.0 | 53.3 | 51.1 | 68.8 |
| Loss on disposal of fixed assets | 0.7 | 0.1 | 0.7 | 0.7 | 0.7 | 0.2 | 0.2 |
| Depreciation and amortization | 27.8 | 31.6 | 33.8 | 33.8 | 25.0 | 28.0 | 36.8 |
| Exceptional costs[(a)] | 10.6 | 21.3 | 8.1 | 8.1 | 5.2 | 16.1 | 19.0 |
| **EBITDA** | **31.0** | **41.1** | **44.7** | **43.4** | **34.9** | **41.1** | **49.6** |
| Management incentive plan charge[(b)] | — | — | 2.0 | 2.0 | 1.5 | 1.2 | 1.7 |
| **Adjusted EBITDA** | **31.0** | **41.1** | **46.7** | **45.4** | **36.4** | **42.3** | **51.3** |
| Full year impact of acquisition of GayLussac[(c)] | | | | | | | 1.2 |
| Utilization impact for North Bridge House Senior School and Sixth Form – Canonbury[(d)] | | | | | | | 0.4 |
| Utilization impact for Stamford American International School[(e)] | | | | | | | 3.3 |
| ***Pro forma* Adjusted EBITDA** | | | | | | | **56.2** |

(a) Exceptional costs consist of abortive transaction costs, business exploration costs, restructuring costs, impairment costs and other costs that are neither operational nor recurring costs. In the fiscal year ended August 31, 2013, exceptional costs included a one-off loss of £13.8 million associated with the maturity of a Singapore dollar currency swap. The swap was entered into in November 2007 when we acquired the Australian International School and swapped £25.9 million into S$77.6 million. See the financial statements of Cognita Holdings and related notes thereto appearing elsewhere in this Offering Memorandum for further information regarding exceptional costs.

(b) Represents the charge in relation to our management incentive plan, which is a non-cash charge that is amortized over the estimated duration of such plan that was implemented in June 2013.

(c) Represents the estimated pro forma effect with respect to the acquisition of GayLussac School in Niterói, Brazil, which we acquired in December 2014, as if such acquisition had been completed on June 1, 2014. This adjustment reflects our estimate of the Adjusted EBITDA we would have generated with respect to GayLussac School in Niterói, Brazil had we acquired the school on June 1, 2014 as translated at an average foreign currency exchange rate of R$1.00 = £0.22969 for the period from December 1, 2014 to May 31, 2015.

(d) Represents the estimated pro forma effect with respect to North Bridge House Senior School and Sixth Form—Canonbury (which was opened in September 2014 and offers 298 places), as if the expected student enrollments for the start of the academic year commencing in September 2015 had been in place for the twelve months ended May 31, 2015. The expected number comprises: the number of confirmed continuing students, plus the number of confirmed new joiners, plus expected joiners based on current offers made and expected offers to be made (based on the current number of inquiries), and the conversion of those offers and inquiries in line with our historical conversion rate for this school, less known and expected leavers. We have applied fee rates for the 2014 academic year in calculating this adjustment and have also adjusted costs (using teacher salary rates for the 2014 academic year) to reflect the corresponding increase in enrollments.

(e) Represents the estimated pro forma effect of increased utilization with respect to Stamford American International School to reflect the expected increase in enrollments in line with the completion of the phase II development in August 2014, which added additional capacity of 1,800 students. This adjustment is calculated based on the estimated increase in Adjusted EBITDA by applying the historical Adjusted EBITDA per student to the expected increase in the number of student enrollments for the start of the academic year commencing in August 2015, comprises: the number of confirmed continuing students, the number of confirmed new joiners, plus expected joiners based on current offers made and expected offers to be made (based on the current number of inquiries), and the conversion of those offers and inquiries in line with our historical conversion rates for this school, less known and expected leavers.

(2) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Group turnover and share of joint ventures, expressed as a percentage.

(3) We track the amount of capitalized operating capital expenditure and development capital expenditure in our management information from a balance sheet perspective. We have used this information to present operating capital expenditure and development capital expenditure in this Offering Memorandum. Our cash flow information only reflects our aggregate capital expenditure. As we do not track the split of cash flows attributable to operating capital expenditure and development capital expenditure, we have used the amount of operating capital expenditure based on management information from a balance sheet perspective for the purposes of calculating operating free cash flow.

(4) Development capital expenditure represents investments made to expand capacity at our schools and/or for the construction and development of other large investments in facilities which do not directly result in capacity expansion.

(5) Operating capital expenditure represents investments made to maintain our equipment and facilities to ensure compliance with applicable regulations and to improve our teaching and learning infrastructure. This includes the ongoing replacement and upgrading of fixtures and fittings and IT equipment, including computers and laptops.

(6) We define operating free cash flow as Adjusted EBITDA less operating capital expenditure less net change in working capital and other operating cash flow items less exceptional costs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Flows—Net Cash Inflow from Operating Activities*." Operating cash conversion rate is defined as the ratio of operating free cash flow to Adjusted EBITDA. The following is a reconciliation of Adjusted EBITDA to operating free cash flow and operating cash conversion rate:

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | | Twelve Months Ended May 31, |
|---|---|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014 (Restated)** | **2014** | **2015** | **2015** |
| | (£ in millions, except as otherwise indicated) | | | | | | |
| **Adjusted EBITDA** | **31.0** | **41.1** | **46.7** | **45.4** | **36.4** | **42.3** | **51.3** |
| Operating capital expenditure | (11.4) | (13.8) | (15.2) | (15.2) | (7.0) | (7.5) | (15.7) |
| Net change in working capital | 14.4 | 15.8 | 3.2 | 4.5 | 10.8 | 20.2 | 13.9 |
| Exceptional cost cash flows[(a)] | (6.8) | (5.5) | (7.1) | (7.1) | (4.2) | (6.5) | (9.4) |
| **Operating free cash flow** | **27.2** | **37.6** | **27.6** | **27.6** | **36.0** | **48.5** | **40.1** |
| **Operating cash conversion rate** | **87.7%** | **91.5%** | **59.1%** | **60.8%** | **98.9%** | **114.7%** | **78.2%** |

(a) Exceptional cost cash flows represent exceptional costs less non-cash impairment charges and a one-off loss of £13.8 million associated with the maturity of a Singapore dollar currency swap. The swap was entered into in November 2007 when we acquired the Australian International School and swapped £25.9 million into S$77.6 million.

(7) The unaudited as adjusted financial information presented herein has been derived from or developed by applying adjustments to our historical results as of and for the twelve months ended May 31, 2015, to give effect to the Offering and the use of proceeds therefrom, as if it had occurred on May 31, 2015 with respect to balance sheet data and June 1, 2014 with respect to data derived from our profit and loss account. The unaudited adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited as adjusted financial information is presented for informational purposes only. The unaudited as adjusted financial information does not purport to represent what our results of operations or financial condition would have been had the Refinancing Transactions, including the Offering and the use of proceeds therefrom actually occurred at the beginning of the period or on the date indicated, and such information does not purport to project the results of operations or financial condition for any future period or as of any future date. The unaudited as adjusted financial information should be read in conjunction with the information contained in "*Selected Historical Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and related notes thereto appearing elsewhere in this Offering Memorandum. The unaudited as adjusted financial information is not intended to represent pro forma financial information prepared in accordance with the requirements of Regulation S-X promulgated under the U.S. Securities Act or other SEC requirements, IFRS or U.K. GAAP.

(8) As adjusted cash at bank and in hand represents total cash at bank and in hand of £116.1 million as of May 31, 2015, adjusted to give effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom, as if they had occurred on May 31, 2015. See also "*Capitalization*."

(9) As adjusted total debt as of May 31, 2015, represents total debt, as adjusted to give effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom, as if it had occurred on May 31, 2015. In addition, as of May 31, 2015, we also had £2.5 million available under our Local Facilities, including overdraft facilities and working capital facilities, which have not been included in adjusted total debt since they are undrawn commitments.

(10) As adjusted net total debt represents adjusted total debt less as adjusted cash at bank and in hand as of May 31, 2015.

(11) As adjusted cash pay interest expense represents interest payable for the twelve months ended May 31, 2015, adjusted to give effect to the entry into the Revolving Credit Facility and the issuance of the Notes and the use of proceeds as contemplated under "*Use of Proceeds*," as if they had occurred on May 31, 2015, and adjusted to give effect to the estimated pro forma effect with respect to the financing for the acquisition of GayLussac School in Niterói, Brazil, which we acquired in December 2014, as if such acquisition had been completed and the financing related to such acquisition had been entered into on June 1, 2014. Any hedging we may undertake in respect of our obligations has not been reflected.

## Key Performance Indicators

| | As of and for the Fiscal Year Ended August 31, | | | As of and for the Nine Months Ended May 31, | | As of and for the Twelve Months Ended May 31, |
|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 | 2015 |
| **Number of Schools:** | | | | | | |
| United Kingdom | 45 | 43 | 42 | 42 | 43 | 43 |
| Spain | 4 | 4 | 4 | 4 | 4 | 4 |
| Asia | 7 | 7 | 8 | 8 | 8 | 8 |
| Latin America | — | 10 | 10 | 10 | 11 | 11 |
| **Total** | **56** | **64** | **64** | **64** | **66** | **66** |
| **Student Numbers:**(1)(2) | | | | | | |
| United Kingdom | 10,554 | 10,467 | 10,532 | 10,472 | 10,784 | 10,766 |
| Spain | 2,466 | 2,597 | 2,753 | 2,752 | 2,809 | 2,796 |
| Asia | 4,933 | 5,695 | 6,512 | 6,551 | 7,262 | 7,135 |
| Latin America | — | 1,885 | 9,268 | 9,199 | 10,603 | 10,321 |
| **Total** | **17,953** | **20,644** | **29,065** | **28,974** | **31,458** | **31,018** |
| **Staff Numbers:**(1)(3) | | | | | | |
| United Kingdom | 1,836 | 1,836 | 1,886 | 1,907 | 1,943 | 1,937 |
| Spain | 333 | 342 | 361 | 364 | 382 | 376 |
| Asia | 914 | 1,037 | 1,179 | 1,198 | 1,360 | 1,331 |
| Latin America | 2 | 238 | 882 | 873 | 1,058 | 1,017 |
| Group Central(4) | 11 | 17 | 23 | 27 | 30 | 29 |
| **Total** | **3,096** | **3,470** | **4,331** | **4,369** | **4,773** | **4,690** |
| **Capacity:**(1)(5) | | | | | | |
| United Kingdom | 13,133 | 12,987 | 13,193 | 13,115 | 13,419 | 13,326 |
| Spain | 3,144 | 3,229 | 3,264 | 3,266 | 3,492 | 3,440 |
| Asia | 6,113 | 7,180 | 8,069 | 8,108 | 9,041 | 8,958 |
| Latin America | — | 2,397 | 11,440 | 11,398 | 12,605 | 12,344 |
| **Total** | **22,390** | **25,793** | **35,966** | **35,887** | **38,557** | **38,068** |
| **Utilization:**(1)(6) | | | | | | |
| United Kingdom | 80% | 81% | 80% | 80% | 80% | 81% |
| Spain | 78% | 80% | 84% | 84% | 80% | 81% |
| Asia | 81% | 79% | 81% | 81% | 80% | 80% |
| Latin America | — | 79% | 81% | 81% | 84% | 84% |
| **Average** | **80%** | **80%** | **81%** | **81%** | **82%** | **81%** |

(1) Figures include 100% of our St. Nicholas Joint Venture.

(2) Our student numbers reflect the average number of FTE students for any given year in a particular Cohort. For example, one student in a school for half a year is 0.5 FTE, or one nursery student attending 50% of available sessions for a year is 0.5 FTE.

(3) Our staff numbers are the average number of our FTE staff for any given year, including teachers and non-teaching staff.

(4) Figures represent the average number of FTE Group central staff.

(5) Our average capacity is the total number of students a particular school can accommodate at any given time.

(6) Utilization is calculated as the average number of FTE students divided by total average capacity, expressed as a percentage.

## Segment Analysis

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | | Twelve Months Ended May 31, |
|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2014 | 2015 | 2015 |
| | | Audited | | Unaudited | | Unaudited | |
| | | | | (£ in millions) | | | |
| **Group Turnover and share of joint ventures:** | | | | | | | |
| United Kingdom | 116.9 | 122.0 | 126.7 | 126.7 | 93.3 | 99.3 | 132.7 |
| Spain | 19.0 | 20.6 | 22.1 | 22.1 | 16.7 | 16.5 | 21.9 |
| Asia | 63.7 | 81.5 | 92.4 | 91.1 | 67.5 | 81.2 | 104.8 |
| Latin America | — | 10.5 | 25.6 | 25.6 | 19.2 | 23.8 | 30.2 |
| **Total** | **199.6** | **234.6** | **266.8** | **265.5** | **196.7** | **220.8** | **289.6** |

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | | Twelve Months Ended May 31, |
|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2014 | 2015 | 2015 |
| | | | | (£ in millions) | | | |
| **Adjusted EBITDA[1]:** | | | | | | | |
| United Kingdom | 17.4 | 18.9 | 19.3 | 19.3 | 13.2 | 15.0 | 21.1 |
| Spain | 3.2 | 3.6 | 4.3 | 4.3 | 3.8 | 3.8 | 4.3 |
| Asia | 15.3 | 22.2 | 26.0 | 24.7 | 20.2 | 23.5 | 28.0 |
| Latin America | (0.4) | 1.6 | 4.4 | 4.4 | 4.3 | 6.2 | 6.3 |
| **Regional Adjusted EBITDA[1][2]** | **35.5** | **46.3** | **54.0** | **52.7** | **41.5** | **48.5** | **59.7** |
| Group central costs | (4.5) | (5.2) | (7.3) | (7.3) | (5.1) | (6.2) | (8.4) |
| **Total Adjusted EBITDA[1]** | **31.0** | **41.1** | **46.7** | **45.4** | **36.4** | **42.3** | **51.3** |

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | | Twelve Months Ended May 31, |
|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2014 | 2015 | 2015 |
| | | Audited | | Unaudited | | Unaudited | |
| **Adjusted EBITDA margin[3]:** | | | | | | | |
| United Kingdom | 14.9% | 15.5% | 15.2% | 15.2% | 14.1% | 15.1% | 15.9% |
| Spain | 16.8% | 17.5% | 19.5% | 19.5% | 22.8% | 23.0% | 19.6% |
| Asia | 24.0% | 27.2% | 28.1% | 27.1% | 29.9% | 28.9% | 26.7% |
| Latin America | — | 15.2% | 17.2% | 17.2% | 22.4% | 26.1% | 20.9% |
| **Regional Adjusted EBITDA margin[2][4]** | **17.8%** | **19.7%** | **20.2%** | **19.8%** | **21.1%** | **22.0%** | **20.6%** |
| Group central costs | (2.3)% | (2.2)% | (2.7)% | (2.7)% | (2.6)% | (2.8)% | (2.9)% |
| **Total Adjusted EBITDA margin** | **15.5%** | **17.5%** | **17.5%** | **17.1%** | **18.5%** | **19.2%** | **17.7%** |

(1) Adjusted EBITDA and Regional Adjusted EBITDA are non-U.K. GAAP measures. Adjusted EBITDA is calculated as EBITDA after excluding the charge in connection with our management incentive plan. See "*—Operating Data and Non-U.K. GAAP Financial Information*" for a reconciliation of Adjusted EBITDA. Regional Adjusted EBITDA is calculated as Adjusted EBITDA before Group central costs. Group central costs consist of costs with respect to certain centralized functions relating to executive governance and strategy, finance, compliance, mergers and acquisitions, human resources, marketing and IT. Investors should not consider Adjusted EBITDA or Regional Adjusted EBITDA (a) as an alternative to profit/(loss) before taxation as a measure of our operating performance, (b) as an alternative to net cash outflows or inflows from operating, investing and financing activities as a measure of our ability to meet cash needs or (c) as an alternative to any other measure of performance under U.K. GAAP. Because companies do not calculate Adjusted EBITDA and Regional Adjusted EBITDA identically, our presentation of such measures may not be comparable to similarly titled measures of other companies.

(2) In calculating Regional Adjusted EBITDA and Regional Adjusted EBITDA margin for our United Kingdom segment, we exclude Group central costs.

(3) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Group turnover and share of joint ventures, expressed as a percentage.

(4) Regional Adjusted EBITDA margin is defined as Regional Adjusted EBITDA divided by Group turnover and share of joint ventures, expressed as a percentage.

# RISK FACTORS

*You should carefully consider the risks and uncertainties described below and the other information contained within this Offering Memorandum prior to making an investment decision. If any of the events described below were to occur, or if other risks or uncertainties of which we are unaware or that we believe to be immaterial were to occur, our business, prospects, results of operations and financial condition could be materially and adversely affected. In such a case, the Issuer might not be able to satisfy its obligations under the Notes, and you could lose all or a part of your investment. Prospective investors should note that the risks described below are not the only risks we face. We have described only those risks relating to our operations of which we are aware and that we believe to be material. There may be additional risks that we currently consider not to be material or of which we are unaware.*

## Risks Relating to Our Business

***Our financial performance depends on the level of student enrollment in our schools.***

The level of student enrollments and utilization rates in our schools are critical to our future financial performance. A number of factors may contribute to a decline in student enrollment rates at our schools, including competition from other providers, poor macroeconomic conditions in local markets, political instability in the jurisdictions in which we operate, expatriate relocation, graduation, decline in student performance or parent satisfaction, maintaining curricula that is attractive to students and parents or other disruptive events which could cause the temporary or permanent closure of any of our schools. We may be unable to maintain and/or increase enrollment rates in our schools if we are unable to secure new students through our recruitment efforts. In addition, if we fail to maintain the quality of our educational offerings, parents may choose not to re-enroll or may remove their children from our schools. If we are unable to recruit or retain students in our schools, our business, prospects, results of operations, cash flow and financial condition could be materially and adversely affected.

***Our financial performance depends in part on our ability to increase the profitability of our schools.***

The tuition fee levels at some of our schools are among the highest in their respective markets. The factors that could have an adverse impact on our ability to maintain or increase our tuition fees include:

- negative perceptions of the quality of our educational offerings;
- resistance to tuition increases by tuition payers for reasons such as difficult economic conditions or previous fee increases in recent academic years;
- reductions or discounts of tuition by local education providers that seek to compete in our markets;
- competition from local education providers that may offer lower tuition fees or that may not increase tuition fees in line with us; and
- adverse reactions from parents at one or more of our schools, which may result in demands from parents for increased services or subject us to parent scrutiny over staff pay awards.

In addition, market or regulatory factors may limit our ability to maintain or control staff costs, which could have an adverse effect on our operational costs and profitability. For example, we may be required to offer additional compensation or benefits to our staff to satisfy independent unions or other collective bargaining bodies or agencies or to maintain competitive compensation packages in a particular market.

Changes in the compensation and benefits packages of those expatriates whose employers pay for their children's tuition fees may negatively affect our ability to maintain or increase our tuition fees. A change from direct payment from the employer to a cost of living adjustment in the form of a lump sum payment in cash to expatriate parents may cause such parents to become more price sensitive in respect of the tuition they are willing to pay. Our inability to maintain or increase our tuition fees or to maintain or control our staff costs could have a material and adverse effect on our business, prospects, results of operations, cash flow and financial condition.

***If we are not able to attract, employ, train and retain sufficiently qualified teachers, principals, school administrators and support staff, it may impact the quality of teaching at our schools, compromising academic performance and overall reputation, and our ability to selectively expand our operations.***

Well trained and sufficiently qualified teachers are critical to maintaining the quality of teaching provided at our schools. Our ability to deliver high quality education across a range of curricula is directly related to, and dependent on, the availability of qualified teachers and our ability to continue to recruit, employ, train and retain such teachers. In addition, our ability to retain and, where necessary, attract teachers, principals, school

administrators and support staff is important for our operations in providing premium education. The process of hiring staff with the combination of skills and attributes required to implement our business strategy can be difficult and time-consuming. We face competition in attracting and retaining staff who possess the necessary experience and accreditation to teach at our schools. We may experience particular difficulty in recruiting staff who are willing to relocate from their home country to some of our international locations and we must provide competitive compensation packages to attract and retain qualified individuals to join our schools. In addition, some of our teachers could choose to remain at the school only for a limited period of time, which could affect our reputation in the market if we provide insufficient continuity. As we continue to expand and add personnel, we may face additional difficulty in maintaining consistency in the quality of the teaching staff that we recruit. A shortage of quality teaching personnel and a high turnover rate of staff could lead to ineffective delivery of the curricula offered to students, impacting their academic performance and the reputation and brand of our schools. If we are unable to, or are perceived to be unable to, attract and retain qualified and effective teachers, principals, school administrators and support staff at our schools, our business, prospects, results of operations, cash flow and financial condition may be materially and adversely affected.

***We may face significant competition in each geographic market in which we operate, which could reduce enrollments, increase our cost of recruiting and retaining students and teachers and put downward pressure on our tuition fees and profitability.***

We face competition from numerous sources, including from other schools in the locations in which we operate that target the children of expatriate and/or affluent local families. Some of our existing and potential competitors may choose to devote more resources to the development of schools offering premium quality education and respond more quickly to changes in parents' and students' demands, curriculum offerings, admissions standards, market needs or new technologies. Moreover, our competitors may increase capacity to an extent which may lead to an over-supply in certain of our markets.

If we are unable to differentiate our schools from those of our competitors and successfully market our schools to parents and students, we could face competitive pressures that may result in a decrease in enrollments or an increase in students switching to other schools. To the extent our school enrollment may decrease, we may be required to reduce our tuition rates or increase spending in order to improve facilities in an effort to retain or to attract students. This could materially and adversely affect our business, prospects, results of operations, cash flow and financial condition.

***Our operations in some countries may be affected by changes in the political, economic, social or regulatory and legal environment.***

We conduct our business operations in the United Kingdom, Spain, Singapore, Brazil, Chile, Thailand and Vietnam. As a result, our success depends in part upon our ability to adapt to and succeed in differing economic, legal, regulatory, social and political conditions. In particular, financial risks associated with our operations include risks of liquidity, inflation, devaluation, price volatility, currency convertibility and exchange rates and actual or perceived risk of country default resulting from significant deficits.

In the twelve months ended May 31, 2015, 25.0% of our Adjusted EBITDA was generated in Vietnam, Thailand, Brazil and Chile. Such emerging economies are more susceptible to global economic trends and higher inflationary pressure, which could result in decrease in demand or a heightened sensitivity to moderate pricing increases in tuition fees, which could have an adverse effect on our business, prospects, results of operations and financial condition. Some of these countries lack highly developed legal systems and are susceptible to high levels of corruption. Our operations in emerging economies increase the risks of violations of anti-corruption laws, or similar laws.

Furthermore, our operations in such economies are governed by local laws and regulations, including those applicable to foreign investments and to foreign-owned enterprises. Such laws and regulations may be vague, uncertain, difficult to interpret and may be enforced inconsistently. Furthermore, implementation and enforcement of regulation is not always consistent or predictable. As a result, we may experience difficulties or delays in obtaining permits or other governmental authorizations required to operate our schools and restrictions as to the eligibility criteria of students. Exposure to regulatory uncertainty could limit our legal protection and ability to comply with regulations applicable to us, which could materially and adversely affect our business, prospects, results of operations, cash flow and financial condition.

Unstable political conditions, civil unrest, student uprisings or other developments in the countries where we operate could materially and adversely affect our business, prospects, results of operations, cash flow and financial condition. For example, a natural disaster in any country in which we operate could adversely impact the performance of one or more of our schools in that region.

***Amendments to the collective bargaining agreements for our teachers and staff and other employee relation issues may adversely affect our financial results.***

As of May 31, 2015, over 1,000 of our teachers and other staff currently employed in Brazil, Spain and Vietnam are subject to collective bargaining agreements. We are required to consult and seek the advice of unions with respect to a broad range of matters, which could prevent or delay new initiatives. For example, in Brazil we are required to consult unions in order to get approval for agreements varying individual employees' working hours and for requesting teachers to work on a winter or summer camp. If relationships with our teachers and other staff or the unions that represent them become adverse, we could experience labor disruptions, such as strikes. Labor disruptions, which are generally more likely to occur when collective bargaining agreements are being renegotiated, could harm our relationship with our teachers and other staff or cause strained relationships with parents and students and could result in temporary disruptions to our ability to operate schools where such labor disruptions occur. Additionally, labor regulation or the settlement of labor disputes could lead to higher wage and benefit costs and increased operating expenses and legal costs. We may not be able to satisfactorily renegotiate these collective bargaining agreements when they expire. We may also be subject to or affected by labor disruptions unrelated to our business or collective bargaining agreements. Due to our operation of several schools within one group, we are also exposed to the risk that a labor dispute or settlement of such at any one school may result in similar disputes or a requirement for similar settlements at other schools within our Group. Any such labor disruptions or potential labor disruptions could have a material adverse effect on our business, cash flow, financial condition and results of operations. Although management believes that its relationship with teachers and other staff is generally good, there can be no assurance that there will not be labor disputes and/or adverse employee relations in the future.

***We may face restrictions on our ability to transfer and distribute funds, including as a result of exchange controls in certain countries.***

We currently transfer and distribute funds between the jurisdictions in which we operate and we expect to continue to do so in order to fund our cash and financing requirements. To transfer funds between jurisdictions, we rely principally on intercompany loans, cash pooling arrangements, dividends and the payment of management fees. If any of the transfers or arrangements described above were found to be invalid or not in compliance with relevant laws and regulations, we may not be able to make distributions from these schools.

We may also be subject to exchange control risks, which include (i) availability risk, the risk that pound sterling, euro or U.S. dollar will not be available for conversion in a particular country; (ii) convertibility risk, the risk that a local government will restrict, condition or terminate our legal right to convert the local currency into pound sterling, euro or U.S. dollar; and (iii) transferability risk, the risk that a local government will allow us to convert the local currency into pound sterling, euro or U.S. dollar, but will place restrictions or prohibitions on those pound sterling, euro or U.S. dollar leaving the country. For example, our schools hold significant non-pound sterling cash balances in overseas operations which arise from tuition fee income and which represent a combination of working capital and trading profits. These balances are held in operations which include countries where exchange control restrictions, withholding taxes and other restrictions may prevent full repatriation of funds to the United Kingdom. The imposition of exchange controls and restrictions on foreign currency remittance could have an adverse effect on our business, prospects, results of operations, cash flow and financial condition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk*."

***If our schools fail to comply with the policies, laws and regulations for school operations, we could incur financial penalties, face restrictions on our operations, and/or lose our authorizations to operate our schools.***

Our business is subject to the policies, laws and regulations of each jurisdiction in which we operate. These policies and regulations apply to many aspects of our business, including:

- applying for, obtaining and maintaining necessary licenses, permits, visas, accreditations, certifications and other authorizations for operating our schools and employing our teachers;
- our ability to recruit students;
- limits on acceptance of Vietnamese national students in primary school and high school. See "*—We are subject to rules arising from our ownership structures in Thailand and Vietnam*;"
- employment conditions, including taxation rates, minimum or mandatory terms and conditions of employment of staff and other factors related to teaching staff;
- the development of curricula that meet the requirements of local educational authorities;
- ownership structure, in particular policies and regulations that relate to foreign ownership; and

- the construction and maintenance of our buildings and other facilities in compliance with applicable building codes, permits, zoning and other rules, regulations and ordinances affecting occupancy and use of our facilities.

We may not be able to comply with such policies, laws and regulations in each of the jurisdictions in which we operate or in which we would like to expand our operations, or we may incur significant costs to do so. Our failure to comply with applicable policies, laws and regulations could result in financial penalties, restrictions on our operations, loss or limitation of our authorizations to operate schools, loss of or restrictions on our ability to use certain facilities, unfavorable ratings from the relevant regulatory authority, the imposition of significant compliance costs or suspension orders which could materially and adversely affect our business, prospects, results of operations, cash flow and financial condition.

***We may lose or fail to maintain accreditations, permission or certifications that we currently use to operate our schools.***

In order to operate our schools, we have received and maintain various accreditations from curriculum providers and permissions from examination bodies. To maintain these accreditations and permissions, we must meet standards relating to, among other things, performance, governance, institutional integrity, educational quality, staff, administrative capability, resources, including facility standards, and financial stability. Any failure to satisfy such standards or maintain or renew the relevant accreditations, could result in the loss of such accreditations or permissions, which could result in the suspension or loss of our ability to administer certain curricular as well as the ability to award the relevant educational qualification or diplomas to our students at a particular school. If we are unable to award the relevant educational qualification to our students, we may be subject to litigation from parents and/or the relevant regulatory authority or other risks, including closure of a school, which could materially and adversely affect our business, prospects, results of operations, cash flow and financial condition.

***We may be liable for certain acts that affect the health and safety of the students and staff in our schools or which breach our duty of care towards our students, which may harm our reputation and adversely affect our business and financial results.***

As a provider of education for children, the activities in which we engage, both on school premises and during school trips and activities outside of school, may inherently pose risks related to the health and safety of our students and staff. In compliance with our established guidelines and policies, we rely on our teachers and staff to provide adequate care and supervision for our students, and any failure to do so may result in complaints, claims or investigations against us, our schools and our teachers and staff. In the event of personal injuries, accidents or other events that adversely affect the well-being of our students, we do, from time-to-time, face claims alleging that we were negligent, provided inadequate supervision, failed to respond appropriately to protect our students or were otherwise responsible for causing injury or other harm. In addition, we may be responsible for the care of students in circumstances that are out of our control, including during hurricanes, cyclones, floods or other natural disasters. We may also face allegations that teachers, other personnel, or students behaved or were perceived to have behaved inappropriately or illegally, committed unlawful acts or that we failed to conduct proper checks on our staff who came into contact with children or that such vetting procedures were not adequate in determining potential risks with respect to our staff, contracted staff or service providers.

The occurrence, actual or alleged, of unlawful acts or events described above and others that may impact our students or staff could expose us to financial liability and, potentially, administrative penalties. This would be especially true if the potential liability exceeded our insurance coverage. Even if we are not at fault, such a claim could also divert management attention from our operations, cause us to incur substantial costs in defending against the claim and have an adverse effect on our reputation, all of which could have a material adverse effect on our business, prospects, results of operations and financial condition.

***Further developments relating to the widely reported inappropriate conduct by a former teacher at the Southbank International School could result in damage to our reputation, a decrease in enrollments, civil liabilities and regulatory or other legal action, all of which could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition.***

A former teacher at the Southbank International School was engaged in criminal conduct with respect to a number of students during the course of his career, including between 2009 and 2013, during which time he taught at Southbank International School. Although Southbank International School conducted background checks consistent with the legislative requirements at the time, and while independent inspections prior to the discovery of such conduct had found the school to be compliant (either on initial inspection or on re-inspection following the identification of compliance issues), we commissioned an independent review that concluded that

there were aspects of the school's recruitment and other practices that could be improved. A U.K. statutory Serious Case Review, and national and international police investigations with respect to the former teacher, since deceased, are ongoing. The results of this review and of these investigations may prompt further investigations from other public bodies. If we are subject to additional regulatory inquiries and/or if our safeguarding policies and practices are found to be inadequate, we may be subject to regulatory sanctions or restrictions. Such investigations and inspections have been widely reported in the United Kingdom national media, and any further or additional findings of criminal conduct by the deceased individual may also result in further reputational damage for us and Southbank International School. While enrollment levels at Southbank International School have not been affected, the consequences of any further reputational damage could materially and adversely affect our enrollments, retention of students and parent satisfaction for all three Southbank schools we operate as well as have an adverse impact on the Southbank International brand, all of which could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition. In addition, we have received letters of claim on behalf of several claimants and their parents, and we may face civil claims by such persons or by other affected students and their parents. Such claims may be filed either individually or as a joint action. Although we maintain insurance coverage, and believe such insurance will be adequate to cover the full amount of expected claims, we cannot provide any assurance that claims will not exceed expected amounts.

***Any event that negatively affects the reputation of, or standards and quality associated with our schools could adversely affect our business.***

Maintaining the reputation of, and value associated with, our schools are important factors in developing and maintaining goodwill among our students, parents and staff. Our reputation could be adversely affected under many circumstances, including if we do not maintain consistent quality in teaching, the curricula in our schools are not perceived as being sufficiently high quality, allegations against our staff of inappropriate conduct, or our school facilities do not meet the standards expected. If our value proposition deviates from our goal of achieving "Teaching Excellence," or if we lose a license, permit, accreditation or other authorization to operate a school, receive unfavorable ratings from the relevant regulatory authority or close one or more of our schools due to compliance related issues, it could harm our reputation. Unfavorable publicity concerning us, our schools, our academic approach, curriculum offerings, student and teaching staff experience, or faculty recruitment could influence the way our schools are viewed not only by our customers, but also by other constituencies in the education sector, the community in which our schools are located and the general public.

From time to time, we are party to litigation proceedings in the various jurisdictions in which we operate. In the event of an adverse outcome, we could incur significant defense costs, be required to pay damages and interest to the prevailing party and, depending on the jurisdiction of the litigation, be held responsible for paying the costs of the prevailing party. See "*Business—Litigation*." Even if such a claim is unsuccessful or unwarranted, it could adversely affect our reputation, divert management attention from our operations or cause us to incur substantial costs in connection with defending the claim. Our reputation or the reputation of one of our local schools may be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity. There is a widespread use of social media platforms and similar devices, including weblogs (blogs), social media websites, and other forms of Internet-based communications that allow individuals access to a broad audience of interested persons. We believe students and prospective employers value readily available information about our institutions and often act on such information without further investigation or authentication, and without regard to its accuracy. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information concerning our company and our institutions may be posted on such platforms and devices at any time and such information may be materially adverse to our interests and reputation, which could adversely affect our business, prospects, results of operations, cash flow and financial condition.

***High crime levels in certain countries and cities in which we operate may have an impact on our ability to attract and retain students.***

Certain of our schools, including our schools in Latin America, are located in countries or cities that have relatively high rates of violent crime. If we are unable to maintain adequate security levels at our school campuses, and to work with local authorities to maintain adequate security in the areas adjacent to our schools, we may not be able to continue to attract and retain students. In addition, high crime rates may require us to make additional investments in security infrastructure and personnel, which may cause us to increase our tuition fees in order to maintain operating margins. For example, in the past we have increased security measures at certain of our schools in response to local incidents. Any failure to attract and retain students because of our inability to provide a safe environment, or any need to make substantial additional investments in security, could adversely affect enrollments and have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition.

***We operate some of our schools through joint ventures and partnerships and may be subject to certain risks due to the actions or omissions of our partners.***

We operate St Nicholas Preparatory School through a 50:50 joint venture agreement. We also have a local partner with a minority interest with respect to our Chilean school group consisting of nine schools. The performance of all such operations in which we do not entirely own the business may depend on the financial resources of the other shareholders and partners. Such other partners may take positions with which we may not agree, or may fail to provide or be unwilling to provide financial resources, which could materially adversely affect these operations. If any of our strategic partners were to encounter financial difficulties, change their business strategies or no longer be willing to participate in these partnerships or joint ventures, this could have a material and adverse effect on our business, prospects, results of operations, cash flow and financial condition.

***If the pattern of payment of tuition fees in our schools changes, our cash flow could be adversely affected.***

We generally collect our tuition fees in advance of providing the education or services for the relevant term of the academic year or period of service. The timing of our expenses, however, may not necessarily correspond to this pattern. If we were required by regulation or as a result of market conditions to collect our fees after the education has been provided, this may have an adverse effect on our cash flow and we may require additional working capital or third-party funding to finance our operations.

We rely on the timely payment of the tuition fees charged with respect to our students. For the twelve months ended May 31, 2015, our bad debts provisions were insignificant, representing 0.4% of Group turnover. Any future increase in defaults or significant delays in the payment of tuition fees may impact our cash flow and our ability to meet our obligations which may in turn have an adverse effect on our business, prospects, results of operations and financial condition.

***Exchange rate fluctuations may have a material adverse effect on our results of operations and profitability.***

We are exposed on a transactional and translational basis to movements in exchange rates against the pound sterling. The principal exposure relates to the Singapore dollar against the pound sterling, and to a lesser extent the euro, Vietnamese dong, Thai baht, Brazilian real and Chilean peso, respectively, against the pound sterling. We generally collect revenues and pay expenses in the local currency of each country in which we operate. Our operations in the United Kingdom are conducted in pound sterling. In Spain, our operations are conducted in euro. In Singapore, Vietnam and Thailand our operations are conducted in the Singapore dollar, Vietnamese dong and Thai baht, respectively. In Brazil and Chile, our operations are conducted in the Brazilian real and Chilean peso, respectively. Conducting business across multiple currencies subjects us to currency fluctuation risks. In particular, fluctuations in currency exchange rates can have an impact on the translation of foreign currency-denominated amounts into pound sterling, which is our functional currency. For example, we have experienced a decline in the value of the Brazilian real over the past six months, which contributed to a loss attributable to the effect of foreign currency translations. In addition, fluctuations in currency exchange rates could have an impact on our results of operations when we transact between foreign currencies. Moreover, as the Notes are denominated in pound sterling, if the Singapore dollar, Vietnamese dong, Thai baht, Brazilian real and Chilean peso depreciate relative to the pound sterling, our costs to service the Notes may increase. Any exchange rate fluctuations may have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition.

***If we are unable to identify, complete and successfully integrate acquisitions, our ability to grow our business may be limited and our business, financial condition and results of operations may be adversely affected. In addition, management's attention may be diverted from existing operations to the integration of acquisitions.***

Historically, our growth has been, in part, attributable to acquisitions of other schools. Since our foundation in 2004 to May 31, 2015, we have acquired or built 66 schools across various countries. The success of our acquisition strategy depends on our ability to identify suitable acquisition targets, to assess the value, strengths, weaknesses, liabilities and potential profitability of such acquisition targets, the availability of sufficient financial or operational resources to fund such acquisitions, to negotiate acceptable purchase terms and to integrate the operations of such businesses, once acquired. Successful integration of acquired schools will depend on our ability to effect any required changes in operations or personnel, and may require renovation or other capital expenditure or the funding of unforeseen liabilities, especially if we discover non-compliance in circumstances where recourse against the seller is either not advisable or not available. The integration and operation of any future acquisitions may expose us to certain risks, including unanticipated costs, expenses and liabilities, including latent or potential liabilities that relate to the time prior to our acquisition of a school but only becomes apparent after we have taken control of such school, difficulties in integrating the acquired schools in a timely

and cost-effective manner or maintaining standard controls, policies and procedures across all our schools, the establishment of effective management information and financial control systems, unforeseen legal, regulatory, contractual, labor or other issues, such as defects in existing licenses arising out of the acquisitions.

As a result of our acquisitions of other schools, we may also become subject to regulatory, licensing, litigation and other risks that arose prior to such acquisitions. The acquisition of new schools also involves other risks including, incorrect evaluation of the school's financial performance, cost overruns, incurring write-offs, impairment charges, amortization expenses or other expenses related to goodwill and other intangible assets we record, reluctance or resistance from parents, teachers or administrators to approve of an acquisition or to stay at the relevant school following the acquisition and an inability to obtain the required regulatory approvals.

These risks may increase when we expand into new countries or new cities in countries where we already operate. Managing the growth of a geographically diverse business involves significant risks and challenges. We may find it difficult to manage financial resources, implement uniform policies and standards and maintain our operations, management, and technology systems across our global network. New markets also pose challenges related to cultural differences and relationships with local education authorities.

We may not be able to identify, complete and successfully integrate acquisitions in the future, and our failure to do so may limit our ability to grow our business. In addition, management's attention may be diverted from existing operations to focus on such newly acquired businesses and any failure to properly integrate acquired schools could have a material adverse effect on our business, prospects, results of operations and financial condition. If we are unable to manage our current operations, our growth strategy or the risks that we may encounter in expanding our operations into new markets, our business, prospects, results of operations and financial condition may be materially adversely affected.

***If we are unable to upgrade or expand the facilities of our existing schools, they may be less attractive to students.***

When seeking to upgrade or expand the facilities of our existing schools, we could experience certain difficulties, including the following:

- our properties may not have the capacity to accommodate the necessary or desired changes;
- suitable new land may not be available, especially in land constrained cities, such as Singapore and London;
- our existing facilities may not be configured to provide for such renovations;
- the costs of renovations and expansions may not be economical and we may not realize the anticipated benefits of the new facilities;
- we may be required to seek planning permits or zoning permission that may be costly and time consuming to obtain or which may be denied;
- we may not be able to obtain regulatory approval from the licensing bodies;
- we may not be able to obtain approval for desired changes or to agree such changes on commercially favorable terms with our landlords;
- we may not be able to secure any amendments to the terms of the lease from our landlord that would permit us to make the investments necessary to upgrade or expand our schools;
- we may not have or be able to obtain adequate funds on commercially favorable terms or at all to finance such upgrades and expansions of existing schools; and
- we may not be able to upgrade or expand the facilities within our anticipated timeframe, and allocated budgets.

Our inability or failure to upgrade or expand the facilities of our existing schools could prevent us from successfully implementing our growth strategy and may materially and adversely affect our business, prospects, results of operations, cash flow and financial condition.

***We may incur unanticipated costs if we choose to grow our business by building new schools or upgrading or expanding the facilities at our existing schools.***

There are a number of financing, construction and operating risks associated with the construction of new schools and the expansion of facilities at our existing schools. Usually, construction must be completed within a designated timeframe. In addition, we require schools to operate from the beginning of an academic year in order to secure enrollments and to collect fees prior to the commencement of the school term. Therefore, such construction projects may require to be completed on an expedited basis or may require additional development

efforts to meet predetermined deadlines that may result in significant additional costs. An unanticipated increase in development costs may result in lower than expected returns on the investment we have made in a new school or an existing school. In addition, it may take a significant period of time before school buildings or new facilities become operational and start to generate additional revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, which may include but are not limited to the following:

- delays or refusals or limitations in obtaining the necessary land use building, planning consent, occupancy and other required governmental permits, licenses, approvals and authorizations;
- landlord consent to any alterations;
- shortages of, or defective, materials and/or equipment, labor shortages or disputes and disputes with subcontractors;
- increases in the cost of construction materials or labor; and
- construction accidents or adverse environmental conditions, including land contamination, some of which are beyond our control.

The occurrence of any of the above factors could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition.

***We may need additional capital in the future to fund growth initiatives or to operate our existing business.***

Significant investment is required, either by the issuance of debt or equity, to acquire, expand capacity at our schools and build new schools. If adequate funds are not available or are not available on acceptable terms, we may have to limit growth initiatives, alter our plans or take other actions, which may adversely affect our business, prospects, results of operations, cash flow and financial condition.

***If we sell or close a school, we may remain subject to certain liabilities and may continue to bear reputational risk with respect to such schools.***

Since 2004, we have sold two schools. After we sell a school, we could be subject to claims by the new owner, parents and educational authorities for financial liabilities related to our previous operation of the school and could also be subject to unforeseen liabilities. Our reputation may also suffer in the event we sell one of our schools and parents react negatively to such disposal. In addition, if a new owner does not operate the school in a way that is up to our established standard, our reputation could suffer by association, even though we no longer have any control over the operations of the institution. If this were to occur, the attitude of parents or actual and potential students of our other schools could be adversely impacted, which may damage our reputation.

We may incur costs if we are required to respond to such disputes, and any liabilities that emerge or continue after the closure of a school could materially and adversely affect our current business, prospects, results of operations, cash flow and financial condition.

***We may face termination of our leases or be unable to renew them on acceptable terms, and, if we wish to relocate, may incur additional costs if we terminate a lease.***

As of May 31, 2015, we had 48 leasehold properties (including playing fields) in connection with our school operations. Nine of our leases will expire within the next five years, none of which are governed by the Landlord and Tenant Act, which restricts landlords' ability not to renew such leases. If we are unable to renew our leases for our school facilities on favorable terms or if our leases are terminated by the landlord:

- we may be unable to find a new property with the amenities and in the location we require, which may lead to closure of the school;
- we may have to relocate to a property for the school in a less desirable location;
- we may face increased competition from other school operations in the new location in which we operate;
- we may have to relocate to a school with facilities that do not meet our requirements;
- we may incur significant costs in connection with identifying, securing and relocating to the replacement location, including costs for occupying the property; and
- our schools may experience significant disruption in operations and, as a result, we may be unable to collect tuition fees for the period of disruption or retain students at that school.

Certain of our leases are subject to periodic open market rent reviews and as a result, we are susceptible to changes in the property rental market and regular increases in our rent costs. To the extent that the rental increase based on current market rates for such leased properties outpaces the increase in our revenues, the renewal of such lease may adversely affect the profitability of the relevant schools. In addition, if we are unable to renew any of our leases for our school facilities on favorable terms or at all, or if these leases are terminated, this may materially and adversely affect our business, prospects, results of operations and financial condition. Furthermore, terminating any of the leases for the properties in which our schools operate could be costly. Some of our leases do not contain break provisions that permit us to terminate the lease prior to the expiration of the contractual term, and if we wished to do so, we could be liable for the costs of defaulting under the lease. If we are not able to negotiate satisfactory termination arrangements, we may not be able to relocate a school to a more desirable location within the scheduled timeframe or we may incur significant costs in doing so, which could materially and adversely affect our business, prospects, results of operations, cash flow and financial condition.

***If one or more of the landlords of our school properties do not perform their obligations under the terms of the lease or the landlord changes during the term of the lease, we could suffer disruptions in the operations of our schools and our costs could increase.***

A good working relationship with the landlords of our school properties is fundamental to the successful operation of our schools and can also generate additional property development opportunities that support our growth. During the term of our leases, the landlord of one or more of our schools could change, for example due to its insolvency or the sale of the underlying property, and we may need to develop and establish a relationship with a new contracting party. The new landlord may have interests that conflict with ours, may be less willing to expand the school’s capacity or improve its facilities or be a less reliable counterparty in fulfilling its obligations under the terms of the lease.

We may not be able to renew our existing school leases on favorable terms or at all including, particularly in jurisdictions where the leases do not have the benefit of statutory or contractual rights of renewal. For example, in Singapore, the renewal of our leases is subject to Singapore Land Authority approval and we cannot assure you that we will be able to renew the leases for the Australian International School or Stamford American International School upon their expiry in 2031 and 2040, respectively.

In addition, if an existing landlord or a new landlord does not comply with their covenants as set out in the lease for any reason, we could suffer disruptions in the operations of our schools and our costs could increase, which could materially and adversely affect our business, prospects, results of operations and financial condition.

***Our insurance may be inadequate, and premiums may increase substantially.***

Our business involves an inherent risk of liability. We may also be required to obtain additional insurance to comply with the relevant regulatory requirements in certain jurisdictions. The activities in which we engage pose risks related to the health and safety of our students and other beneficiaries of our services. We believe that our current insurance in our United Kingdom segment is adequate and consistent with industry practice and we seek to use that as standard in the review of our insurance for the other regions in which we operate. In February 2015, we engaged an independent insurance broker to review our Group wide insurance coverage and the findings of such exercise highlighted inconsistencies in our insurance coverage across the Group. As a result, we intend to increase specific forms of insurance coverage in certain regions in which we operate to increase the level of overall coverage to the extent available in such region. Claims in excess of our insurance coverage or claims not covered by our insurance could arise. Furthermore, there can be no assurance that we will be able to obtain liability insurance coverage in the future on acceptable terms or at all. A successful claim against us which is not covered by or is in excess of our insurance coverage could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition. Claims against us, regardless of their merit or eventual outcome, may also have a material adverse effect upon our reputation and our ability to attract or retain students. Any such claims may also increase the premiums payable by us for our insurance coverage.

***We may lose the services of members of our senior management team.***

Our success depends in part on the continued skills, efforts and motivation of our directors and senior management team. We have in the past, and may in the future, experience changes in our senior management for a variety of reasons. Certain leadership positions have been transitioned over the last few years. In addition, key personnel could leave us to join our competitors. Loss of the services of key members of senior management or experienced personnel may be disruptive and cause uncertainty. If one or more members of our senior management team or key personnel are unable or unwilling to continue in their present positions, including for health, family or other personal reasons, we may not be able to replace them easily or at all. An inability to attract

and retain qualified senior managers or key personnel in a timely manner could have a material and adverse effect on our business, prospects, results of operations, cash flow and financial condition.

***We collect and retain personal data, and unauthorized disclosure of this personal data due to a systems failure or otherwise could have a damaging effect on our business.***

We maintain records which include personal data, such as academic and medical records, addresses, family information, credit card details and other information. If the security measures we use to protect personal data are ineffective due to a systems failure or other reasons, including staff errors, we could be subject to liability, including for claims of invasion of privacy, impersonation, unauthorized purchases or other claims. In addition, one of our employees, independent consultants or third-party contractors could, fraudulently or otherwise, misuse personal data and we could be liable for such misuse.

We could incur significant expenses in connection with remedying any such security breaches, complying with compulsory notification requirements, settling any resulting claims against us and providing additional protection from the threat of these breaches. In addition, any failure to protect personal information may adversely impact our ability to attract and retain students, cause our reputation to deteriorate and materially and adversely affect our business, prospects, results of operations, cash flow and financial condition.

***We are dependent on our IT systems and any failure to maintain reliable and effective IT systems may materially and adversely affect our business and results of operations.***

We have multiple information technology ("*IT*") systems in place across the jurisdictions in which we operate. As a result, schools may have difficulty sharing information and curricula and we may have difficulties taking advantage of synergies and growth opportunities across our different schools. These difficulties and related risks are heightened by the growth of our business. We may incur greater costs and achieve fewer savings as a result of maintaining multiple IT systems than we would if the number of IT systems in use across all our jurisdictions were rationalized. These increased costs and lost opportunities for savings and synergies could materially adversely affect our business, prospects, results of operations and financial condition.

Failure to invest in technology that differentiates our service or provides adequate protection against data loss and inappropriate use of digital content could materially adversely affect our business, prospects, results of operations and financial condition. We are currently undertaking a strategic review of our current technology landscape across our business in order to identify opportunities to enhance performance, implement efficiencies and to reduce risk. We will evaluate the possibility of introducing new technology in order to:

- improve efficiencies, including the centralization of certain back office functions, such as finance and HR;
- improve our ability to share information and leverage digital assets;
- improve the visibility of internal and external information required to monitor performance across our schools; and
- differentiate our service through the use of technology and digitization.

The implementation of any new technology will be subject to various risks, including delays, cost overruns, lack of participation by third-party suppliers once the technology is implemented, or failure to deliver expected cost savings and operational efficiencies, any of which could adversely affect our business. In addition, the implementation of any new technology will require substantial management time and resources that otherwise would be directed to managing our business and operations. Any such distraction on the part of our management, if significant, could affect its ability to support our existing operations and implement our operational strategies. To the extent that we decide to implement new technology and we are unable to achieve successful implementation of such technology, our business, results of operations, financial condition and prospects could be materially adversely affected.

***We are subject to rules arising from our ownership structures in Thailand and Vietnam.***

Thai law requires that all school permit holders must be at minimum majority owned by Thai persons, which would include Thai corporations. British Education Management Systems Company Limited (Thailand) ("*BEMS*"), which operates St. Andrews International School Sathorn, St. Andrews International School Green Valley and St. Andrews International School Sukhumvit 107 in Thailand, is majority owned by a Thai national nominee in accordance with the laws of Thailand. Pursuant to a deed of assignment and acknowledgement as well as other contractual arrangements that have been put in place with such Thai national nominee, all rights and economic benefits to the shares of BEMS have been unconditionally assigned to Cognita Asia Holdings Pte. Ltd. There can be no assurance either that the relevant Thai regulator will not challenge or find that the ownership

structure violates current legislation or that the relevant regulations governing foreign ownership of schools will not change in the future. If the ownership structure of our schools in Thailand is found to be non-compliant with current or future relevant regulations, we may be unable to operate our schools or we may have less control over our schools that are subject to such ownership structures. In addition, we may experience disputes with our nominees or ownership partners. As a result, our business related to these schools could be materially and adversely affected.

Vietnam law allows up to 100% foreign ownership of an educational establishment. However, pursuant to changes in Vietnam law known as Decree 73 which came into effect in 2012, foreign owned education institutions are subject to certain restrictions, including a 10% and 20% cap on intake of Vietnamese national students in primary school and high school, respectively, which are not applicable to non-foreign owned education institutions. International Education Corporation Joint Stock Company, which owns and operates the International School of Ho Chi Minh City ("*ISHCMC*") and International School of Ho Chi Minh City American Academy ("*AAVN*"), is a foreign owned entity incorporated under the laws of Vietnam. ISHCMC and AAVN are owned and operated under a 40 year investment certificate which was granted in 1993, prior to the changes in Vietnam law, and have obtained a "Certificate of Operation Registration" that had allowed the schools to enroll Vietnamese national students in primary school and high school level without any cap on the total number of the Vietnamese national students. Following the implementation of Decree 73, we and other international schools that were then operating pursuant to a Certificate of Operation Registration containing no caps on the intake of Vietnamese students, engaged with the regulator to determine the implications of the decree for schools and their then current populations of Vietnamese students. Guidelines issued thereafter have been construed to allow such schools to continue to enroll Vietnamese students in excess of those caps specified in the decree. ISHCMC and AAVN voluntarily limit the number of Vietnamese students enrolled, and, while the limits observed are substantially higher than those set out in the decree, the regulator has not raised any objections or concerns with us, notwithstanding recent routine inspections at both schools. Nevertheless, if we were to expand our operations to other schools in Vietnam which required a new investment certificate, International Education Corporation Joint Stock Company could become subject to these restrictions, which would impact our ability to enroll Vietnamese national students and may make ISHCMC and AAVN less competitive in the market. To the extent we would have to comply with the caps set out in Decree 73, we would be required to reduce the number of Vietnamese national students, who represent a significant portion of our total students at ISHCMC and AAVN. There can be no assurance that the relevant regulator will not challenge our interpretation of the guidelines or that the regulator will not amend the guidelines such that Decree 73 may be deemed to apply to us. Any such action which limits our ability to enroll Vietnamese students in our schools in the future could adversely affect our business prospects, results of operations, cash flow and financial condition in Vietnam.

***We may become subject to taxes, penalties or additional liabilities in relation to our current and past use of independent consultants and the payment of some of our teachers.***

If our independent consultants are deemed to be, or deemed to have been, our employees, we could be subject to penalties and be liable for unpaid taxes, as well as unpaid employment benefits, and we would have to incur the cost of providing these consultants with such benefits going forward. In addition, in some of our schools we make payments to teachers through an offshore entity. If the local authorities were to successfully challenge the nature of such arrangements, we could be held liable for the payment of additional taxes, interest and penalties, and any such payment may have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition.

***We may not have adequate protection for our intellectual property, and we may infringe the intellectual property of others.***

Our individually branded schools, trademarks and other intellectual property rights distinguish our schools and the services provided from those of our competitors and are critical to our ability to continue to develop and enhance our reputation.

We cannot assure you that the measures we have in place to protect our brands will be adequate, that we have secured, or will be able to secure, appropriate protections for all of our brands or that third parties will not infringe upon or misappropriate our brands, trademarks and other intellectual property. Policing the unauthorized use of our brands can be difficult and expensive and litigation may be necessary to enforce or protect our brands or determine the validity and scope of the proprietary rights of others. The outcome of such potential litigation may not be in our favor and any success in litigation may not be able to adequately protect our rights. Such litigation may also be costly and divert management's attention away from our business. Our intellectual property is also vulnerable to unauthorized use in some countries in which we operate where local law may not adequately protect it.

We may also be subject to claims by third parties that our brands or trademarks infringe their intellectual property rights. If we are to be found liable for any such infringement, we could be required to pay substantial damages, or comply with injunctions against us to prevent further infringement, which could affect our business, prospects, results of operations and financial condition. In addition, such infringement claims could harm the perception of us by our students, parents and staff or otherwise harm our reputation.

***We may be subject to investigations or challenges with respect to our tax liabilities or subject to changes in tax legislation that may adversely impact our results of operations. In addition, negative public attention regarding such investigations or challenges or our tax structure in general could damage our reputation.***

From time to time, we are involved in discussions or disputes with tax authorities regarding our tax liabilities, which may lead to revisions to our tax liabilities, and therefore impact our financial position. In such a case we may be subject to negative public attention, which could have an adverse impact on our reputation or relations with our stakeholders including parents of students, employees or other third parties. The current political climate and recent political and media focus on austerity increases the risk of such discussions or disputes with tax authorities.

We have received assessments from HMRC in the aggregate amount of £0.5 million with respect to PAYE amounts payable in connection with our operation of a Growth Securities Ownership Plan in the tax years 2009/2010 and 2010/2011. We have challenged these assessments and are currently subject to an inquiry from HMRC in respect of these periods. On the basis of the inquiries received to date, we estimate that the maximum potential PAYE and NIC liability of the Group in relation to the operation of the GSOP in the fiscal years ended August 31, 2010 to August 31, 2013 would total £1.3 million, excluding interest and penalties. If this inquiry or other tax audits, investigations or challenges render decisions that are unfavorable to us, we may be required to pay settlement amounts, and penalties, which may adversely impact our financial position. In addition, regardless of the outcome of any such investigations or challenges, such proceedings could result in substantial costs and may require that we devote substantial time and resources to defend ourselves. Furthermore, tax legislation may be enacted in the future, domestically or abroad, that adversely affects our current or future tax structure and tax liability.

**Risks Relating to our Indebtedness**

***Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.***

After the issuance of the Notes, we will be highly leveraged. As of May 31, 2015, on an as adjusted basis after giving effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom, we would have had total debt of £323.0 million. The terms of the Indenture will permit the Company and its subsidiaries to incur substantial additional indebtedness, including in respect of borrowings of up to £60 million under the Revolving Credit Facility.

The degree to which we will be leveraged following the issuance of the Notes could have important consequences to holders of the Notes in the Offering, including:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

***We will be subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.***

The Indenture and the Revolving Credit Facility Agreement will, among other things, restrict our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Restricted Group;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities; and
- impair security interests for the benefit of the holders of the Notes.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*." The covenants to which we are subject could limit our ability to finance future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interests.

Our Revolving Credit Facility will in addition require us to comply with a leverage ratio. See "*Description of Other Indebtedness—Revolving Credit Facility*." Our ability to meet this financial covenant test can be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of this test could result in a restriction on the ability to make new drawings under the Revolving Credit Facility. Upon the occurrence of any event of default under our Revolving Credit Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, any default under the Revolving Credit Facility could lead to an event of default and acceleration under other debt instruments that contain cross default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under our Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could enforce against any Collateral granted to them to secure repayment of those amounts.

***We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.***

Our ability to make principal or interest payments when due on our indebtedness, including the Revolving Credit Facility and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control.

The Notes will mature in 2021. At the maturity of the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. The type, timing and terms of any future financing will depend on our cash needs and the conditions prevailing in the financial markets. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures or sell assets or raise additional debt or equity financing in amounts that could be substantial. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our

Revolving Credit Facility Agreement, the Indenture and any future debt may limit our ability to pursue any of these measures.

***Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.***

We may incur substantial additional debt in the future. Any debt that our subsidiaries incur could be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. In addition to the Revolving Credit Facility, certain operating facilities and certain hedging obligations, we may incur additional indebtedness that is permitted to share in proceeds from enforcement of the Collateral on a super priority basis. Although the Revolving Credit Facility Agreement and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. Increases in our total indebtedness could also lead to a downgrade of the ratings assigned to the Group or the Notes, which could negatively affect their trading price. In addition, the Revolving Credit Facility Agreement and the Indenture will not prevent us from incurring obligations or entering other arrangements that do not constitute indebtedness under those agreements, such as receivables securitization financings.

***The loans under our Revolving Credit Facility Agreement and certain of the Local Facilities bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.***

The loans under our Revolving Credit Facility Agreement and certain of the Local Facilities bear interest at floating rates of interest per annum equal to EURIBOR or LIBOR (as the case may be) or CDI with respect to the Brazilian Local Facilities, as adjusted periodically, plus a margin. These interest rates could rise significantly in the future. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

***Our hedging and other derivative arrangements may not effectively or sufficiently offset the negative impact of interest rate fluctuations.***

We may use a combination of natural hedging techniques and financial derivatives to protect against certain interest rate risks. Historically, we have made use of hedging arrangements to protect our business against interest rate fluctuations on our local credit facilities. We intend to retain our variable interest rate instrument with respect to our Local Facilities in Brazil. In addition, following the Refinancing Transactions, we may enter into foreign currency swaps with respect to the Notes. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from foreign currency variations. Gains or losses associated with hedging activities also may negatively impact operating results.

### Risks Relating to the Notes, the Guarantees and Our Structure

***The Issuer is a finance subsidiary and has no material assets nor any revenue generating operations of its own and will depend on cash received under the Proceeds Loan in order to be able to make payments on the Notes.***

The Issuer is a finance subsidiary of the Company and was formed in order to offer and issue debt securities. The Issuer conducts no business operations of its own, and has not engaged in, and will not engage in, any activities other than those relating to its finance activities. The Issuer has no material assets other than the Proceeds Loan pursuant to which it will lend the proceeds of the Offering to the Company. Therefore, the Issuer will be dependent upon payments from other members of the Group to meet its obligations, including its obligations under the Notes. We intend to provide funds to the Issuer in order for it to meet its obligations under the Notes through interest payments on the Proceeds Loan. If the Company does not fulfill its obligations under the Proceeds Loan, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. The amounts available to the Issuer from the other relevant members of the Group will depend on the profitability and cash flows of such members of the Group and the ability of such members to make payments to them under applicable law or the terms of any financing agreements or other contracts that may limit or restrict their ability to pay such amounts. Various agreements governing our debt restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within the Restricted Group. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources,*" "*Description of Other Indebtedness—Local Facilities*" and "*Description of Other*

*Indebtedness—Intercreditor Agreement*." Applicable tax laws may also subject such payments to further taxation. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes. As of May 31, 2015, after giving effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom, on a consolidated basis, our subsidiaries that will not guarantee the Notes would have had £41.5 million in outstanding debt.

***Our subsidiaries located in Spain, Chile, Brazil, Thailand and Vietnam will not guarantee the Notes, and the Notes and each of the Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.***

Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims under any intercompany loans and claims by holders of the Notes under the Guarantees.

In the event that any non-Guarantor subsidiary becomes insolvent, enters examinership, is liquidated, reorganized, or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including the holders of the Notes) and the Guarantors will have no right to proceed against the assets of such company; and
- creditors of such non-Guarantor company, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such company before any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries for the Notes. Our subsidiaries organized in Spain, Chile, Brazil, Thailand and Vietnam and certain other subsidiaries in Singapore will not guarantee the obligations under the Notes. As of and for the twelve months ended May 31, 2015, the Guarantors represented 72% of our turnover, 75% of our Total Assets and generated 65% of our EBITDA.

***Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.***

The Guarantors will guarantee the payment of the Notes on a senior basis. Each Guarantee will provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture will include language to the effect that each Guarantee and each security interest granted as well as any other obligation under the Security Documents will be limited so as to ensure compliance with local law. The Guarantees, security interests and other obligations will also be subject to applicable corporate and other laws. In general, these laws prohibit companies from providing financial assistance to anyone for the purpose of acquiring their shares and limit the circumstances in which companies can transfer economic benefits to their shareholders outside the payment of properly declared dividends. They also provide for limitations that affect the rights of creditors generally in case an entity becomes insolvent. See "*Certain Insolvency Law and Local Law Limitations*" for more details regarding limitations on Guarantees and security interests in England and Wales and Singapore.

Moreover, certain transaction documents are governed by U.S. law judgments rendered by a U.S. court will generally not be directly enforceable in any of the jurisdictions in which the majority of the assets by which the Notes are secured are located. Instead, in many of these jurisdictions, as a pre-condition to enforcing a U.S. judgment, a local court will subject the judgment to a multi-factor test. Several of the factors the court will consider involve a considerable amount of discretion. And even if the court ultimately finds that the judgment is enforceable, the process may take a lengthy amount of time to complete. For all of these reasons, an investment in the Notes involves unique risks that may not apply or apply differently in a more conventional secured bond offering. If any of these risks materializes, your ability to collect payments of principal and interest under the Notes may be materially adversely affected.

***The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes, and in the event that the Collateral is enforced, the lenders under the Revolving Credit Facility, certain operating facilities, counterparties of certain hedging obligations as creditors of super priority indebtedness will be paid with the proceeds from the enforcement of the Collateral in priority to the holders of the Notes.***

Not all of our assets secure the Notes and we will not be obligated to take action to perfect all liens on assets that do secure the Notes. If we default on the Notes, the holders of the Notes will be secured only to the extent of the value of the Collateral underlying their security interest. Subject to certain exceptions, the Notes will be secured on a first priority basis over the same assets that secure the Revolving Credit Facility. We may incur additional

indebtedness in the future, which may also be secured by the Collateral. Your rights to the Collateral may be diluted by any increase in debt secured by the Collateral on a similar or more favorable basis to the Notes or a reduction of the Collateral securing the Notes. If the value of the Collateral is less than the value of the claims of the holders of the Notes together with the claims of the other secured creditors, those claims may not be satisfied in full.

No appraisals of any of the security have been prepared by us or on our behalf in connection with the Offering. The fair market value of the security is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, the ability to sell the security in an orderly sale, general economic conditions, the availability of buyers and similar factors. The amount to be received upon a sale of any security would be dependent on numerous factors, including but not limited to the actual fair market value of the security at such time, general, market and economic conditions and the timing and the manner of the sale. There also can be no assurance that the security will be saleable and, even if saleable, the timing of any liquidation or foreclosure is uncertain. To the extent that liens, rights or easements granted to third parties encumber assets located on property owned by us, such third parties have or may exercise rights and remedies with respect to the property subject to such liens that could adversely affect the value of the security and the ability of the Security Agent to realize or foreclose on the security. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. By the nature of our business, some or all of the security may be illiquid and may have no readily ascertainable market value. In the event that a bankruptcy case is commenced by or against us, if the value of the security is less than the amount of principal and accrued and unpaid interest on the Notes and other senior secured obligations, interest may cease to accrue on the Notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the security will be sufficient to pay the obligations due under the Notes.

In the future, the obligations to provide additional guarantees and grant additional security over assets, or a particular type or class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries, the designation of a previously unrestricted subsidiary as a restricted subsidiary or otherwise, is subject to the Agreed Security Principles and, in the case of the Notes, the Intercreditor Agreement. The Agreed Security Principles set out a number of limitations on the rights of the holders of the Notes to require granting of, or payment or enforcement under, a guarantee or security in certain circumstances. The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any guarantee or security provided by any subsidiary being limited or security not being granted over a particular type or class of assets. Accordingly, the Agreed Security Principles may affect the value of the Guarantees and Collateral provided by us and our subsidiaries. The validity and enforceability of the guarantees and security may also be affected by local law limitations. See "*—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*."

Furthermore, the Intercreditor Agreement provides that proceeds from the enforcement of the Collateral will be applied to repay claims of the lenders under the Revolving Credit Facility, certain operating facilities, counterparties of certain hedging obligations and creditors of other priority indebtedness in priority to the holders of the Notes and other secured obligations. Holders of the Notes may therefore receive less from the proceeds of the Collateral in an enforcement or insolvency scenario than if they were not required to share the proceeds.

***We intend to apply the proceeds from the Refinancing, including this Offering, to repay and discharge the Refinanced Credit Facilities. To the extent that we are unable to repay the Refinanced Credit Facilities and terminate such facilities on the Issue Date, the Refinancing Transactions may result in a breach under the Refinanced Credit Facilities.***

We intend to repay in full the Refinanced Credit Facilities and to terminate such facilities in connection with the Refinancing Transactions. Under each of the Refinanced Credit Facilities, we are required to provide a specified period of prior notice to the respective agents in order to prepay all outstanding amounts due thereunder. We intend to repay the Refinanced Credit Facilities no later than (i) 30 days after the Issue Date, in the case of the BBVA Refinanced Credit Facilities, and (ii) 10 business days after the Issue Date, in the case of the other Refinanced Credit Facilities. As a result, we will not deliver such prepayment notice to the agent within the relevant notice period and as a result, such Refinanced Credit Facilities may not be discharged on the Issue Date. To the extent that the Refinanced Credit Facilities are not discharged on the Issue Date, the Refinancing Transactions may result in a breach under the Refinanced Credit Facilities. However, the Refinanced Credit Facilities may not be accelerated without a specified cure notice period. In addition, the security granted in favor of the lenders under the Refinanced Credit Facilities will only be released upon its discharge. As a result, the Refinancing Transactions, including this Offering may trigger a breach under the Refinanced Credit Facilities during the period between the Issue Date and the date of discharging the Refinanced Credit Facilities.

***Holders of the Notes will not control certain decisions regarding the Collateral.***

The Notes will be secured by the same Collateral securing the obligations under our Revolving Credit Facility, certain operating facilities and certain hedging obligations. We can incur significant additional indebtedness and other obligations that may be secured by the same Collateral under the terms of the Indenture.

The Intercreditor Agreement provides that the agent of the creditor class who wishes to deliver an enforcement instruction must first consult with every agent or representative of the other creditor classes, certain creditors and the Security Agent for a period of not less than 30 days. After an initial consultation period, the Security Agent may act upon the instructions of an instructing group, which may be holders of $66^2/_3$% of the aggregate principal amount of the Notes outstanding or creditors of $66^2/_3$% of the aggregate principal amount of certain super senior indebtedness (which includes drawn and undrawn commitments under the Revolving Credit Facility). To the extent there are conflicting instructions, those on behalf of holders of the Notes will prevail. However, in certain circumstances the creditors under the Revolving Credit Facility and any future counterparties to certain hedging arrangements and other indebtedness secured by the Collateral in priority to the Notes will have control over enforcement of the Collateral, including if (i) certain creditors have not been fully repaid within six months of the end of the first 30-day consultation period, (ii) the Security Agent has not commenced any enforcement action within three months of the end of the first 30-day consultation period or (iii) an insolvency event has occurred and the Security Agent has not commenced any enforcement action.

These arrangements could result in the enforcement of the Collateral in a manner that results in lower recoveries by holders of the Notes. Furthermore, other creditors not subject to the Intercreditor Agreement could commence enforcement action against the Company or its subsidiaries during such period, the Company or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value.

If the Security Agent sells Collateral comprising the shares of any of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the liens over any other assets securing the Notes and the Guarantees may be released. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

***The Company and the Guarantors will have control over certain of the Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes.***

The Security Documents allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from certain of the Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, among other things, subject to the terms of the Security Documents, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral such as selling, modifying, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Notes.

***There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee.***

Under various circumstances, the Guarantees and the Collateral securing the Notes will be released automatically. See "*Description of the Notes—Guarantees*," and "*Description of the Notes—Security—Release of Liens*." In addition, if the Security Agent sells Collateral comprising the shares of the Issuer or the Guarantors as a result of an enforcement action, then claims under the Notes and the Guarantees may be released or transferred. Your ability to recover on the Notes could be materially impaired in such circumstances.

The Intercreditor Agreement also provides that the Collateral may be released and retaken in connection with the refinancing of certain indebtedness, including the Notes, if the Issuer has confirmed in writing to the Security Agent that it has determined that it is either not possible or not desirable to implement any such refinancing on terms satisfactory to it by instead granting additional Collateral and amending the terms of the existing Collateral. In certain jurisdictions, such a release and retaking of Collateral may give rise to the start of a new "hardening period" in respect of such Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes. See "*Description of Other Indebtedness—Intercreditor Agreement*."

***Certain of the Collateral will not be taken as at the Issue Date.***

Certain of the Collateral securing the Notes offered hereby will not be taken on the Issue Date of the Notes. The Collateral will be granted by (i) the Company, Cognita Holdings and the Issuer on the Issue Date, (ii) the Acceding English Subsidiary Guarantors as soon as practicable but in any case within three business days of the Issue Date and (iii) the Acceding Singapore Subsidiary Guarantors as soon as practicable but in any case within 80 days of the Issue Date. In addition, the Collateral may be subject to certain third-party consents from parties over whom we do not exercise any influence or control, and in order to be enforced, may be subject to certain perfection requirements, both particularly with respect to the mortgages over certain properties in Singapore. See "*—Your rights in the Collateral may be adversely affected by the delay in or failure to grant or perfect security interests in the Collateral*."

***Your rights in the Collateral may be adversely affected by the delay in or failure to grant or perfect security interests in the Collateral.***

Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we fail or are unable to take the actions required to perfect any of these liens or if it has been agreed that such perfection steps shall not be taken on the basis that such steps have undesirable effects. For the avoidance of doubt, the Security Agent will not have any obligation to take any steps or actions necessary to perfect any such liens.

Absent perfection, the holder of the security interest may have difficulty enforcing such holder's rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, a debtor may discharge its obligation by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security taker over the claims the security taker (as creditor) has against the debtor and there has occurred an event of default under the Indenture. Finally, since the ranking of pledges is determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same Collateral, but which came into force for third parties earlier (by way of registration in the appropriate register or by notification) has priority.

The Issuer and the Guarantors have limited obligations to assist the Security Agent in perfecting the security interest of the holders of the Notes in the Collateral. There can be no assurance that the Security Agent will monitor, or that the Issuer will inform the Security Agent of, the future acquisition of property and rights that should constitute Collateral, and that the necessary action will be taken to properly create and perfect the security interest in such property and rights acquired post completion. The Security Agent has no obligation to monitor the acquisition of additional property or rights that should constitute Collateral or the creation or perfection of any security interest. The failure to create or perfect such additional security interests may adversely affect the relevant security interest and/or the priority of such security interest in favor of the Notes.

In the case of the laws of England and Wales, where the security is registerable, provided that such security is registered, then the ranking of security interests granted by security providers incorporated in England and Wales is, subject to certain exceptions, determined by the date on which they were created. Accordingly, a security interest created on a later date over the same Collateral which has been duly registered will take priority over an earlier created security interest which has not been registered within the appropriate timeframe. The ranking of certain other security interests is determined by the date of registration or, as applicable, the date of notice.

In the case of Singapore law, where the security is registerable, provided that such security is registered (and, if necessary, stamp duty is paid in connection with the same), then the ranking of security interests granted by security providers incorporated in Singapore is, subject to certain exceptions, determined by the date on which they were created or in the case of registerable security over land, the date the mortgage is registered. Accordingly, a security interest created on a later date over the same Collateral which has been duly registered (and, if necessary, stamped) will take priority over an earlier created security interest which has not been registered within the appropriate timeframe. The ranking of certain other security interests is generally determined by the date of registration or, as applicable, the date of notice.

Our ability to grant mortgages over our real property in Singapore is subject to our being able to obtain the consent of the head lessor with respect to such property. Although we will seek such consent, there can be no assurance that we will be able to obtain it.

***It may be difficult to realize the value of the Collateral securing the Notes.***

The Collateral securing the Notes will be subject to defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement. The existence of any such exceptions, defects,

encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions. There can be no assurance that the assets comprising the Collateral are, or will be, free and clear from third-party prior ranking security rights or other interests, such as security interests arising under standard contract terms or by operation of law. Any such rights or interests would adversely affect the value of the Collateral and the ability of the Security Agent to realize or foreclose the Collateral.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in Collateral. The Security Agent may also need to obtain the consent of a third-party to enforce a security interest in certain jurisdictions. For example, upon enforcement against the mortgages over certain properties in Singapore, the sale of such properties will require the prior written consent of the relevant lessor and would be restricted to an approved or registered foreign school operator. As a result, the fair market value of such Collateral is subject to, among other things, the availability of approved buyers. In addition, we cannot assure you that the Security Agent will be able to obtain any consents required to enforce the Collateral or to realize the security interests in the Collateral. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may decline significantly.

***The security interests in the Collateral may be declared unenforceable against third parties under fraudulent conveyance laws.***

In the case of the laws of England and Wales, section 423 of the Insolvency Act 1986 applies in respect of transactions entered into at an undervalue defrauding creditors. This provision can be used at any time and any person prejudiced by the relevant transaction may apply to the court to have such transaction set aside or to have their interests protected by other means. Remedies granted under this provision are not limited to transactions entered into within set time limits and transactions can be avoided even if the company was solvent at the time of the transaction.

In the case of Singapore law, section 73B of the Conveyancing and Law of Property Act, Chapter 61 of Singapore, applies in respect of transactions to defraud creditors. Any transaction that is impugned pursuant to this section, upon proof of the intention to defraud creditors, is voidable at the instance of a person who has been prejudiced by such transaction. This provision applies to "every conveyance of property," and not only transactions at an undervalue.

In addition, under Singapore insolvency law, if a Singapore company goes into liquidation, and has entered into certain transactions at an undervalue within the last five years, or has entered into a transaction by way of unfair preference in the past six months (note that a two year period applies in the case of a transaction with a connected party), those transactions may be liable to be made void or voidable.

***The security interests in the Collateral will be granted to the Security Agent rather than directly to you. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.***

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indenture will provide, and the Intercreditor Agreement provides, that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral.

***Enforcement of the Collateral across multiple jurisdictions may be difficult.***

The Collateral will be governed by the laws of England and Wales and Singapore. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Collateral will thus be subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the Notes and the Guarantees. See also "*Certain Insolvency Law and Local Law Limitations*."

***The insolvency laws of England and Wales and Singapore may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.***

The Issuer is incorporated under the laws of England and Wales, and the Guarantors are incorporated under the laws of England and Wales and Singapore. Accordingly, insolvency proceedings with respect to any of those entities would be likely to proceed under, and be governed by, English or Singapore insolvency law, as applicable. English or Singapore insolvency law may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar. See "*Certain Insolvency Law and Local Law Limitations—England and Wales"* and *"Certain Insolvency Law and Local Law Limitations—Singapore*."

In the event that the Issuer, the Guarantors, any future Guarantors, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive. See "*—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*."

***Insolvency laws and other limitations on the Guarantees and the Collateral may adversely affect their validity and enforceability.***

Our obligations under the Notes will be guaranteed by, and secured by certain assets of, the Guarantors or their shares. The Guarantors are organized or incorporated under the laws of England and Wales and Singapore. Although laws differ among these jurisdictions, in general, applicable fraudulent transfer and conveyance laws, equitable principles and insolvency laws and limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of the Guarantees and the Collateral against a Guarantor or security provider. Courts may also in certain circumstances avoid the Collateral or the Guarantees where the security provider is close to or in the vicinity of insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In insolvency proceedings, it is possible that creditors of the Guarantors, the security providers or the appointed insolvency administrator may challenge the Guarantees and Collateral, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee or the Collateral provided by the Issuer or such Guarantor;
- direct that the Issuer and/or the holders of the Notes return any amounts paid under a Guarantee or any Security Document to the relevant Guarantor or to the respective security provider or to a fund for the benefit of the Guarantor's creditors or the security provider; and
- take other action that is detrimental to holders of the Notes.

If we cannot satisfy our obligations under the Notes and any Guarantee or Collateral is found to be a fraudulent transfer or conveyance or is otherwise set aside, we cannot assure the holders of the Notes that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor under its Guarantee and the liability of each security provider will be limited to the amount that will result in such guarantee or security not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. The amount recoverable from a Guarantor or a security provider under the Security Documents will also be limited. However, there can be no assurance as to what methodology a court would apply in making a determination of the maximum liability of each Guarantor or each security provider and whether a court would give effect to such attempted limitation. Also, there is a possibility that the entire guarantee or security may be set aside, in which case, the Guarantor's or security provider's entire liability may be extinguished.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the

granting of the Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Guarantee;

- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of or to promote the success of the Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

We cannot assure you which standard a court would apply in determining whether a Guarantor or a security provider was "insolvent" as of the date the Guarantees were issued or Collateral was created or that, regardless of the method of valuation, a court would not determine that we or a Guarantor were insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or a security provider was insolvent on the date the respective guarantee was issued or security was created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

The liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a preference, transaction at undervalue, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee was a preference, transaction at undervalue, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee that has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be structurally subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Guarantee is found to be a preference, transaction at undervalue, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes.

The payment of dividends or principal or interest on the Proceeds Loan to the Issuer or to service our debt obligations (including under the Notes) will reduce the distributable profits and reserves available to satisfy the obligations under the Guarantees and Security Documents. We are under no obligation to maintain a specific level of distributable profits and reserves, and, if we have distributable profits and reserves, we may make dividend payments or payments of principal and interest on the Proceeds Loan that reduce our distributable profits and reserves to zero. We intend to make dividends and enter into the Proceeds Loan and other intercompany loans to service indebtedness and for tax-planning purposes. We may not have distributable profits and reserves available to satisfy the obligations under the Guarantees and Security Documents, whether or not we distribute dividends or enter into intercompany loans. In addition, the payment under the Guarantees and the enforcement of security interests under the relevant Security Documents may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions.

***You may not be able to recover in civil proceedings for U.S. securities law violations.***

The Issuer and all of the Guarantors and their respective subsidiaries are organized outside the United States. Most of the directors and executive officers of the Issuer and the Guarantors are non-residents of the United States and substantially all of their assets are located outside of the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers located outside of the United States. In addition, as the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with England. There is, therefore, doubt as to the enforceability in England of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in England. In addition, the enforcement in England of any judgment obtained in a

U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that an English court would have the requisite power or authority to grant remedies sought in an original action brought in England on the basis of U.S. securities laws violations. See "*Certain Insolvency Law and Local Law Limitations*."

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Singapore. There is, therefore, doubt as to the enforceability in Singapore of civil liability provisions based upon U.S. federal securities laws. In addition, the enforcement in Singapore of any judgment obtained in a U.S. court based (whether in whole or in part) on the civil liability provisions of U.S. federal securities laws will be subject to certain conditions. There is also doubt that a Singapore court will enter judgments or grant remedies sought in an original action brought in Singapore based on the civil liability provisions of U.S. federal securities laws. See "*Certain Insolvency Law and Local Law Limitations*."

***Investors may face foreign exchange risks by investing in the Notes.***

The Notes will be denominated and payable in pound sterling. If investors measure their investment returns by reference to a currency other than pound sterling, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the pound sterling relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the pound sterling against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes denominated in a currency other than U.S. dollars by U.S. holders (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Consequences*") may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Consequences*."

***We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of a change of control as required by each Indenture and the change of control provision contained in each Indenture may not necessarily afford you protection in the event of certain important corporate events.***

Upon the occurrence of certain events constituting a "change of control," the Issuer will be required to offer to repurchase all the outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in the Revolving Credit Facility Agreement, the Intercreditor Agreement or our other then existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, the Revolving Credit Facility Agreement, the Local Facilities or other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from the Restricted Group to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon occurrence of a change of control. We cannot assure you that we would be able to obtain such financing.

Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture. To the extent such default is not cured or waived within the applicable grace period, such default may, subject to the provisions set out therein, result in a default under the Revolving Credit Facility Agreement and certain other indebtedness. See "*Description of the Notes—Change of Control*."

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described under "*Description of the Notes—Change of Control*," the Indenture will not

contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of the Company and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Company's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Furthermore, the occurrence of certain events that might otherwise constitute a change of control under the Indenture will be deemed not to be a change of control on one occasion if certain consolidated leverage ratios are not exceeded as a result of such event that constitutes a Specified Change of Control Event (as defined in "*Description of the Notes—Certain Definitions—Specified Change of Control Event*").

***The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.***

The Notes and the Guarantees have not been registered under, and we are not obliged to register the Notes or the Guarantees under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "*Transfer Restrictions*." We have not agreed to or otherwise undertaken to register any of the Notes or the Guarantees, and do not have any intention to do so.

***There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.***

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application will be made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF, we cannot assure you that the Notes will become or remain listed and traded. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

In addition, the Indenture will allow us to issue additional notes of such in the future which could adversely impact the liquidity of the Notes.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating

will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of such Notes.

***Continuing uncertainties and challenging conditions in the Eurozone may adversely affect the value and trading of the Notes.***

Recent developments in the Eurozone have exacerbated volatility in global markets. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (particularly in Greece), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programs and other remedial measures to respond to the Eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict. For example, an anti-austerity party won the parliamentary elections in Greece on January 25, 2015 and subsequently formed a government with another anti-austerity party. The formation of this new Greek government has led to the renegotiation of bailout terms or terms relating to the repayment of Greek national debt. On July 13, 2015, the European Troika agreed to start the negotiations on a third bailout for Greece in an amount of approximately €86 billion, subject to the application of a substantial number of measures by the Greek government within a short timeframe. While the recent agreement temporarily reduces concerns about Greece's exit from the Eurozone, the substantial uncertainty regarding the negotiation of the new bailout, the approval of the required measures by the Greek parliament, as well as the subsequent approval of any new bailout by certain members of the Eurozone, including Germany, may lead to increased volatility in the markets, particularly in the Eurozone, which could, in turn, adversely affect the value and trading of the Notes.

***The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the registered holder of the Notes. After payment to Euroclear and Clearstream, we and the Trustee will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form*."

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

***The interests of our shareholders may conflict with the interests of the holders of the Notes.***

The interests of our shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. Investment funds or limited partnerships associated with or designated by Bregal Capital and KKR control us. See "*Principal Shareholders*." Our shareholders are able to appoint a majority of our Board of Directors and to determine our corporate strategy, management and policies. In addition, our shareholders have control over our decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of shareholders regardless of whether the holders of the Notes believe that any such transactions are in their own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture, the Revolving Credit

Facility, and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect holders of the Notes.

Additionally, certain of our shareholders are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Certain of our shareholders may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds or limited partnerships associated with or designated by Bregal Capital and KKR collectively continue to own a significant amount of our capital stock, Bregal Capital and KKR will continue to be able to strongly influence or effectively control our decisions. The interests of Bregal Capital and KKR may not coincide with your interests.

***Investors in the Notes may have limited recourse against the independent auditors.***

The audit reports of Grant Thornton UK LLP for the fiscal years ended August 31, 2012, 2013 and 2014, which are included in this Offering Memorandum, contain a statement to the effect that Grant Thornton UK LLP does not assume responsibility to anyone (including holders of Notes) other than Cognita Holdings and Cognita Holdings's members as a body for its audit reports or the opinions it has formed. Grant Thornton UK LLP has undertaken its audit work to state to members of Cognita Holdings those matters that it is required to state to them in an auditor's report and for no other purpose.

Investors in the Notes should understand that in making these statements the independent auditor confirmed that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than to us and our members as a body with respect to the independent auditor's report and to the independent auditor's audit work and opinions. The U.S. Securities and Exchange Commission would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act, or in a report filed under the Securities Exchange Act. If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited. The extent to which auditors have responsibility or liability to third parties is unclear under the laws of many jurisdictions. The inclusion of the language referred to above, however, may limit the ability of the holders of the Notes to bring any action against our auditors for damages arising out of an investment in the Notes.

***Provisions of the EU Savings Directive and other legislation may adversely affect your investment in the Notes.***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "*EU Savings Directive*"), each member state of the EU (a "*Member State*") is required to provide to the competent authority of another Member State details of payments of interest or other similar income paid or secured by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "*Amending Directive*"). The Amending Directive broadens the scope of the requirements described in the first paragraph above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply these new requirements from January 1, 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements and to establish procedures to look through entities to prevent the circumvention of the EU Savings Directive by the use of intermediaries. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the EU Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment to an individual were to be made or collected through a Member State or non-EU country or certain dependent or associated territory of certain Member States that has adopted similar measures and which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such Directive, neither the Issuer, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer will use reasonable endeavours to maintain a Paying Agent with a specified office in a Member State or other dependent or associated territory that is not obliged to withhold or deduct tax pursuant to any law implementing the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000.

Investors who are in any doubt as to their position should consult their professional advisers.

## USE OF PROCEEDS

The gross proceeds from the Offering will be approximately £280 million, and will, together with cash on hand, primarily be used to:

- repay all outstanding indebtedness under our Refinanced Credit Facilities and related accrued interest and any break costs in connection with the cancellation and discharge of such facilities;
- pay costs related to the termination of existing interest rate swaps in connection with the Refinanced Credit Facilities; and
- pay fees and expenses in connection with the Refinancing Transactions, including the foregoing transactions and the Offering.

The estimated sources and uses of the funds are shown in the table below. Actual amounts are subject to adjustments and may vary from estimated amounts depending on several factors, including cash on hand, the amount of outstanding indebtedness on the Issue Date, actual accrued interest and any break costs under the Refinanced Credit Facilities, currency exchange rates with respect to indebtedness under the Refinanced Credit Facilities and actual fees and expenses.

**(£ in millions)**

| Sources of Funds | | Uses of Funds | |
|---|---|---|---|
| Notes offered hereby | 280.0 | Refinanced Credit Facilities[1][2] | 297.2 |
| Cash on hand | 32.1 | Termination of existing interest rate swaps in connection with the Refinanced Credit Facilities | 0.5 |
| | | Transaction costs[1][3] | 14.4 |
| **Total sources** | **312.1** | **Total uses** | **312.1** |

(1) For purposes of this table and the numbers in this note, the Singapore dollar, euro and Thai baht amounts, as applicable have been translated for convenience only at the rate of £1.00 = S$2.1455, £1.00 = €1.4271 and £1.00 = THB54.8305, which represent the rates of exchange as of July 30, 2015, as published by Bloomberg Generic Rate.

(2) As part of the Refinancing Transactions, the outstanding indebtedness under the Refinanced Credit Facilities, including accrued interest and any break costs in connection with discharging the Refinanced Credit Facilities, will be repaid in full with the proceeds from the Offering and cash on hand no later than: (i) 30 days after the Issue Date, in the case of the BBVA Refinanced Credit Facilities and (ii) 10 business days after the Issue Date, in the case of the other Refinanced Credit Facilities. The estimated outstanding principal amount of indebtedness under the Refinanced Credit Facilities to be repaid as part of the Refinancing Transactions, excluding accrued interest and any break costs, is £297.2 million compared to £302.8 million as of May 31, 2015, reflecting a decrease of £7.0 million due to movements in exchange rates and a net increase of £1.4 million resulting from repayments and drawdowns under the Refinanced Credit Facilities, in each case following May 31, 2015. The amount of Refinanced Credit Facilities set forth in the table above also reflects £0.6 million of borrowings under the AIS Refinanced Credit Facility that have been drawn on July 22, 2015 and which will be repaid as part of the Refinancing Transactions. Following their repayment in full, the Refinanced Credit Facilities will be cancelled and discharged as part of the Refinancing Transactions.

(3) Reflects our estimate of fees and expenses associated with the Refinancing Transactions, including discounts, fees and other commissions, advisory and other professional fees, transaction costs and estimated accrued interest and any break costs in connection with the Refinanced Credit Facilities.

## CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and consolidated capitalization of:

- Cognita Holdings, on an actual basis as of May 31, 2015; and
- the Company, as adjusted to give effect to the Refinancing Transactions, including the Offering and the use of proceeds thereof as if they had occurred on May 31, 2015.

The consolidated capitalization of Cognita Holdings is not directly comparable to the consolidated capitalization of the Company.

You should read this table together with the sections of this Offering Memorandum entitled "*Use of Proceeds*," "*Selected Historical Financial Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and related notes included elsewhere in this Offering Memorandum. The adjusted information below is illustrative only and does not purport to be indicative of our capitalization following the completion of the Offering and the use of proceeds therefrom.

| | As of May 31, 2015 | |
|---|---|---|
| | Cognita Holdings | Company |
| | Actual | As adjusted |
| | (£ in millions) | |
| **Cash at bank and in hand**[(1)] | **116.1** | **84.0** |
| Refinanced Credit Facilities[(2)] | 302.8 | — |
| Local Facilities[(3)] | 41.5 | 41.5 |
| Notes offered hereby | — | 280.0 |
| Finance leases | 1.5 | 1.5 |
| **Total debt**[(4)] | **345.8** | **323.0** |
| Unamortized debt issuance costs[(5)] | (3.1) | (11.7) |
| **Total debt less unamortized debt issuance costs** | **342.7** | **311.3** |
| Topco Debt Instruments[(6)] | 179.7 | — |
| **Total other debt** | **179.7** | **—** |
| Total equity/(deficit)[(7)] | (86.1) | 89.5 |
| **Total capitalization** | **436.3** | **400.8** |

(1) The as adjusted amount reflects the use of cash at bank and in hand, as adjusted to give effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom. Neither the actual nor the as adjusted amounts reflect any cash that Cognita Holdings has generated or used since May 31, 2015.

(2) As part of the Refinancing Transactions, the outstanding indebtedness under the Refinanced Credit Facilities, including accrued interest and break costs in connection with discharging the Refinanced Credit Facilities, will be repaid in full with the proceeds from the Offering and cash on hand no later than: (i) 30 days after the Issue Date, in the case of the BBVA Refinanced Credit Facilities and (ii) 10 business days after the Issue Date, in the case of the other Refinanced Credit Facilities. The estimated outstanding principal amount of indebtedness under the Refinanced Credit Facilities to be repaid as part of the Refinancing Transactions, excluding accrued interest and any break costs, is £297.2 million compared to £302.8 million as of May 31, 2015, reflecting a decrease of £7.0 million due to movements in exchange rates and a net increase of £1.4 million resulting from repayments and drawdowns under the Refinanced Credit Facilities, in each case following May 31, 2015. The principal amount of £297.2 million of Refinanced Credit Facilities to be repaid as part of the Refinancing Transactions also reflects £0.6 million of borrowings under the AIS Refinanced Credit Facility that have been drawn on July 22, 2015 and which will be repaid as part of the Refinancing Transactions. Following their repayment in full, the Refinanced Credit Facilities will be cancelled and discharged as part of the Refinancing Transactions.

(3) Represents the aggregate outstanding indebtedness under our Local Facilities, which will remain outstanding following the Refinancing Transactions. In addition, as of May 31, 2015, we also had £2.5 million available under our Local Facilities, including overdraft facilities and working capital facilities, which have not been included since they are undrawn commitments.

(4) On July 31, 2015, Cognita Holdings entered into a Revolving Credit Facility in the amount of £60 million. On the Issue Date, the Revolving Credit Facility is expected to be undrawn and fully available. See "*Description of Other Indebtedness—Revolving Credit Facility*."

(5) In connection with the Refinancing Transactions, we expect to write off £3.1 million in unamortized debt issuance costs, in relation to the repayment, cancellation and discharge of the Refinanced Credit Facilities. In addition, we expect to have unamortized debt issuance costs of £11.7 million in connection with the Notes and the Revolving Credit Facility.

(6) As part of the Refinancing Transactions, the Topco Debt Instruments will be eliminated following the Issue Date. As the Topco Debt Instruments have been pledged in favor of certain creditors under the Refinanced Credit Facilities, the Topco Debt Instruments will only be eliminated following the release of the relevant security, which will occur within 80 days of the Issue Date.

(7) The as adjusted total equity/(deficit) reflects (i) the write off of £3.1 million in unamortized debt issuance costs in relation to the repayment, cancellation and discharge of the Refinanced Credit Facilities, (ii) the payment of estimated break costs in connection with the repayment, cancellation and discharge of the Refinanced Credit Facilities, (iii) the payment of £0.5 million in connection with the termination of existing interest rate swaps in connection with the Refinanced Credit Facilities and (iv) the capitalization of the Topco Debt Instruments following the Issue Date as part of the Refinancing Transactions. Our interest rate swap in connection with the GayLussac Brazilian Local Facilities will remain outstanding following the Refinancing Transactions. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Off-Balance Sheet Arrangements*."

## SELECTED HISTORICAL FINANCIAL INFORMATION

Each of the Issuer and the Company were incorporated under the laws of England and Wales on July 3, 2015, in each case, for the purposes of facilitating the Refinancing Transactions, including the Offering and the use of proceeds therefrom and issuing the Notes offered hereby. Neither the Issuer nor the Company have any material assets or liabilities and have not engaged in any activities other than those related to their incorporation in preparation for the Refinancing Transactions.

Consequently, limited historical financial information relating to the Issuer and the Company is available, and, unless otherwise indicated, the financial information presented in this Offering Memorandum is the historical consolidated financial information of Cognita Holdings and its consolidated subsidiaries. The financial information included in this Offering Memorandum with respect to the Issuer consists only of the Issuer's initial balance sheet as of July 10, 2015, which has been prepared in accordance with U.K. GAAP. Following this Offering, we intend to use the consolidated financial information of the Company and its consolidated subsidiaries for reporting purposes.

Cognita Holdings's audited consolidated financial statements as of and for the fiscal years ended August 31, 2012, 2013 and 2014 have been prepared in accordance with U.K. GAAP. Cognita Holdings's unaudited condensed consolidated interim financial information as of and for the nine months ended May 31, 2014 and 2015, which has also been prepared in accordance with U.K. GAAP, is unaudited, and all information contained in this Offering Memorandum with respect to those periods is also unaudited.

We have included an unaudited restatement of our consolidated profit and loss account and consolidated balance sheet as of and for the fiscal year ended August 31, 2014 to reflect a change of accounting approach in relation to revenue recognition of facility fees that are paid to us when a student joins the relevant school and that are generally non-refundable under our policy. We changed our revenue recognition approach to our Current Revenue Recognition Approach, which became effective from September 1, 2014. Previously, facility fees were recognized when the student joined the relevant school. The unaudited restatement of our consolidated profit and loss account and consolidated balance sheet as of and for the year ended August 31, 2014 as well as the unaudited consolidated profit and loss account and unaudited consolidated balance sheet as of and for the nine months ended May 31, 2014 and 2015 are prepared on the basis of the Current Revenue Recognition Approach and appear in the unaudited condensed interim financial statements for Cognita Holdings and related notes thereto appearing elsewhere in this Offering Memorandum.

From September 1, 2014, we refer to the segment formerly known as our Europe segment as our Spain segment. References to our Europe segment in Cognita Holdings's audited consolidated financial statements as of and for the fiscal years ended August 31, 2012, 2013 and 2014 have been renamed as our Spain segment for the purposes of this Offering Memorandum for the fiscal years ended August 31, 2012, 2013 and 2014.

## Consolidated Profit and Loss Account

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | |
|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2014 | 2015 |
| | | Audited | | Unaudited | Unaudited | |
| | (£ in millions) | | | | | |
| **Turnover:** | | | | | | |
| Group and share of joint ventures | 199.6 | 234.6 | 266.8 | 265.5 | 196.7 | 220.8 |
| Share of joint ventures | (2.2) | (2.0) | (2.1) | (2.1) | (1.6) | (1.8) |
| **Group turnover** | **197.4** | **232.6** | **264.7** | **263.4** | **195.1** | **219.0** |
| **Operating costs:** | | | | | | |
| Recurring | (194.7) | (223.4) | (254.1) | (254.1) | (185.5) | (206.4) |
| Exceptional costs | (10.6) | (21.3) | (8.1) | (8.1) | (5.2) | (16.1) |
| **Total Operating costs** | **(205.3)** | **(244.7)** | **(262.2)** | **(262.2)** | **(190.7)** | **(222.5)** |
| **Group operating (loss) / profit** | **(7.9)** | **(12.1)** | **2.5** | **1.2** | **4.4** | **(3.5)** |
| Share of operating profit in respect of joint venture | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.5 |
| **(Loss)/Profit before interest and tax** | **(7.4)** | **(11.8)** | **2.8** | **1.5** | **4.7** | **(3.0)** |
| Loss on disposal of fixed assets | (0.7) | (0.1) | (0.7) | (0.7) | (0.7) | (0.2) |
| Net interest | (56.1) | (62.4) | (71.0) | (71.0) | (53.3) | (51.1) |
| **Loss on ordinary activities before taxation** | **(64.2)** | **(74.3)** | **(68.9)** | **(70.2)** | **(49.3)** | **(54.3)** |
| Tax charge on loss on ordinary activities | (1.7) | (1.3) | (2.5) | (2.4) | (1.8) | (3.5) |
| **Loss on ordinary activities after taxation** | **(65.9)** | **(75.6)** | **(71.4)** | **(72.6)** | **(51.1)** | **(57.8)** |
| Minority interest | — | 0.2 | (0.7) | (0.7) | (0.6) | (1.1) |
| **Loss for financial year** | **(65.9)** | **(75.4)** | **(72.1)** | **(73.3)** | **(51.7)** | **(58.9)** |

## Consolidated Balance Sheet

| | As of August 31, | | | | As of May 31, |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2015 |
| | | Audited | | Unaudited | |
| | (£ in millions) | | | | |
| **Fixed assets:** | | | | | |
| Intangible assets | 60.8 | 66.4 | 55.8 | 55.8 | 63.4 |
| Tangible assets | 267.2 | 351.1 | 370.6 | 370.6 | 379.5 |
| **Investments:** | | | | | |
| Joint ventures: | | | | | |
| Goodwill in joint venture | 0.3 | 0.2 | — | — | — |
| Share of gross assets | 2.9 | 2.8 | 3.4 | 3.4 | 3.9 |
| Share of gross liabilities | (1.5) | (1.5) | (1.7) | (1.7) | (1.8) |
| | **1.7** | **1.5** | **1.7** | **1.7** | **2.1** |
| **Fixed assets** | **329.7** | **419.0** | **428.1** | **428.1** | **445.0** |
| **Current assets:** | | | | | |
| Stocks | 0.6 | 0.6 | 0.8 | 0.8 | 0.7 |
| Debtors | 50.0 | 61.9 | 65.9 | 66.8 | 58.2 |
| Cash at bank and in hand | 69.2 | 84.7 | 83.8 | 83.8 | 116.1 |
| **Current assets** | **119.8** | **147.2** | **150.5** | **151.4** | **175.0** |
| **Creditors: amounts falling due within one year** | **(230.9)** | **(157.9)** | **(326.6)** | **(333.3)** | **(181.8)** |
| **Net current liabilities** | **(111.1)** | **(10.7)** | **(176.1)** | **(181.9)** | **(6.8)** |
| **Total assets less current liabilities** | **218.6** | **408.3** | **252.0** | **246.2** | **438.2** |
| **Creditors: amounts falling due after more than one year** | **410.0** | **648.0** | **534.7** | **534.7** | **518.3** |
| **Provisions for liabilities** | **1.2** | **4.6** | **5.1** | **5.1** | **6.0** |
| **Capital and reserves:** | | | | | |
| Called-up equity share capital | — | 0.2 | 0.5 | 0.5 | 3.1 |
| Share premium account | 0.1 | 19.6 | 46.1 | 46.1 | 303.5 |
| Other reserves | 1.0 | 1.0 | 3.0 | 3.0 | 4.2 |
| Own share reserve | (0.1) | — | — | — | — |
| Profit and loss account | (193.8) | (271.1) | (343.0) | (348.8) | (403.8) |
| **Total shareholders' deficit** | **(192.8)** | **(250.3)** | **(293.4)** | **(299.2)** | **(93.0)** |
| **Capital and reserves and total shareholders' deficit** | **218.4** | **402.3** | **246.4** | **240.6** | **431.3** |
| Minority interest | 0.2 | 6.0 | 5.6 | 5.6 | 6.9 |
| **Capital employed** | **218.6** | **408.3** | **252.0** | **246.2** | **438.2** |

### Cash Flow Statement

| | Fiscal Year Ended August 31, | | | Nine Months Ended May 31, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | | Audited | | Unaudited | |
| | | | (£ in millions) | | |
| Net cash inflow from operating activities | 36.6 | 37.3 | 45.4 | 45.0 | 57.8 |
| Dividends received from joint venture | 0.5 | 0.4 | — | — | — |
| Net cash outflow from returns on investments and servicing of finance | (20.9) | (18.5) | (17.5) | (13.8) | (13.7) |
| Taxation paid | (1.6) | (2.3) | (2.3) | (1.9) | (3.0) |
| Net cash outflow from capital expenditure | (44.7) | (48.3) | (58.4) | (44.8) | (35.0) |
| Net cash outflow from acquisitions | (1.4) | (28.3) | (4.9) | (1.2) | (18.2) |
| **Cash outflow before financing** | **(31.5)** | **(59.7)** | **(37.7)** | **(16.7)** | **(12.1)** |
| Net cash inflow from financing | 60.1 | 71.9 | 43.8 | 34.0 | 44.9 |
| **Increase in cash** | **28.6** | **12.2** | **6.1** | **17.3** | **32.8** |

## Segment Analysis

| | Fiscal Year Ended August 31, | | | | Nine Months Ended May 31, | |
|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 (Restated) | 2014 | 2015 |
| | | Audited | | Unaudited (£ in millions) | Unaudited | |
| **Group Turnover and share of joint ventures:** | | | | | | |
| United Kingdom | 116.9 | 122.0 | 126.7 | 126.7 | 93.3 | 99.3 |
| Spain | 19.0 | 20.6 | 22.1 | 22.1 | 16.7 | 16.5 |
| Asia | 63.7 | 81.5 | 92.4 | 91.1 | 67.5 | 81.2 |
| Latin America | — | 10.5 | 25.6 | 25.6 | 19.2 | 23.8 |
| **Total** | **199.6** | **234.6** | **266.8** | **265.5** | **196.7** | **220.8** |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Each of the Issuer and the Company were incorporated under the laws of England and Wales on July 3, 2015, in each case, for the purposes of facilitating the Refinancing Transactions, including the Offering and the use of proceeds therefrom and issuing the Notes offered hereby. Neither the Issuer nor the Company have any material assets or liabilities and have not engaged in any activities other than those related to their incorporation in preparation for the Refinancing Transactions.*

*Consequently, limited historical financial information relating to the Issuer and the Company is available, and, unless otherwise indicated, the financial information presented in this Offering Memorandum is the historical consolidated financial information of Cognita Holdings and its consolidated subsidiaries. The financial information included in this Offering Memorandum with respect to the Issuer consists only of the Issuer's initial balance sheet as of July 10, 2015, which has been prepared in accordance with U.K. GAAP. Following this Offering, we intend to use the consolidated financial information of the Company and its consolidated subsidiaries for reporting purposes.*

*From September 1, 2014, we refer to the segment formerly known as our Europe segment as our Spain segment. References to our Europe segment in Cognita Holdings's audited consolidated financial statements as of and for the fiscal years ended August 31, 2012, 2013 and 2014 have been renamed as our Spain segment for the purposes of this Offering Memorandum for the fiscal years ended August 31, 2012, 2013 and 2014.*

*You should read the following discussion in conjunction with our audited consolidated financial statements as of and for the fiscal years ended August 31, 2012, 2013 and 2014 and our unaudited condensed consolidated interim financial statements as of and for the nine months ended May 31, 2014 and May 31, 2015, and in each case, the related notes thereto included elsewhere in this Offering Memorandum as well as the "Selected Historical Financial Information."*

*The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward looking statements. These forward looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the "Risk Factors" and "Forward-Looking Statements" sections of this Offering Memorandum. Our actual results may differ materially from those contained in, or implied by, any forward-looking statements.*

## Overview

We are a leading global operator of private-pay K-12 schools. As of May 31, 2015, we operated 66 schools across Asia, Europe and Latin America with an average total capacity of 38,068 places and a total average enrollment of 31,018 FTE students. Since August 31, 2012, our total capacity has increased by 70.0% and our total enrollment has increased by 72.8%. For the twelve months ended May 31, 2015, our Group turnover and share of joint ventures and *Pro forma* Adjusted EBITDA were £289.6 million and £56.2 million, respectively.

We offer a wide and diverse range of curricula across regions to appeal to both local and expatriate populations, including: the British curriculum, which is based on the standardized national curriculum for England, Wales and Northern Ireland and which, with respect to our Spain segment, is supplemented with the Spanish national curriculum; the International Baccalaureate ("*IB*"), a prestigious and rigorous internationally recognized diploma program; the American curriculum (American Education Reach Out standard, Massachusetts state standards and the New York state standards); the Australian national curriculum; the Brazilian (bilingual) curriculum, which is based on the Brazilian national curriculum; and the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum.

We operate in both developed and developing markets and our success in increasing enrollment reflects the underlying strength and favorable dynamics of these markets. The developed markets in which we operate, including the United Kingdom, are characterized by stable market fundamentals, including a large middle class and a strong private school presence. Our success in the developing markets in which we operate is based on the sizeable pools of expatriate families in these markets and the increasing wealth among local families, each of whom value and demand high quality education for their children. Substantially all of our revenues are from private pay sources without exposure to changes in government funding. In addition, we believe that, throughout our organization, we benefit from our established reputation for providing academic excellence, high quality teachers and appealing school facilities.

Our educational philosophy of "Teaching Excellence" lies at the core of each of our schools' unique value proposition and sets the standards by which we operate and further develop our schools. We place significant

emphasis on delivering individualized teaching and learning and providing exceptional student outcomes, irrespective of students' individual abilities. The majority of our schools follow a non-selective admissions policy and we seek to support each student in achieving outcomes to the best of his or her ability through our commitment to high standards in all aspects of teaching, care and school management. We strengthen this approach by setting individualized learning goals which provide the right level of challenge and support for growing minds and by implementing processes for regularly tracking and benchmarking student attainment.

We organize our business into the following segments:

***United Kingdom***. We operate 43 schools in the United Kingdom. This segment accounted for £132.7 million or 45.8% of our Group turnover and share of joint ventures, £21.1 million or 35.3% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 15.9% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 10,766 average FTE students in this segment. The average revenue per FTE student for this segment (including our 50% share of the St Nicholas Joint Venture) was £12,470 per annum for the twelve months ended May 31, 2015.

***Spain***. We operate four schools in Spain. This segment accounted for £21.9 million or 7.6% of our Group turnover and share of joint ventures, £4.3 million or 7.2% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 19.6% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 2,796 average FTE students in this segment. The average revenue per FTE student for this segment was £7,833 per annum for the twelve months ended May 31, 2015.

***Asia***. We operate eight schools in Asia, comprising of two schools in Singapore, three schools in Vietnam and three schools in Thailand. This segment accounted for £104.8 million or 36.2% of our Group turnover and share of joint ventures, £28.0 million or 46.9% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 26.7% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 7,135 average FTE students in this segment. The average revenue per FTE student for this segment was £14,688 per annum for the twelve months ended May 31, 2015.

***Latin America***. We operate 11 schools in Latin America, comprising of two schools in Brazil and nine schools in Chile. This segment accounted for £30.2 million or 10.4% of our Group turnover and share of joint ventures, £6.3 million or 10.6% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 20.9% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 10,321 average FTE students in this segment. The average revenue per FTE student for this segment was £2,926 per annum for the twelve months ended May 31, 2015.

## Factors Affecting Our Results of Operations and Financial Condition

### *Macroeconomic Conditions*

Our operations are affected by general economic conditions in each of the countries in which we operate. As a result of the importance of education spend for parents and the stability of the markets in which we operate, as well as our focus on controlling our costs, we believe our revenue and profitability are relatively resilient to fluctuations as a result of macroeconomic conditions.

### *Enrollment and Average Revenue per FTE Student*

Our results of operations are directly affected by our ability to maintain levels of enrollment and average revenue per FTE student. Total enrollment in our schools has increased by a CAGR of 22.6% from 17,953 average FTE students as of August 31, 2012 to 31,458 average FTE students as of May 31, 2015. Of this increase in enrollments, 10,838 average FTE student enrollments were as a result of acquisitions. The level of enrollments by region is shown below:

| | Fiscal Year Ended August 31, | | | | | Nine Months Ended May 31, | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | Change in % | 2014 | Change in % | 2014 | 2015 | Change in % |
| **Student Numbers:**[(1)(2)] | | | | | | | | |
| United Kingdom | 10,554 | 10,467 | (0.8) | 10,532 | 0.6 | 10,472 | 10,784 | 3.0 |
| Spain | 2,466 | 2,597 | 5.3 | 2,753 | 6.0 | 2,752 | 2,809 | 2.1 |
| Asia | 4,933 | 5,695 | 15.4 | 6,512 | 14.3 | 6,551 | 7,262 | 10.9 |
| Latin America | — | 1,885 | NM* | 9,268 | NM* | 9,199 | 10,603 | 15.3 |
| **Total** | **17,953** | **20,644** | **15.0** | **29,065** | **40.8** | **28,974** | **31,458** | **8.6** |

NM* means not meaningful.

(1) Figures include 100% of our St. Nicholas Joint Venture.

(2) Our student numbers reflect the average number of FTE students for any given year in a particular Cohort. For example, one student in a school for half a year is 0.5 FTE, or one nursery student attending 50% of available sessions for a year is 0.5 FTE.

Average revenue per FTE student has decreased from £11,200 for the fiscal year ended August 31, 2012 to £9,374 for the twelve months ended May 31, 2015 due to our acquisition of the Chilean Schools which operate at a lower price point. In addition, our average revenue per FTE student is affected by movements in foreign currency exchange rates where we collect fees in currencies other than pound sterling. Within each of our segments, our average revenue per FTE student is set out below:

| | Fiscal Year Ended August 31, | | | | | Nine Months Ended May 31, | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | Change in % | 2014 | Change in % | 2014[1] | 2015[1] | Change in % |
| | | | | (£) | | | | |
| **Average Revenue Per FTE Student:** | | | | | | | | |
| United Kingdom[2] | 11,216 | 11,794 | 5.2 | 12,166 | 3.2 | 12,013 | 12,423 | 3.4 |
| Spain | 7,705 | 7,932 | 2.9 | 8,031 | 1.2 | 8,091 | 7,832 | (3.2) |
| Asia | 12,913 | 14,311 | 10.8 | 14,189 | (0.9) | 13,738 | 14,909 | 8.5 |
| Latin America[3] | N/A | 5,570 | NM* | 2,762 | (50.4) | 2,783 | 2,993 | 7.5 |

NM* means not meaningful.

(1) Figures for the nine months ended May 31, 2014 and the nine months ended May 31, 2015 have been annualized.

(2) Figures include 50% of our St. Nicholas Joint Venture.

(3) We had no schools in Latin America during 2012.

### *Student Retention Rates*

We monitor the level of students who are retained in our schools. Such data regarding Student Retention Rates provides us visibility with respect to the number of students expected to attend our schools in future academic years. We calculate Student Retention Rates as the number of students recorded in the opening roll for a period plus the number of students joining during such period less the number of students leaving during such period as a percentage of the total number of students in the opening roll for a period plus the number of students joining during such period.

Below are the Student Retention Rates for each of the periods indicated:

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| | | (%) | |
| **Student Retention Rates:** | | | |
| United Kingdom | 86.6 | 84.3 | 85.2 |
| Spain | 92.0 | 90.5 | 89.2 |
| Asia | 81.5 | 82.1 | 81.2 |
| Latin America[1] | N/A | N/A | 91.8 |

(1) We had no schools in Latin America during 2012 and retention rates are not meaningful for 2013 as we acquired our first school in Latin America in October 2012.

Student Retention Rates for the United Kingdom are lower compared to Spain and Latin America as a number of our United Kingdom schools have the particular purpose of preparing students for entry into selective grammar schools at the end of Year 6, resulting in a number of leavers at this stage.

Our student retention rates are generally lower in our Asia segment due to the relocation of expatriate students. In these markets, expatriate churn can have a positive effect on our results since enrollments and facilities fees are payable when students enroll and places vacated by outward bound expatriate students can be filled by new inward bound students.

### *Acquisitions, Disposals and New Schools*

Since September 1, 2011, we have acquired 13 schools in, Brazil, Chile, the United Kingdom and Vietnam, and we continue to evaluate potential acquisition opportunities. During the periods presented, we acquired:

- Royal School Hampstead in the United Kingdom in September 2011;
- Playpen in São Paulo, Brazil in October 2012;
- a majority interest in a Chilean school group consisting of nine schools in Santiago, Colina, Valparaíso, Puerto Montt and Temuco in June 2013 (together, the "*Chilean Schools*");

- a 75% interest in the International School Saigon Pearl in Ho Chi Minh City, Vietnam in January 2014 and we acquired the remaining 25% interest in August 2014; and
- the GayLussac School in Niterói, Brazil in December 2014.

In addition to the new acquisitions, in September 2014 we opened the North Bridge House Senior School and Sixth Form—Canonbury in London, enhancing the offering provided by the North Bridge House group of schools.

Moreover, in August 2013, we acquired the remaining 20% minority interest in International Education Corporation Joint Stock Company (Vietnam), which operates ISHCMC and AAVN.

BEMS, which operates St. Andrews International School Sathorn, St. Andrews International School Green Valley and St. Andrews International School Sukhumvit 107 in Thailand, is majority owned by a Thai national nominee in accordance with the laws of Thailand. In February 2015, the remaining 20% minority interest in BEMS was acquired by Cognita Asia Holdings Pte. Ltd. through the Thai national nominee holding such minority interest for the benefit of Cognita Asia Holdings Pte. Ltd., such that we effectively control 100% of our Thai schools through this nominee structure.

We are currently in the process of acquiring a school in Spain, and this transaction is expected to be completed in August 2015. In addition, we may acquire additional schools in the future which would impact our results of operations.

During the period under review, we have merged two of our schools with other existing schools and have sold the freehold properties left vacant following these mergers. Furthermore, we transferred Ffynone House School in April 2012 and Ferndale Preparatory School in April 2014 to parent groups. Neither of these dispositions had any material impact on our financial results.

### *Currency Translation*

As a global business, we operate in multiple countries with different currencies. Each entity in the Group uses the currency of the primary economic environment in which it operates as its functional currency for the purposes of conducting its operations. Although we conduct our business in several major currencies, a significant proportion of our business is conducted in pound sterling and Singapore dollar. Our consolidated financial statements are presented in pound sterling and, as a result, fluctuations in exchange rates between pound sterling and our other operating currencies affect the translation of our results and the net assets and liabilities of our non-United Kingdom entities. Foreign exchange gains and losses arising upon the translation of monetary assets and liabilities from their operational currencies into pound sterling are credited/charged to the profit and loss account of the Group. Foreign exchange gains and losses arising on non-monetary assets and liabilities from their operating currencies to pound sterling are recognized as part of our profit and loss account reserve on our balance sheet. On July 1, 2013, the operating currency of our Vietnamese schools changed from the U.S. dollar to the Vietnamese dong due to a change in Vietnamese currency control regulations.

### *Cost Base*

Our operating costs generally comprise of costs incurred directly by our schools, regional offices and central office, including the costs of directors. A number of our largest operating costs, including staff costs and rent, are largely incurred by our schools and relate directly to the provision of our education services. Due to our fixed costs for rent, utilities and maintenance expenditures, we are able to leverage our cost base as we increase enrollments and tuition revenue with respect to our schools.

In addition, our regional offices also incur costs in order to provide support services on a regional and local basis with respect to finance, facilities, IT, human resources and marketing functions, as well as business development and mergers and acquisition activities within a region. In recent years, we have incurred additional regional costs by entering into new segments, such as Latin America. Operating costs incurred on a regional basis tend to be higher as a percentage of our revenues in our new markets due to the fact that we are establishing our operations in these markets, and, initially, there are fewer schools that benefit from the provision of such services in these new markets. We are able to increase cost efficiencies with respect to these regional functions as we develop our operations and increase the number of schools in each region.

As our business has continued to grow, we have increased our cost base with respect to our Group central costs relating to certain centralized functions relating to executive governance and strategy, finance, compliance, mergers and acquisitions, human resources, marketing and IT. By enhancing these services and functions, we are better able to manage our portfolio of schools across the various regions in which we operate. By increasing our

group and central service functions, we have positioned ourselves to meet the demands of a growing business. As we expand our operations, we will be able to achieve operational efficiencies in supporting schools using these regional and group resources and expertise.

**Key Operating Metrics**

In addition to financial performance, we use the following key operating metrics to manage our schools: enrollments; average revenue per FTE student; FTE staff; capacity; and utilization. We monitor these operating metrics on a monthly basis (except for student numbers, which we monitor on a weekly basis) as we believe that they are the most reliable metrics for measuring and predicting the current and future profitability of our schools.

*Enrollments*. We monitor the average number of FTE students for any given year in a particular Cohort. For example, one student in a school for half a year is 0.5 FTE, or one nursery student attending 50% of available sessions for a year is 0.5 FTE. The number of FTE students fluctuates throughout the academic year as existing students flow through to higher Cohorts from one year to the next, new students join at different Cohorts (both at the start of and during the academic year) as well as due to student churn (including students who leave school either to go to another school or expatriate churn). For a discussion of our historical enrollments by segment, see *"—Factors Affecting our Results of Operations and Financial Condition—Enrollments and Average Revenue per FTE Student.*"

As part of monitoring our student numbers, we focus particular attention on the number of inquiries and applications by prospective students at each of our schools and the number of these that result in enrollments. In our experience, the ratios of inquiries to applications and of inquiries to enrollments are useful indicators in predicting the number of student enrollments. Thus, in our marketing and recruitment activities we seek to maximize the generation of inquiries and the conversion of these into enrollments.

*Average Revenue per FTE Student.* We calculate average revenue per FTE student for a period by dividing the revenue from our schools for the period by the average FTE student for the period. Average revenue per FTE student is primarily affected by the tuition fees we charge at each of our schools. Average revenue per FTE student, and therefore our revenue, is directly affected by our ability to increase tuition fees year on year at each of our schools. We believe expatriates and local families generally accept our price increases because of the importance they place on a quality education for their children. As a result, we seek to increase average revenue per FTE student at our schools at a rate in excess of our cost inflation in the markets in which we operate. Almost all of our tuition fees are charged in the local currencies of the countries where the schools are located. Therefore, our average revenue per FTE student is subject to fluctuations in foreign exchange rates between these local currencies and our reported currency. For a discussion of our historical average revenue per FTE student by segment, see *"—Factors Affecting our Results of Operations and Financial Condition—Enrollments and Average Revenue per FTE Student.*"

*FTE Staff.* We monitor the average number of FTE staff for any given year at a school. Our total FTE staff numbers have increased by 51.5%, from an average of 3,096 in the fiscal year ended August 31, 2012 to an average of 4,690 in the twelve months ended May 31, 2015. This increase in FTE staff has been primarily due to the acquisition of new schools and an increase in staffing at our existing schools in line with increased enrollments. We further monitor FTE staff based on teachers and non-teaching staff.

*Capacity*. We monitor our average capacity, which is the total number of students a particular school can accommodate at any given time. We increased our average capacity by 70.0%, from 22,390 average places in the fiscal year ended August 31, 2012 to 38,068 average places in the twelve months ended May 31, 2015. This increase in capacity was primarily due to the acquisition of our schools in Brazil and Chile, a school in Vietnam and capacity expansion at selected schools in Asia and Europe.

*Utilization*. We measure utilization of total average capacity at any given time, which is calculated as the average number of FTE students divided by total average capacity, expressed as a percentage. Despite the capacity expansion in our schools, our average utilization increased from 80% in the fiscal year August 31, 2012 to 81% in the twelve months ended May 31, 2015.

**Principal Components of Our Results of Operations**

The following describes those line items that we consider key in understanding our results of operations.

***Turnover***

Turnover is generated from the provision of educational services and the sale of related services and goods. Principal components of turnover comprise amounts received from tuition fees and additional services, including fees for enrollment, facility fees, technology, extracurricular activities, holiday camps and catering. Although

tuition fees are generally collected in advance of the education services being provided for such period, such fees are recognized over the period that services are provided. Where fees have been invoiced in advance, they are included on the balance sheet as deferred income or fees in advance and recognized as turnover when the service is provided.

We changed our revenue recognition approach in relation to facility fees that are paid to us when a student joins the relevant school and are generally non-refundable under our policy. From September 1, 2014, we recognize revenue over the average tenure of a student within the relevant school. Previously, facility fees were recognized when the student joined the relevant school.

***Operating Costs***

Our total operating costs include both recurring and exceptional costs. Recurring costs represent the expenses in connection with our day-to-day operations. Our key recurring operating costs comprise of staff costs, depreciation and amortization, and other recurring operating costs all of which exclude the costs in relation to St. Nicholas Preparatory School, which is a joint venture in which we hold a 50% interest (the "*St Nicholas Joint Venture*").

*Recurring Operating Costs*

*Staff Costs.* Staff costs comprise salaries, allowances, benefits, social security and pension costs in relation to our employees, including those based at our schools as well as staff based in our central and regional offices.

*Depreciation and Amortization.* Depreciation represents the decrease in value of fixed assets as they are used in our business over time. The depreciation rate applied to fixed assets is determined based on the estimated useful economic life of each fixed asset category. Fixed asset categories include freehold land and buildings, short leasehold land and buildings, fixtures, fittings and equipment and motor vehicles.

Amortization represents the decrease in value of purchased and consolidated goodwill, which the business estimates has a useful economic life of ten years.

Depreciation and amortization included in our operating costs excludes depreciation and amortization in relation to the St. Nicholas Joint Venture.

*Other Recurring Operating Costs.* These include:

- *Property Costs.* Property costs primarily relate to the cost of rent, running and maintaining our school property portfolio. The most significant component of our property costs include rent, business rates, repairs and maintenance, utilities and cleaning.
- *School Consumables.* School consumables include the costs of learning aids and materials, including textbooks and library books, lesson equipment, information technology consumables and stationery. School consumables also include catering costs for the provision of school meals to students.
- *Business Support Costs.* Business support costs include legal and professional costs, as well as advertising and marketing costs.

*Exceptional Costs*

Our exceptional costs include abortive acquisition costs, business exploration costs, restructuring costs, impairment costs and other costs that are neither operational nor recurring costs.

*Abortive Acquisition Costs.* Abortive acquisition costs relate to legal and due diligence costs that are written off when a potential acquisition is unlikely to occur.

*Business Exploration Costs.* Business exploration costs are incurred with respect to future business development and expansion opportunities.

*Restructuring Costs.* Restructuring costs mainly relate to one-off redundancy and other termination costs and related legal costs.

*Impairment Costs.* Impairment costs relate to the write-down of impaired fixed assets and goodwill.

*Other Costs.* Other costs include items that are neither operational nor recurring costs. These costs are one-off and in the period under review have included a non-recurring £13.8 million loss on a hedging transaction in the fiscal year ended August 31, 2013, and one-off advisory costs in the period ended May 31, 2015.

***Share of Operating Profit in Respect of Joint Venture***

Share of operating profit in respect of joint venture consists of our share of operating profit of the St. Nicholas Joint Venture.

*Profit/Loss on Disposal of Fixed Assets*

Profit/Loss on disposal of fixed assets represents the amount credited/charged to the profit and loss account being the difference between the net book value of the fixed assets being disposed of and the consideration (if any) received from the disposal.

*Net Interest*

Net interest represents interest payable less interest receivable. During the period under review, interest payable includes interest accrued and paid on borrowings, including bank borrowings, other loans, the Former Debt Instruments, the Topco Debt Instruments, the Former Topco Debt Instruments and investor-held short-term loans. Interest receivable comprised mainly of interest receivable on cash balances. Interest payable and receivable also includes unrealized exchange gains and losses arising on the translation of intragroup balances as well as the amortization of capitalized financing costs.

*Tax Charge on Loss on Ordinary Activities*

Tax charge on loss on ordinary activities consists of United Kingdom corporation tax, including our share of the tax charge of the joint ventures, adjustments to taxes in respect of prior periods and overseas taxes with respect to our non-United Kingdom subsidiaries. In addition, our tax charge on loss on ordinary activities includes a charge or credit for deferred tax. Fluctuations in our effective tax rate are primarily attributed to changes in the operating results of our subsidiaries, which are subject to various tax rates and tax concessions in their respective jurisdictions.

*Minority Interest*

Minority interest represents profits attributable to minority shareholders of our majority-owned subsidiaries. Minority interests in the period under review included (i) a 20% minority interest held by a third-party in British Education Management Systems Company Limited (Thailand) from October 22, 2009 to February 23, 2015, at which time we indirectly acquired the remaining 20% minority interest, (ii) a 20% minority interest held by a third-party in International Education Corporation Joint Stock Company (Vietnam) from May 25, 2011 to August 20, 2013, at which time we indirectly acquired the remaining 20% minority interest, (iii) a 49% minority interest held by a third-party in Desarrollos Educacionales S.A. (Chile) from June 18, 2013 and (iv) a 25% minority interest held by a third-party in Lotus Education and Training Company (Vietnam) from January 15, 2014 to August 26, 2014, at which time we indirectly acquired the remaining 25% minority interest.

*Adjusted EBITDA*

Adjusted EBITDA represents profit/(loss) on ordinary activities before taxation before net interest, loss on disposal of fixed assets, depreciation and amortization and exceptional costs and after excluding the charge in connection with our management incentive plan.

*Regional Adjusted EBITDA*

Regional Adjusted EBITDA represents Adjusted EBITDA before Group central costs. Group central costs consist of costs with respect to certain centralized functions relating to executive governance and strategy, finance, compliance, mergers and acquisitions, human resources, marketing and IT.

**Results of Operations**

***Nine Months Ended May 31, 2015 Compared to the Nine Months Ended May 31, 2014***

The following table presents our results of operations for the nine months ended May 31, 2014 and May 31, 2015.

| | Nine Months Ended May 31, | | |
|---|---|---|---|
| | 2014 | 2015 | Change in % |
| | Unaudited (£ in millions) | | |
| Group Turnover and share of joint ventures | 196.7 | 220.8 | 12.3 |
| Share of joint ventures | (1.6) | (1.8) | 12.5 |
| **Group Turnover** | **195.1** | **219.0** | **12.3** |
| **Operating costs** | **(190.7)** | **(222.5)** | **16.7** |
| **Group operating profit/(loss)** | **4.4** | **(3.5)** | **NM*** |
| Share of operating profit in respect of joint venture | 0.3 | 0.5 | 66.7 |
| Profit/(Loss) before interest and tax | 4.7 | (3.0) | NM* |
| Loss on disposal of fixed assets | (0.7) | (0.2) | (71.4) |
| Net interest | (53.3) | (51.1) | (4.1) |
| Tax charge on loss on ordinary activities | (1.8) | (3.5) | 94.4 |
| Minority interest | (0.6) | (1.1) | 83.3 |
| **Loss for the period** | **(51.7)** | **(58.9)** | **13.9** |

NM* means not meaningful.

*Turnover*

Group Turnover and share of joint ventures by segment was as follows:

| | Nine Months Ended May 31, | | |
|---|---|---|---|
| | 2014 | 2015 | Change in % |
| | Unaudited (£ in millions) | | |
| United Kingdom | 93.3 | 99.3 | 6.4 |
| Spain | 16.7 | 16.5 | (1.2) |
| Asia | 67.5 | 81.2 | 20.3 |
| Latin America | 19.2 | 23.8 | 24.0 |
| **Group Turnover and share of joint ventures** | **196.7** | **220.8** | **12.3** |

Group Turnover and share of joint ventures increased by £24.1 million or 12.3% from £196.7 million in the nine months ended May 31, 2014 to £220.8 million in the nine months ended May 31, 2015. This increase was primarily attributable to a £13.7 million increase in turnover in Asia, largely attributable to the increase in student enrollment at Stamford American International School and our schools in Vietnam and Thailand. The remaining increase was principally driven by additional turnover from the acquisition of the GayLussac School in Brazil in December 2014, an increase of approximately 3% in the number of United Kingdom students as well as general tuition and other fee increases. The decrease in turnover in Spain in the nine months ended May 31, 2015 was primarily due to a weakening of the euro against pound sterling.

Over the same period, our average number of FTE students increased by 2,484 or 8.6%, of which 941 related to the incremental increase due to the acquisition of the GayLussac School in Brazil in December 2014. We generally increased our tuition fees by 4 – 6% for our schools in our United Kingdom segment, 2 – 6% for our schools in our Spain segment, 4 – 10% for our schools in our Asia segment and 7 – 12% for our schools in our Latin America segment.

*Operating Costs*

Our operating costs increased by £31.8 million or 16.7% from £190.7 million in the nine months ended May 31, 2014 to £222.5 million in the nine months ended May 31, 2015. Our operating costs for the nine months ended May 31, 2014 and 2015 were as follows:

| | Nine Months Ended May 31, | | |
|---|---|---|---|
| | 2014 | 2015 | Change in % |
| | Unaudited (£ in millions) | | |
| Staff costs | (106.3) | (118.3) | 11.3 |
| Depreciation and Amortization | (24.9) | (27.9) | 12.0 |
| Other recurring operating costs | (54.3) | (60.2) | 10.9 |
| **Recurring operating costs** | **(185.5)** | **(206.4)** | **11.3** |
| Exceptional costs | (5.2) | (16.1) | 209.6 |
| **Total operating costs** | **(190.7)** | **(222.5)** | **16.7** |

Staff costs increased by £12.0 million or 11.3% from £106.3 million in the nine months ended May 31, 2014 to £118.3 million in the nine months ended May 31, 2015, primarily due to an increase of 9.2% in our FTE staff, which increased from 4,369 FTE staff in the nine months ended May 31, 2014 to 4,773 FTE staff in the nine months ended May 31, 2015. Staff costs increased in Asia by £6.9 million in the nine months ended May 31, 2015 compared to the nine months ended May 31, 2014, driven by growth in FTE staff to support the increase in student numbers in Asia and, particularly as a result of the completion of the phase II development of the Stamford American International School in August 2014. Staff costs in our Latin America segment grew by £2.4 million in the nine months ended May 31, 2015 compared to the nine months ended May 31, 2014, which was largely attributable to the acquisition of the GayLussac School in Brazil in December 2014 along with increase in FTE staff to support the increase in enrollment in our schools in Chile. The remaining increase was in relation to the United Kingdom and Spain to support growing school enrollment and inflationary staff cost increases.

Our total depreciation and amortization increased by £3.0 million or 12.0% from £24.9 million in the nine months ended May 31, 2014 to £27.9 million in the nine months ended May 31, 2015. This increase was largely due to the increase in the depreciation charge in connection with the completion of the phase II development of the Stamford American International School in August 2014.

Other recurring operating costs increased by £5.9 million or 10.9% from £54.3 million in the nine months ended May 31, 2014 to £60.2 million in the nine months ended May 31, 2015. This increase was primarily due to a £3.5 million increase in other recurring operating costs in Asia to support the additional student enrollment and a £2.0 million increase in the United Kingdom in connection with the additional recruitment and agency staff costs, property costs, marketing investments and additional Group central costs.

Our exceptional costs increased by £10.9 million or 209.6% from £5.2 million in the nine months ended May 31, 2014 to £16.1 million in the nine months ended May 31, 2015. This increase was primarily due to an increase in the impairment charge to £9.6 million as a result of a reduction in the carrying value of fixed assets for three of our United Kingdom schools following an impairment review in accordance with our accounting policy. The remaining increase was largely related to aborted transactions, business exploration costs and one-off advisory costs with respect to the review and assessment of our schools' child safeguarding policies and procedures.

*Share of Operating Profit in respect of Joint Venture*

Our share of operating profit in respect of joint venture increased by £0.2 million from £0.3 million in the nine months ended May 31, 2014 to £0.5 million in the nine months ended May 31, 2015. This increase was principally attributable to an increase in the student enrollment within the St Nicholas Preparatory School.

*Loss on Disposal of Fixed Assets*

Our loss on disposal of fixed assets decreased by £0.5 million or 71.4% from £0.7 million in the nine months ended May 31, 2014 to £0.2 million in the nine months ended May 31, 2015. The decrease was due to the non-recurring loss on the transfer of the Ferndale School property in the United Kingdom in April 2014.

*Net Interest*

Our net interest decreased by £2.2 million or 4.1% from £53.3 million in the nine months ended May 31, 2014 to £51.1 million in the nine months ended May 31, 2015. The decrease was primarily as a result of a reduction in the amount of the Former Topco Debt Instruments, which were capitalized at book value in March 2015. However, third party interest charges increased by £1.6 million, primarily due to additional debt incurred with respect to the acquisition of GayLussac in Brazil in December 2014. Such additional interest charges were partially offset by a decline in the exchange losses incurred and charged to net interest in the nine months ended May 31, 2015.

*Tax Charge on Loss on Ordinary Activities*

Our tax charge on loss on ordinary activities increased by £1.7 million or 94.4% from £1.8 million in the nine months ended May 31, 2014 to £3.5 million in the nine months ended May 31, 2015, mainly as a result of a £1.0 million non-recurring prior year adjustment in 2014, generating a tax credit arising from the settlement of a historic claim in Singapore, along with part of the Spanish business becoming tax-paying and incurring a £0.5 million charge in 2015.

*Minority Interest*

Minority interest increased by £0.5 million or 83.3% from £0.6 million in the nine months ended May 31, 2014 to £1.1 million in the nine months ended May 31, 2015. This increase was primarily attributable to a £0.3 million increase in the minority interest with respect to the Chilean Schools and £0.2 million with respect to the minority interest in Thailand, which we subsequently acquired in February 2015. These increases resulted from increased profitability.

*Loss for the Period*

As a result of the foregoing, we had a loss of £51.7 million in the nine months ended May 31, 2014 and a loss of £58.9 million in the nine months ended May 31, 2015. Of the loss in the nine months ended May 31, 2015, £34.4 million related to the Topco Debt Instruments, £10.2 million related to goodwill amortization and £9.6 million from a non-cash impairment charge.

*Adjusted EBITDA*

Our Adjusted EBITDA increased by £5.9 million or 16.2% from £36.4 million in the nine months ended May 31, 2014 to £42.3 million in the nine months ended May 31, 2015. This increase was primarily due to (i) the increase in student enrollment within our Asia segment, particularly from student growth in the Stamford American International School following the opening of the phase II development, (ii) the increase in student enrollment in our Latin America segment associated with the acquisition of the GayLussac School in Brazil and (iii) the growth

in student enrollment in our United Kingdom schools of approximately 3%. Group central costs increased by £1.1 million or 21.6% from £5.1 million in the nine months ended May 31, 2014 to £6.2 million in the nine months ended May 31, 2015, this increase was primarily due to the development of the Group IT, marketing, and compliance teams.

Adjusted EBITDA by segment is as follows:

| | Nine Months Ended May 31, | | |
|---|---|---|---|
| | 2014 | 2015 | Change in % |
| | Unaudited (£ in millions) | | |
| **Adjusted EBITDA:** | | | |
| United Kingdom[1] | 13.2 | 15.0 | 13.6 |
| Spain | 3.8 | 3.8 | — |
| Asia | 20.2 | 23.5 | 16.3 |
| Latin America | 4.3 | 6.2 | 44.2 |
| **Regional Adjusted EBITDA** | **41.5** | **48.5** | **16.9** |
| Group central costs | (5.1) | (6.2) | 21.6 |
| **Total Adjusted EBITDA** | **36.4** | **42.3** | **16.2** |

(1) Regional Adjusted EBITDA for our United Kingdom segment excludes Group central costs.

Adjusted EBITDA margin by segment was as follows:

| | Nine Months Ended May 31, | |
|---|---|---|
| | 2014 | 2015 |
| | Unaudited | |
| **Adjusted EBITDA margin:** | | |
| United Kingdom[1] | 14.1% | 15.1% |
| Spain | 22.8% | 23.0% |
| Asia | 29.9% | 28.9% |
| Latin America | 22.4% | 26.1% |
| **Regional Adjusted EBITDA margin** | **21.1%** | **22.0%** |
| Group central costs | (2.6)% | (2.8)% |
| **Total Adjusted EBITDA margin** | **18.5%** | **19.2%** |

(1) In calculating the Regional Adjusted EBITDA margin for our United Kingdom segment, Regional Adjusted EBITDA excludes Group central costs.

Our Adjusted EBITDA margin increased from 18.5% for the nine months ended May 31, 2014 to 19.2% for the nine months ended May 31, 2015. The decrease in Adjusted EBITDA margin for our Asia segment from 29.9% for the nine months ended May 31, 2014 to 28.9% for the nine months ended May 31, 2015 was primarily due to an increase in the investment in our admissions and marketing platform and the additional fixed costs in connection with the opening of phase II of the Stamford American International School.

***Fiscal Year Ended August 31, 2014 Compared to the Fiscal Year Ended August 31, 2013***

The following table presents our results of operations for the fiscal year ended August 31, 2013 and August 31, 2014.

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2013 | 2014 | Change in % |
| | Audited (£ in millions) | | |
| Group Turnover and share of joint ventures | 234.6 | 266.8 | 13.7 |
| Share of joint ventures | (2.0) | (2.1) | 5.0 |
| **Group Turnover** | **232.6** | **264.7** | **13.8** |
| **Operating costs** | **(244.7)** | **(262.2)** | **7.2** |
| **Group operating (loss)/profit** | **(12.1)** | **2.5** | NM* |
| Share of operating profit in respect of joint venture | 0.3 | 0.3 | — |
| (Loss)/Profit before interest and tax | (11.8) | 2.8 | NM* |
| Loss on disposal of fixed assets | (0.1) | (0.7) | NM* |
| Net interest | (62.4) | (71.0) | 13.8 |
| Tax charge on loss on ordinary activities | (1.3) | (2.5) | 92.3 |
| Minority interest | 0.2 | (0.7) | NM* |
| **Loss for the financial year** | **(75.4)** | **(72.1)** | **(4.4)** |

NM* means not meaningful.

*Turnover*

Group Turnover and share of joint ventures by segment was as follows:

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2013 | 2014 | Change in % |
| | Audited (£ in millions) | | |
| United Kingdom | 122.0 | 126.7 | 3.9 |
| Spain | 20.6 | 22.1 | 7.3 |
| Asia | 81.5 | 92.4 | 13.4 |
| Latin America | 10.5 | 25.6 | 143.8 |
| **Group Turnover and share of joint ventures** | **234.6** | **266.8** | **13.7** |

Group Turnover and share of joint ventures increased by £32.2 million or 13.7% from £234.6 million in the fiscal year ended August 31, 2013 to £266.8 million in the fiscal year ended August 31, 2014. This increase was primarily attributable to the acquisition of the Chilean Schools having a full year effect in 2014, which represented £15.1 million of the increase, together with a £10.9 million increase in turnover in Asia, largely attributable to the increase in student enrollment in the Stamford American International School. The remaining increase is attributable to generally higher FTE student numbers and general tuition and other fee increases.

Over the same period, our average number of FTE students increased by 8,421, of which 7,346 related to the incremental increase due to the acquisition of the Chilean Schools having a full year effect in 2014. We generally increased our tuition fees by 3–5% for our schools in our United Kingdom segment, 0–4% for our schools in our Spain segment, 6–11% for our schools in our Asia segment and 5–10% for our schools in our Latin America segment.

*Operating Costs*

Operating costs increased by £17.5 million or 7.2% from £244.7 million in the fiscal year ended August 31, 2013 to £262.2 million in the fiscal year ended August 31, 2014. Operating costs for the fiscal year ended August 31, 2013 and 2014 were as follows:

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2013 | 2014 | Change in % |
| | Audited (£ in millions) | | |
| Staff costs | (128.6) | (145.6) | 13.2 |
| Depreciation and amortization | (31.4) | (33.6) | 7.0 |
| Other recurring operating costs | (63.4) | (74.9) | 18.1 |
| **Recurring operating costs** | **(223.4)** | **(254.1)** | **13.7** |
| Exceptional costs | (21.3) | (8.1) | (62.0) |
| **Total operating costs** | **(244.7)** | **(262.2)** | **7.2** |

Staff costs increased by £17.0 million or 13.2% from £128.6 million in the fiscal year ended August 31, 2013 to £145.6 million in the fiscal year ended August 31, 2014, primarily due to an increase of 24.8% in our average FTE staff from 3,470 in the fiscal year ended August 31, 2013 to 4,331 in the fiscal year ended August 31, 2014. In the fiscal year ended August 31, 2014, £7.5 million of staff costs were attributable to the acquisition of the Chilean schools having a full year impact in the fiscal year ended August 31, 2014, which represented an approximately 14% increase in our average FTE staff. Staff costs increased in Asia and Spain by £3.7 million in the fiscal year ended August 31, 2014, due to additional teachers recruited to support the increased enrollment as well as salary inflation. The remaining staff cost increases in the fiscal year ended August 31, 2014 were as a result of staff cost salary inflation across our remaining schools, an increase in group and regional staff costs as a result of our growth in our Latin America and Asia segments and due to a non-cash management incentive plan charge of £2.0 million in the fiscal year ended August 31, 2014.

Our depreciation and amortization increased by £2.2 million or 7.0% from £31.4 million in the fiscal year ended August 31, 2013 to £33.6 million in the fiscal year ended August 31, 2014. This increase was principally due to higher depreciation and amortization related to the acquisition of the Chilean Schools having a full year impact in the fiscal year ended August 31, 2014, which accounted for an increase of £1.0 million, and £0.7 million of additional depreciation with respect to our United Kingdom segment.

Other recurring operating costs increased by £11.5 million or 18.1% from £63.4 million in the fiscal year ended August 31, 2013 to £74.9 million in the fiscal year ended August 31, 2014. This increase was primarily due to the acquisition of the Chilean schools having a full year impact amounting to £3.7 million in the fiscal year ended August 31, 2014, along with a £3.9 million increase in recurring operating costs in Asia and Spain associated with the increase in FTE students. In addition, in the fiscal year ended August 31, 2014, costs increased by £3.9 million with respect to the United Kingdom schools from additional facility costs and development of catering and transport services and from further Group central costs to support the future growth of the business.

Our exceptional costs decreased by £13.2 million or 62.0% from £21.3 million in the fiscal year ended August 31, 2013 to £8.1 million in the fiscal year ended August 31, 2014. This decrease was principally due to the non-recurrence of the £13.8 million one-off loss relating to the maturity of a currency swap on November 30, 2012. Our aborted acquisition and business exploration costs increased in the fiscal year ended August 31, 2014, due to additional activity in Latin America and Asia, which was partially offset by lower restructuring and impairment costs compared to the fiscal year ended August 31, 2013.

*Share of Operating Profit in Respect of Joint Venture*

Our share of operating profit in respect of joint venture remained constant in the fiscal year ended August 31, 2013 compared to the fiscal year ended August 31, 2014.

*Loss on Disposal of Fixed Assets*

Our loss on disposal of fixed assets increased by £0.6 million from £0.1 million in the fiscal year ended August 31, 2013 to £0.7 million in the fiscal year ended August 31, 2014. This increase was primarily attributable to the loss on the transfer of the Ferndale School property in the United Kingdom in April 2014.

*Net Interest*

Our net interest increased by £8.6 million or 13.8% from £62.4 million in the fiscal year ended August 31, 2013 to £71.0 million in the fiscal year ended August 31, 2014. This increase was primarily attributable to the Topco Debt Instruments, the Former Topco Debt Instruments and the Former Debt Instruments, which accounted for interest payable in an amount of £5.1 million together with a £4.7 million increase in the translational effect resulting from currency exchange movements on intra-group balances, partially offset by a decrease of £0.9 million in interest payable on third-party debt.

*Tax Charge on Loss on Ordinary Activities*

Our tax charge on loss on ordinary activities increased by £1.2 million or 92.3% from £1.3 million in the fiscal year ended August 31, 2013 to £2.5 million in the fiscal year ended August 31, 2014. This increase was primarily due to a higher deferred tax charge partially offset by a lower current tax charge. The increase in our deferred tax charge in the year ended August 31, 2014, was mainly due to a non-recurring credit in the United Kingdom in 2013 when management increased the recognition of deferred tax assets based on improvements in the Group's forecasts. The current tax charge decreased due to a prior year adjustment in Singapore relating to the repayment of taxes as a result of a historic overpayment partially offset by a higher overseas tax charge associated with the acquisition of the Chilean Schools having a full year impact in the fiscal year ended August 31, 2014.

*Minority Interest*

Minority interest decreased by £0.9 million from £0.2 million in the fiscal year ended August 31, 2013 to negative £0.7 million in the fiscal year ended August 31, 2014. This decrease was primarily attributable to the full year effect of the minority interest in connection with the Chilean Schools in the fiscal year ended August 31, 2014 compared to the prior corresponding period.

*Loss for the Period*

As a result of the foregoing, we had a loss of £75.4 million in the fiscal year ended August 31, 2013 and a loss of £72.1 million in the fiscal year ended August 31, 2014. Of this loss, £49.0 million related to the Former Debt Instruments, £14.2 million related to goodwill amortization and £1.0 million from a non-cash impairment charge.

*Adjusted EBITDA*

Adjusted EBITDA increased by £5.6 million or 13.6% from £41.1 million in the fiscal year ended August 31, 2013 to £46.7 million in the fiscal year ended August 31, 2014. This increase was primarily due to the acquisition of the Chilean Schools having a full year impact in the fiscal year ended August 31, 2014, which accounted for an increase of £3.9 million, along with a £3.8 million increase in Asia associated with the growth in FTE students in our Asia schools. These increases were partially offset by a £1.5 million decrease in Adjusted EBITDA in Latin America associated with the establishment of the regional office during the year. Group central costs increased by £2.1 million or 40.4% from £5.2 million in the fiscal year ended August 31, 2013 to £7.3 million in the fiscal year ended August 31, 2014, this increase was primarily due to the investment in our Group central functions including in Group central finance and marketing along with higher executive expenses, including legal and professional services.

Adjusted EBITDA by segment was as follows:

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2013 | 2014 | Change in % |
| | Unaudited (£ in millions) | | |
| **Adjusted EBITDA:** | | | |
| United Kingdom[(1)] | 18.9 | 19.3 | 2.1 |
| Spain | 3.6 | 4.3 | 19.4 |
| Asia | 22.2 | 26.0 | 17.1 |
| Latin America | 1.6 | 4.4 | NM* |
| **Regional Adjusted EBITDA** | **46.3** | **54.0** | **16.6** |
| Group central costs | (5.2) | (7.3) | 40.4 |
| **Total Adjusted EBITDA** | **41.1** | **46.7** | **13.6** |

NM* means not meaningful.

(1) Regional Adjusted EBITDA for our United Kingdom segment excludes Group central costs.

Adjusted EBITDA margin by segment was as follows:

| | Fiscal Year Ended August 31, | |
|---|---|---|
| | 2013 | 2014 |
| | Unaudited | |
| **Adjusted EBITDA margin:** | | |
| United Kingdom[1] | 15.5% | 15.2% |
| Spain | 17.5% | 19.5% |
| Asia | 27.2% | 28.1% |
| Latin America | 15.2% | 17.2% |
| **Regional Adjusted EBITDA margin** | **19.7%** | **20.2%** |
| Group central costs | (2.2)% | (2.7)% |
| **Total Adjusted EBITDA margin** | **17.5%** | **17.5%** |

(1) In calculating the Regional Adjusted EBITDA margin for our United Kingdom segment, Regional Adjusted EBITDA excludes Group central costs.

***Fiscal Year Ended August 31, 2013 Compared to the Fiscal Year Ended August 31, 2012***

The following table presents our results of operations for the fiscal year ended August 31, 2012 and August 31, 2013.

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2012 | 2013 | Change in % |
| | Audited (£ in millions) | | |
| Group Turnover and share of joint ventures | 199.6 | 234.6 | 17.5 |
| Share of joint ventures | (2.2) | (2.0) | (9.1) |
| **Group Turnover** | **197.4** | **232.6** | **17.8** |
| **Operating costs** | **(205.3)** | **(244.7)** | **19.2** |
| **Group operating (loss)** | **(7.9)** | **(12.1)** | **53.2** |
| Share of operating profit in respect of joint venture | 0.5 | 0.3 | (40.0) |
| (Loss) before interest and tax | (7.4) | (11.8) | 59.5 |
| Loss on disposal of fixed assets | (0.7) | (0.1) | (85.7) |
| Net interest | (56.1) | (62.4) | 11.2 |
| Tax charge on loss on ordinary activities | (1.7) | (1.3) | (23.5) |
| Minority interest | — | 0.2 | NM* |
| **Loss for the period** | **(65.9)** | **(75.4)** | **14.4** |

NM* means not meaningful.

*Turnover*

Group Turnover and share of joint ventures by segment was as follows:

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2012 | 2013 | Change in % |
| | Audited (£ in millions) | | |
| United Kingdom | 116.9 | 122.0 | 4.4 |
| Spain | 19.0 | 20.6 | 8.4 |
| Asia | 63.7 | 81.5 | 27.9 |
| Latin America | — | 10.5 | NM* |
| **Group Turnover and share of joint ventures** | **199.6** | **234.6** | **17.5** |

NM* means not meaningful.

Group Turnover and share of joint ventures increased by £35.0 million or 17.5% from £199.6 million in the fiscal year ended August 31, 2012 to £234.6 million in the fiscal year ended August 31, 2013. The increase was attributable to strong growth in our Asia and Latin America segments. Asia turnover increased by £17.8 million in the fiscal year ended August 31, 2013 largely driven by the 15.4% increase in FTE students in this segment, with £13.8 million of this increase attributable to our schools in Singapore. We expanded our operations into

Latin America in the fiscal year ended August 31, 2013 through acquisitions in Brazil (in October 2012) and Chile (in June 2013). These acquisitions contributed £10.5 million to turnover. The remaining increase in Group turnover is attributable to higher FTE student numbers and general tuition and other fee increases.

Our average number of FTE students increased by 2,691, of which 1,885 related to our acquisitions in Brazil and Chile. We generally increased our tuition fees by 2 – 7% for our schools in our United Kingdom segment, 0 – 6% for our schools in our Spain segment, 5 – 9% for our schools in our Asia segment and 4 – 8% for our schools in our Latin America segment following our acquisition of the Chilean Schools in June 2013.

*Operating Costs*

Operating costs increased by £39.4 million or 19.2% from £205.3 million in the fiscal year ended August 31, 2012 to £244.7 million in the fiscal year ended August 31, 2013. Operating costs for the fiscal year ended August 31, 2012 and 2013 were as follows:

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | **2012** | **2013** | **Change in %** |
| | **Audited (£ in millions)** | | |
| Staff costs | (112.1) | (128.6) | 14.7 |
| Depreciation and amortization | (27.5) | (31.4) | 14.2 |
| Other recurring operating costs | (55.1) | (63.4) | 15.1 |
| **Recurring operating costs** | **(194.7)** | **(223.4)** | **14.7** |
| Exceptional costs | (10.6) | (21.3) | 100.9 |
| **Total operating costs** | **(205.3)** | **(244.7)** | **19.2** |

Staff costs increased by £16.5 million or 14.7% from £112.1 million in the fiscal year ended August 31, 2012 to £128.6 million in the fiscal year ended August 31, 2013, primarily due to an increase of 12.1% in our FTE staff, which increased from 3,096 in the fiscal year ended August 31, 2012 to 3,470 average FTE staff in the fiscal year ended August 31, 2013. Staff costs increased by £8.6 million in Asia, principally driven by the increase in FTE students at our schools in Singapore and Vietnam, together with an increase in regional staff costs as a result of expansion of our operations. We incurred a £5.3 million increase in staff costs in connection with the acquisition of schools in Latin America in the fiscal year ended August 31, 2013. The remaining increase in staff costs in the fiscal year ended August 31, 2013 were attributable to staff cost salary inflation across our remaining schools and Group and regional management functions.

Our depreciation and amortization increased by £3.9 million or 14.2% from £27.5 million in the fiscal year ended August 31, 2012 to £31.4 million in the fiscal year ended August 31, 2013. Of this increase £1.9 million was principally due to acquisitions in Latin America leading to additional goodwill and associated amortization and the remaining increase in depreciation was attributable to the expansion of the Stamford American International School, which opened phase I of its facilities in August 2012.

Other recurring operating costs increased by £8.3 million or 15.1% from £55.1 million in the fiscal year ended August 31, 2012 to £63.4 million in the fiscal year ended August 31, 2013, primarily due to a £2.2 million increase in costs in Asia, as a result of the growth in FTE students along with a £3.0 million increase in costs associated with our acquisition of the schools in Latin America in the fiscal year ended August 31, 2012. We incurred operating costs of £3.2 million in relation to our United Kingdom and Spain segments as a result of higher facility costs from rent and utilities, along with higher marketing and recruitment costs. We also incurred additional recruitment, travel and legal and professional costs associated with our international expansion during the fiscal year ended August 31, 2013.

Our exceptional costs increased by £10.7 million or 100.9% from £10.6 million in the fiscal year ended August 31, 2012 to £21.3 million in the fiscal year ended August 31, 2013. This increase was primarily due to the recognition of a loss of £13.8 million on the settlement of a currency swap, which matured on November 30, 2012, and which was partially offset by a decrease in our impairment and restructuring costs.

*Share of Operating Profit in Respect of Joint Venture*

Our share of operating profit in respect of joint venture decreased by £0.2 million or 40.0% from £0.5 million in the fiscal year ended August 31, 2012 to £0.3 million in the fiscal year ended August 31, 2013. This decrease was primarily attributable to a decrease in average FTE students at the St. Nicholas Preparatory School during this period.

*Loss on Disposal of Fixed Assets*

Our loss on disposal of fixed assets decreased by £0.6 million or 85.7% from £0.7 million in the fiscal year ended August 31, 2012 to £0.1 million in the fiscal year ended August 31, 2013. This decrease was primarily attributable to the loss on disposal of two vacant properties in 2012.

*Net Interest*

Our net interest increased by £6.3 million or 11.2% from interest payable of £56.1 million in the fiscal year ended August 31, 2012 to £62.4 million in the fiscal year ended August 31, 2013. This increase was primarily attributable to a £11.4 million increase in the interest payable on investor-held short-term loans, which was partially offset by a £3.9 million decrease in the interest payable on our third-party debt attributable to a reduction in the fixed interest rate payable on our debt facility in the United Kingdom in November 2012.

*Tax Charge on Loss on Ordinary Activities*

Our tax charge on loss on ordinary activities decreased by £0.4 million or 23.5% from £1.7 million in the fiscal year ended August 31, 2012 to £1.3 million in the fiscal year ended August 31, 2013, primarily due to an increase in our current tax charge of £0.6 million associated with higher taxable income in Asia, which was offset by a deferred tax credit in the United Kingdom.

*Minority Interest*

Minority interest increased from nil in the fiscal year ended August 31, 2012 to £0.2 million in the fiscal year ended August 31, 2013. This increase was primarily attributable to the minority interest in connection with the Chilean Schools which we acquired in June 2013.

*Loss for the Period*

As a result of the foregoing, we had a loss of £65.9 million in the fiscal year ended August 31, 2012 and a loss of £75.4 million in the fiscal year ended August 31, 2013. Of the loss incurred in the fiscal year ended August 31, 2013, £43.9 million related to the Topco Debt Instruments, the Former Topco Debt Instruments and the investor-held short term loans, £13.6 million related to goodwill amortization and £2.0 million from a non-cash impairment charge.

*Adjusted EBITDA*

Adjusted EBITDA increased by £10.1 million or 32.6% from £31.0 million in the fiscal year ended August 31, 2012 to £41.1 million in the fiscal year ended August 31, 2013. This increase was primarily due to an increase in FTE student numbers in our Asia segment, our acquisitions in Latin America, together with an increase in tuition and other fees and improvements in operational efficiency in Spain arising from increasing utilization. Group central costs increased by £0.7 million or 15.6% from £4.5 million in the fiscal year ended August 31, 2012 to £5.2 million in the fiscal year ended August 31, 2013, this increase was primarily due to the expansion of the Group finance team and the establishment of our Group marketing department.

Adjusted EBITDA by segment was as follows:

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2012 | 2013 | Change in % |
| | Unaudited (£ in millions) | | |
| **Adjusted EBITDA:** | | | |
| United Kingdom[1] | 17.4 | 18.9 | 8.6 |
| Spain | 3.2 | 3.6 | 12.5 |
| Asia | 15.3 | 22.2 | 45.1 |
| Latin America[2] | (0.4) | 1.6 | NM* |
| **Regional Adjusted EBITDA** | **35.5** | **46.3** | **30.4** |
| Group central costs | (4.5) | (5.2) | 15.6 |
| **Total Adjusted EBITDA** | **31.0** | **41.1** | **32.6** |

NM* means not meaningful.

(1) Regional Adjusted EBITDA for our United Kingdom segment excludes Group central costs.

(2) We had no schools in Latin America during 2012, although we had commenced acquisition-related activities through one of our Latin American subsidiaries.

Adjusted EBITDA margin by segment was as follows:

| | Fiscal Year Ended August 31, | |
|---|---|---|
| | 2012 | 2013 |
| | Unaudited | |
| **Adjusted EBITDA margin:** | | |
| United Kingdom[(1)] | 14.9% | 15.5% |
| Spain | 16.8% | 17.5% |
| Asia | 24.0% | 27.2% |
| Latin America[(2)] | — | 15.2% |
| **Regional Adjusted EBITDA margin** | **17.8%** | **19.7%** |
| Group central costs | (2.3)% | (2.2)% |
| **Total Adjusted EBITDA margin** | **15.5%** | **17.5%** |

NM* means not meaningful.

(1) In calculating the Regional Adjusted EBITDA margin for our United Kingdom segment, Regional Adjusted EBITDA excludes Group central costs.

(2) We had no schools in Latin America during 2012, although we had commenced acquisition-related activities through one of our Latin American subsidiaries.

## Liquidity and Capital Resources

Our primary source of liquidity is cash flows from operating activities. The most significant components of our working capital are cash and short-term deposits, deferred income and fees in advance, trade and other payables and other current liabilities. Our ongoing operations require the availability of cash to service debt, fund capital expenditure and any costs associated with the operation and acquisition of schools.

We believe that, based on our current level of operations, our operating cash flows and available amounts under our Revolving Credit Facility will be sufficient to fund our anticipated capital expenditures and debt service requirements for the next twelve months, subject to a variety of factors, including (i) our future ability to generate cash flows from our operations, which is subject to certain general economic, financial, industry, legislative, regulatory and other factors beyond our control, (ii) the level of our outstanding indebtedness and prevailing interest, which affects our debt service requirements with respect to such indebtedness, (iii) our ability to continue to borrow funds from financial institutions, (iv) our capital expenditure requirements and (v) contractual restrictions on the ability of our subsidiaries and our joint venture entity to dividend cash. In particular, certain of our Local Facilities restrict dividends or other distributions that can be made by the Group. Our Playpen Brazilian Local Facilities, our GayLussac Brazilian Local Facilities and one of our Chilean Local Facilities restrict dividends and other distributions to the Group. See "*Description of Other Indebtedness—Local Facilities.*"

### *Cash Flows*

The following table sets forth certain information relating to our historical cash flows. Please refer to the relevant statements of cash flows included elsewhere in this Offering Memorandum for more detailed information.

| | Fiscal Year Ended August 31, | | | Nine Months Ended May 31, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | Audited | | | Unaudited | |
| | (£ in millions) | | | | |
| Net cash inflow from operating activities | 36.6 | 37.3 | 45.4 | 45.0 | 57.8 |
| Dividends received from joint venture | 0.5 | 0.4 | — | — | — |
| Net cash outflow from returns on investments and servicing of finance | (20.9) | (18.5) | (17.5) | (13.8) | (13.7) |
| Taxation paid | (1.6) | (2.3) | (2.3) | (1.9) | (3.0) |
| Net cash outflow from capital expenditure | (44.7) | (48.3) | (58.4) | (44.8) | (35.0) |
| Net cash outflow from acquisitions | (1.4) | (28.3) | (4.9) | (1.2) | (18.2) |
| **Cash outflow before financing** | **(31.5)** | **(59.7)** | **(37.7)** | **(16.7)** | **(12.1)** |
| Net cash inflow from financing | 60.1 | 71.9 | 43.8 | 34.0 | 44.9 |
| **Increase in cash** | **28.6** | **12.2** | **6.1** | **17.3** | **32.8** |

*Net Cash Inflow from Operating Activities*

The principal factors affecting our net cash inflows from operating activities in the periods presented are the operating results of the Group, the impact of changes in our working capital and our amortization and depreciation charges.

Our business benefits from structurally negative working capital as fees are generally paid in advance of the provision of services with the highest cash inflow occurring prior to the commencement of the relevant academic year in the regions in which we operate. Our working capital cycles are also influenced by the geographical markets in which we operate. School billing cycles differ from one jurisdiction to another and these billing cycles impact the negative working capital position of the Group. Our working capital has become increasingly negative over time due to our growing FTE student numbers and because of an increase in the proportion of Group turnover generated by our Asia schools that generally invoice further in advance compared to our other segments. Our operating cash outflows are also cyclical, however they do not necessarily track the seasonality of our billing cycles. For example, we typically schedule maintenance of our facilities between academic years or school terms, and this has an adverse effect on our working capital during such periods. A significant proportion of our operating capital expenditure occurs in July and August of each year due to the fact that most of our schools in the United Kingdom, Spain and Asia have extended vacation periods during these months and we can therefore undertake projects without disrupting the relevant schools during this time.

Net cash inflow from operating activities increased by £12.8 million, or 28.4%, from £45.0 million in the nine months ended May 31, 2014 to £57.8 million in the nine months ended May 31, 2015, partly due to a £3.4 million increase in cash generation (consisting of net cash inflow from operating activities less movements in working capital) in the nine months ended May 31, 2015 from £34.2 million in the nine months to May 31, 2014, to £37.6 million in the nine months to May 31, 2015, which was due to the growth in student enrollment particularly in Asia, where we experienced an increase in enrollments following the completion of the phase II of the Stamford American International School development in August 2014, which added additional capacity of 1,800 students. In addition, net cash inflow from operating activities increased due to an improvement of £9.4 million in negative working capital from £10.8 million in the nine months ended May 31, 2014 to £20.2 million in the nine months ended May 31, 2015. This increase in negative working capital was primarily driven by additional prepaid tuitions fees across the Group associated with increased student enrollments, partially offset by additional prepaid rent.

Net cash inflow from operating activities increased by £8.1 million, or 21.7%, from £37.3 million in the fiscal year ended August 31, 2013 to £45.4 million in the fiscal year ended August 31, 2014, primarily due to a £20.7 million increase in net cash inflow from operating activities less movements in working capital from £21.5 million in the fiscal year ended August 31, 2013 to £42.2 million in the fiscal year ended August 31, 2014, which was driven by a one-off £13.8 million payment in the fiscal year ended August 31, 2013 relating to settlement of a currency swap that matured in November 2012 and to growth in student enrollment. Net cash inflow from operating activities was adversely impacted by lower growth in negative working capital which decreased by £12.6 million from £15.8 million in the fiscal year ended August 31, 2013 to £3.2 million in the fiscal year ended August 31, 2014. This decrease was due to a smaller growth in the prepaid tuition fees, compared to the previous years where invoicing cycles had been brought forwards along with increases in prepaid expenses related to the preliminary costs incurred for the early years facilities in Singapore.

Net cash inflow from operating activities increased by £0.7 million, or 1.9%, from £36.6 million in the fiscal year ended August 31, 2012 to £37.3 million in the fiscal year ended August 31, 2013, reflecting a £0.7 million decrease in net cash inflow from operating activities less movements in working capital from £22.2 million in the fiscal year ended August 31, 2012 to £21.5 million in the fiscal year ended August 31, 2013, which was due to a one-off £13.8 million payment in the fiscal year ended August 31, 2013 relating to settle of a currency swap that matured in November 2012, partially offset by positive growth in student enrollment. In addition, net cash inflow from operating activities increased due to an increase of £1.4 million in negative working capital from £14.4 million in the fiscal year ended August 31, 2012 to £15.8 million in the fiscal year ended August 31, 2013. This increase in negative working capital was primarily due to an increase in our prepaid tuitions fees across the Group, particularly in Asia due to the opening of the phase I campus of the Stamford American International School and changes to invoicing dates in a number of schools.

*Net Cash Outflow from Returns on Investments and Servicing of Finance*

Net cash outflow from returns on investments and servicing of finance decreased by £0.1 million, or 0.7%, from £13.8 million in the nine months ended May 31, 2014 to £13.7 million in the nine months ended May 31, 2015, which represented interest paid of £14.6 million less interest received of £0.9 million. The increase in interest payments in the period was primarily driven by additional debt in Thailand offset by lower interest payments due to lower interest rates in the United Kingdom and Spain.

Net cash outflow from returns on investment and servicing of finance decreased by £1.0 million, or 5.4%, from £18.5 million in the fiscal year ended August 31, 2013 to £17.5 million in the fiscal year ended August 31, 2014, which represented interest paid of £18.5 million less interest received of £1.0 million. The decrease resulted from lower interest paid on our fixed interest hedge instrument in connection with our debt facility in the United Kingdom which had a full year impact in the fiscal year ended August 31, 2014.

Net cash outflow from returns on investment and servicing of finance decreased by £2.4 million, or 11.5%, from £20.9 million in the fiscal year ended August 31, 2012 to £18.5 million in the fiscal year ended August 31, 2013, which represented interest paid of £19.4 million less interest received of £0.9 million. The decrease was associated with lower interest rates in connection with our debt facility in the United Kingdom in the fiscal year ended August 31, 2013 compared to the prior fiscal year.

Net cash outflow from returns on investment and servicing of finance was £20.9 million in the fiscal year ended August 31, 2012, which represented interest paid of £21.3 million less interest received of £0.4 million.

*Net Cash Outflow from Capital Expenditure*

Net cash outflow from capital expenditure decreased by £9.8 million, or 21.9%, from £44.8 million in the nine months ended May 31, 2014 to £35.0 million in the nine months ended May 31, 2015. This decrease was primarily driven by the completion of the phase II development in Stamford American International School in August 2014 and the resulting lower cash outflow in the nine months ended May 31, 2015. The decrease in the nine months ended May 31, 2015, was partially offset by the commencement of the development of the early learning facility in Singapore.

Net cash outflow from capital expenditure increased by £10.1 million, or 20.9%, from £48.3 million in the fiscal year ended August 31, 2013 to £58.4 million in the fiscal year ended August 31, 2014. This was primarily due to an increase in the cash outflow in relation to the completion of the phase II development of the Stamford American International School in the fiscal year ended August 31, 2014, which required capital expenditures to furnish the new buildings and to purchase other equipment prior to completing this development.

Net cash outflow from capital expenditure increased by £3.6 million, or 8.1%, from £44.7 million in the fiscal year ended August 31, 2012 to £48.3 million in the fiscal year ended August 31, 2013. We incurred increased capital expenditures in the fiscal year ended August 31, 2013 as a result of an increase of £2.8 million in cash outflow with respect to the United Kingdom compared to the previous year. In the fiscal year ended August 31, 2013, we commenced the phase II development of the Stamford American International School with a cash outflow of £29.9 million.

***Capital Expenditures***

Our capital expenditures relate to a combination of development capital expenditures and operating capital expenditures.

The following table presents our capital expenditures during the periods indicated:

| | Fiscal Year Ended August 31, | | | Nine Months Ended May 31, | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | (£ in millions) | | | | |
| **Capital expenditure:**[(1)] | | | | | |
| Development capital expenditure[(2)] | 43.0 | 31.9 | 43.2 | 31.8 | 21.5 |
| Operating capital expenditure[(3)] | 11.4 | 13.8 | 15.2 | 7.0 | 7.5 |
| **Total capital expenditure additions** | **54.4** | **45.7** | **58.4** | **38.8** | **29.0** |
| Movement on capex accruals | (8.5) | 2.6 | — | 6.0 | 6.0 |
| Cash proceeds from disposal of fixed assets | (1.2) | — | — | — | — |
| **Net cash outflow from capital expenditure** | **44.7** | **48.3** | **58.4** | **44.8** | **35.0** |

(1) We track the amount of capitalized operating capital expenditure and development capital expenditure in our management information from a balance sheet perspective. We have used this information to present operating capital expenditure and development capital expenditure in this Offering Memorandum. Our cash flow information only reflects our aggregate capital expenditure.

(2) Development capital expenditure represents investments made to expand capacity at our schools and/or for the construction and development of other facilities which do not directly result in capacity expansion.

(3) Operating capital expenditure represents investments made to maintain our equipment and facilities to ensure compliance with applicable regulations and to improve our teaching and learning infrastructure. This includes the ongoing replacement and upgrading of fixtures and fittings and IT equipment, including computers and laptops.

We intend to fund capital expenditure to the extent possible with existing cash and operating cash flow. We expect our capital expenditure in the fiscal years ending August 31, 2015 and 2016 to be in the range of £45 million to £50 million in the fiscal year ending August 31, 2015 and £60 million to £70 million in the fiscal year ending August 31, 2016. Such capital expenditure will be made primarily in relation to the construction of a dedicated early learning facility in Singapore, with an estimated cost of approximately £100 million that is scheduled to open in August 2017. In May 2015, we entered into a prepaid lease of the land on which we intend to develop our early learning facility in Singapore. We have also entered into an agreement with a contractor for the design and construction of this facility. Under this agreement, the contractor is required to construct the facility, in line with the agreed design specifications, on a guaranteed maximum price basis and within the timeframe as set out within the agreement. For the development of our early learning facility in Singapore, we have already incurred £12 million of the estimated £100 million cost as of May 31, 2015 and expect that the total capital expenditure for this project in the fiscal year ending August 31, 2015 will be £14 million. In addition, we expect to incur an additional £27 million in the fiscal year ending August 31, 2016 and the balance to be incurred in the following fiscal year.

Our other capital expenditures in the fiscal years ending August 31, 2015 and 2016 will relate to maintenance capital expenditures and other development projects.

### Contractual Obligations

The following table shows our contractual commitments as of May 31, 2015, after giving effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom as if it had occurred on May 31, 2015:

| | Up to one year | One to five years | More than five years | Total |
|---|---|---|---|---|
| | | (£ in millions) | | |
| Obligations from operating leases[1] | 7.1 | 23.2 | 78.1 | **108.4** |
| Finance leases | 0.2 | 0.7 | 0.6 | **1.5** |
| Development contracts[2] | 16.5 | 61.3 | — | **77.8** |
| Notes offered hereby | — | — | 280.0 | **280.0** |
| Deferred consideration[3] | — | 8.6 | — | **8.6** |
| Local Facilities[4] | 5.2 | 16.0 | 20.3 | **41.5** |
| **Total** | **29.0** | **109.8** | **379.0** | **517.8** |

(1) Obligations from operating leases represent obligations under various long-term operating leases entered into in connection with our schools, a large proportion of which are in connection with school property rentals. Our operating leases are payable at market rates. The amounts set forth above are based on commitments under our lease agreements which are at variance from the manner in which they are calculated in our financial statements.

(2) Primarily relates to the development contract for the early years facility in Singapore, which is due to open in August 2017.

(3) Represents deferred consideration in connection with the acquisition of Escola Cidade Jardim—PlayPen Limitada, Gaylussac Empreendimentos Educacionais Limitada and GRS2 Empreendimentos Imobiliarios S/A ("*GRS2 SA*").

(4) Represents total borrowings under our Local Facilities. For the purposes of this presentation, we have assumed that the Revolving Credit Facility will remain undrawn.

### Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various types of market risk, including changes in interest rates with respect to our Local Facilities, the Revolving Credit Facility and foreign exchange rates, in the ordinary course of business. We face foreign exchange risk to the extent that our revenue, costs, assets and liabilities are denominated in currencies other than the pound sterling. Our interest rate risk arises from changes in interest rates with respect to our Local Facilities, which may affect our costs of borrowing under such facilities. We do not hold or issue derivative or other financial instruments for trading purposes.

#### *Foreign Currency Risk*

We have significant and expanding international operations trading in non-pound sterling currencies. Movements in global exchange rates can cause currency fluctuations to our consolidated pound sterling financial results. The percentage of our Adjusted EBITDA realized in pound sterling has decreased from 42% in the fiscal year ended August 31, 2012 to 26% in the fiscal year ended August 31, 2014. The percentage of Adjusted EBITDA realized in Singapore dollars increased from 42% in the fiscal year ended August 31, 2012 to 44% in the fiscal year ended August 31, 2014. On July 1, 2013, the operating currency of our Vietnamese schools changed from the U.S. dollar to the Vietnamese dong due to a change in Vietnamese currency control regulations.

If the pound sterling had weakened by 5% against the Singapore dollar with all other variables held constant, our post-tax loss would have remained relatively stable for the three fiscal years ended August 31, 2012, 2013 and 2014, mainly due to our two debt facilities denominated in Singapore dollars and our Asia regional office being a Singapore dollar denominated entity.

Our schools hold significant non-pound sterling cash balances in overseas operations which arise from tuition fee income and which represent a combination of negative working capital and trading profits. These balances are held in operations which include countries where exchange control restrictions, withholding taxes and other restrictions may prevent full repatriation of funds to the United Kingdom. We utilize these funds through a combination of reinvestment in the expansion or improvement of existing overseas operations or by repatriation to the United Kingdom through management charges and dividends. Through these means we believe that satisfactory distribution of these funds can be achieved.

Following the Refinancing Transactions, we may enter into foreign currency swaps with respect to the Notes.

### *Interest Rate Risk*

Historically, during the period under review, we have engaged in interest rate hedging in relation to our existing credit facilities. Following the Refinancing Transactions, our indebtedness and other debt arrangements will be primarily comprised of the Notes (which will have a fixed interest rate) and the Local Facilities and the Revolving Credit Facility (which borrowings have or will have a variable rate of interest). We intend to retain our interest rate swap with respect to our GayLussac Brazilian Local Facilities. However, we do not intend to enter into any interest rate hedging arrangements with respect to the Notes.

## Off-Balance Sheet Arrangements

As of May 31, 2015, our off-balance sheet arrangements comprised of liabilities related to interest rate swaps with respect to our financing arrangements. As part of the Refinancing Transactions, we will terminate the interest rate swaps related to the Refinanced Credit Facilities. Our interest rate swap in connection with the GayLussac Brazilian Local Facilities will remain outstanding following the Refinancing Transactions.

## Critical Accounting Policies

Critical accounting policies are those that require application of our management's most difficult, subjective or complex judgments often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments.

We have described below the critical accounting policies that our management believes are the most significant judgments and estimates used in the preparation of our consolidated financial statements.

### *Turnover*

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

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

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

#### *Tuition fees*

Tuition fees are recognized straight line over a twelve month period from the first month in which the day of the commencement of the school year occurs. The date of commencement of the school year varies between the countries in which the group operates as does the structure and length of school terms. The recognition of tuition fees over twelve months is consistent across the Group, on the basis that this is in line with the period over which service is delivered. Management's judgment is that service provision includes delivery of learning in classrooms during term time, and also preparatory work undertaken by the school outside of term time which is directly linked to the educational experience of a student.

Where tuition fees are received in advance of the service delivery, these fees are deferred on the balance sheet and released to the profit and loss account on a monthly basis in line with the service provision.

Direct costs related to the generation of tuition turnover are recognized on a consistent basis with the related fee.

*Development/Facility fees*

This fee is an upfront fee charged by a number of schools as a right of access. These fees are paid to us when a student joins the relevant school and are generally non-refundable under our policy. Our revenue is recognized over the expected average tenure of the student within the school. The expected average tenure is considered on a school-by-school basis and is reconsidered on an annual basis.

*Other revenue*

All other revenue streams are recognized straight line over the period of the service provision and are explained in more detail in the accounting policy within the interim Group financial statements.

***Impairments***

Goodwill is assessed for impairment at the end of the first full fiscal year after acquisition and subsequently if events or changes in circumstances may indicate that the carrying amount of the goodwill may not be recoverable. The recoverable amount is deemed to be the higher of net realizable value and value in use.

Value in use calculations require management judgment and estimation to determine the amount and timing of future cash flows expected and in order to select and apply an appropriate discount rate. Management's estimation of cash flows is based upon the current budgets and forecasts which are established using managements best estimates of the likely outcome. The estimation of discount rate is considered on a case by case basis using a number of different methodologies which consider current market assessments of the time value of money and the risks specific to the relevant income generating unit.

Changes in management's estimation could lead to revised cash flows or discounts which could significantly impact the impairment charge recognized in the profit and loss account.

***Taxation***

We are subject to income taxes in the countries in which we operate. In the ordinary course of business, Group companies may be subject to tax audits in these jurisdictions. The income tax liabilities recognized in relation to any tax audits is based on management's assessment of the likely outcome of the tax audit given past experience, advice from local tax accountants and the interpretation of local tax legislation. To the extent the final outcome of a tax audit is different from the liabilities recognized, any differences will affect the income tax and deferred tax expense in the period in which the final assessment is made.

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

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

***Share-based Payments***

In accordance with relevant U.K. GAAP accounting standards, share-based payments are measured at fair value at the date of grant. Due to the complex features of the awards, the fair value of these shares at the grant date has been derived using a Monte Carlo valuation model. The application of this model requires a number of assumptions to be made based on factors outside the Group's control, including vesting period, annual employee exit rate, risk free rate of return and future volatility rate.

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. A change in the assumptions used to generate the Monte Carlo valuation output could lead to a material change in the calculated fair value of the shares and subsequently the expense recognize in the profit and loss account.

*Recoverability of trade debtors*

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

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

Due to the use of estimations, sometimes there will be a difference between amounts collected in future periods related to fees receivable recognized at the balance sheet date. The difference between the carrying amount of the fee receivable on the balance sheet and the amount actually collected in a future period is recognized in the consolidated profit and loss account.

**Expected Conversion to IFRS**

Commencing with the fiscal year ending August 31, 2015, we intend to prepare our financial statements in accordance with IFRS. We have not included financial information prepared in accordance with IFRS in this Offering Memorandum. Our historical consolidated financial information appearing elsewhere in this Offering Memorandum has been prepared in accordance with U.K. GAAP. We have not prepared our financial statements in accordance with, nor have we reconciled our financial statements to IFRS. Therefore, we are unable to identify or to quantify any changes to our historical financial position, operating results or cash flows under IFRS. There may be significant differences in our reported results under IFRS compared to our historical financial information prepared under U.K. GAAP.

Our work with respect to the IFRS conversion for the fiscal year ending August 31, 2015 is ongoing and has yet to be audited. However, we expect that the following line items in our consolidated profit and loss account and/or our consolidated balance sheet will be materially impacted by our conversion from U.K. GAAP to IFRS. Given the preliminary nature of the work we have completed to date, we may identify other material changes in the course of completing our IFRS conversion and audit for the fiscal year ending August 31, 2015:

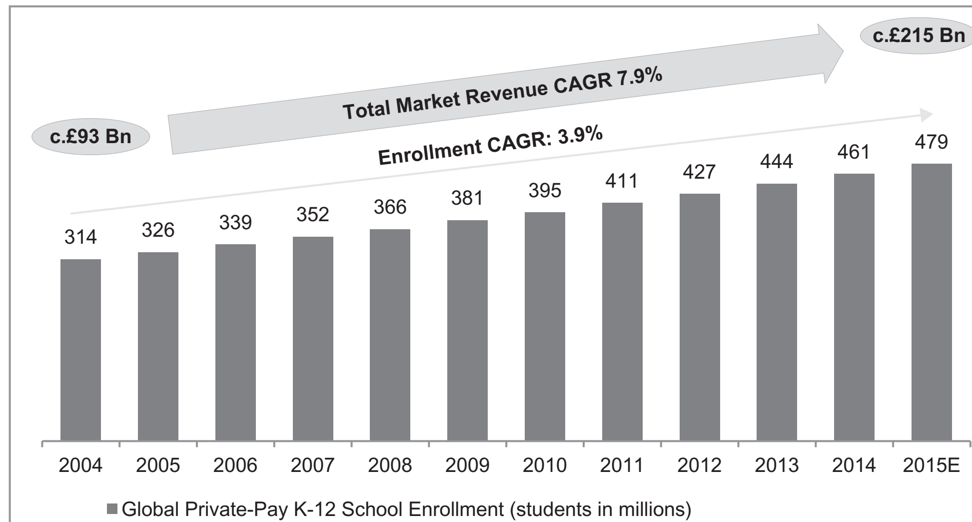
- Under IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (including the building of a new facility) are required to be capitalized as part of the cost of that asset and depreciated with the capitalized asset. Under U.K. GAAP, these costs are expensed to the profit and loss account as an interest expense.
- Under IFRS, goodwill is not amortized but is reviewed annually for impairment. Goodwill will be included on the opening IFRS balance sheet at the carrying value of goodwill on the U.K. GAAP balance sheet, upon transition to IFRS. Therefore the amortization charge recognized under U.K. GAAP in the fiscal year ended August 31, 2014 will not be charged through the profit and loss account under IFRS.
- Under IFRS, costs relating to business combinations are expensed to the income statement. Under U.K. GAAP, these amounts are held on the balance sheet as prepaid investment costs and subsequently capitalized as part of the cost of investment, when an acquisition takes place.
- Under IFRS all guaranteed rent increases and lease incentives must be spread over the full life of the lease. U.K. GAAP requires incentives to be spread evenly over the period to the first break clause in the lease and rent increases are generally expensed when incurred.
- Under IFRS, derivatives are recognized on the balance sheet at fair value, with any gains or losses being reported in profit or loss. All liabilities associated with fixed interest derivatives will be brought onto the balance sheet at conversion.
- A provision relating to lease dilapidations was not recognized in the U.K. GAAP financial statements but is required for IFRS.
- Upon transition to IFRS, the exchange reserve in the opening balance sheet will be reset to nil. Furthermore, the IFRS adjustments recognized in the fiscal year ended August 31, 2014 caused changes in overseas profit and loss accounts and balance sheets which lead to an adjustment in the annual foreign exchange reserve movement upon retranslation for IFRS purposes.

## The Private-Pay K-12 Education Market

### *Large, Growing and Fragmented Global Private-Pay K-12 Education Market*

Private-pay K-12 education provides parents and students with an alternative to public education. The global private-pay K-12 education market is a large, growing and fragmented market. Parthenon estimates, using the Parthenon Methodology, that the global private-pay K-12 education market generated revenues of more than £215 billion in the twelve months ended June 30, 2015 and grew at a CAGR of 7.9% in the period from June 30, 2004 to June 30, 2015, comprising of student enrollment growth at a CAGR of 3.9% over the same period with the remainder attributable to growth in tuition fee levels.

Global Private-Pay K-12 School Enrollment and Revenues



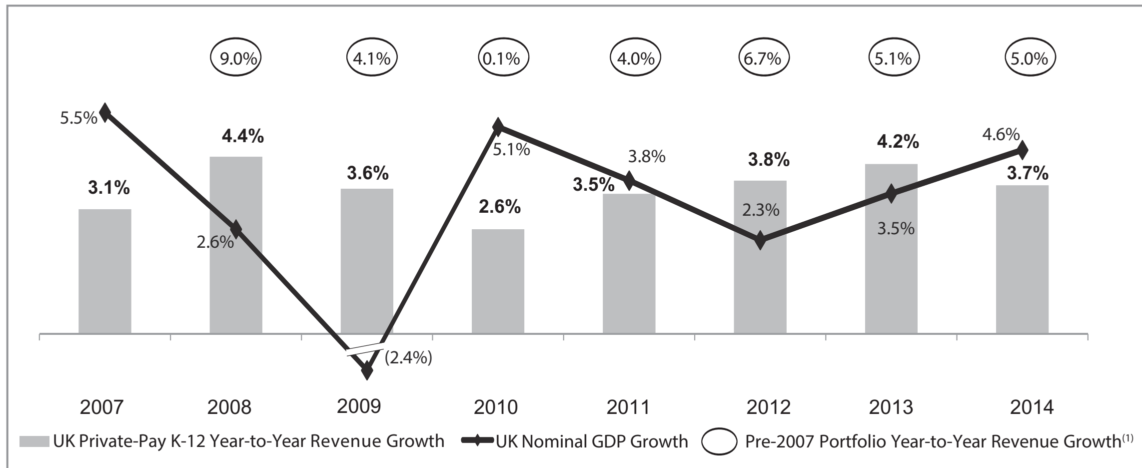

*Source: Parthenon estimates, using the Parthenon Methodology*

We believe that the private-pay K-12 education market is highly fragmented and served by a large number of single-school operators alongside a small number of global multi-school operators, such as Cognita, Nord Anglia, GEMS and Sabis. We believe that the majority of private-pay K-12 schools are operated by single-school proprietors. We believe that in such a highly fragmented market, the scale, expertise, resources and experience of multi-school operators provides them with a competitive advantage over single-school operators in pursuing expansion opportunities.

### *Resilient and Stable through Economic Cycles*

We believe that the private-pay K-12 education market has been resilient through the recent global economic downturn, primarily due to the inelastic nature of demand from parents who view expenditure on their children's education as largely non-discretionary. This resilience can be observed in the United Kingdom, where private-pay K-12 education market revenues increased each year between 2007 and 2014, despite the challenging economic conditions caused by the global financial crisis. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues for between June 30, 2007 and June 30, 2015 was 3.7%, which exceeded the United Kingdom nominal GDP average annual growth rate of 3.1% during the same period according to IHS.

UK Private-Pay K-12 Education Revenue and UK Nominal GDP Growth

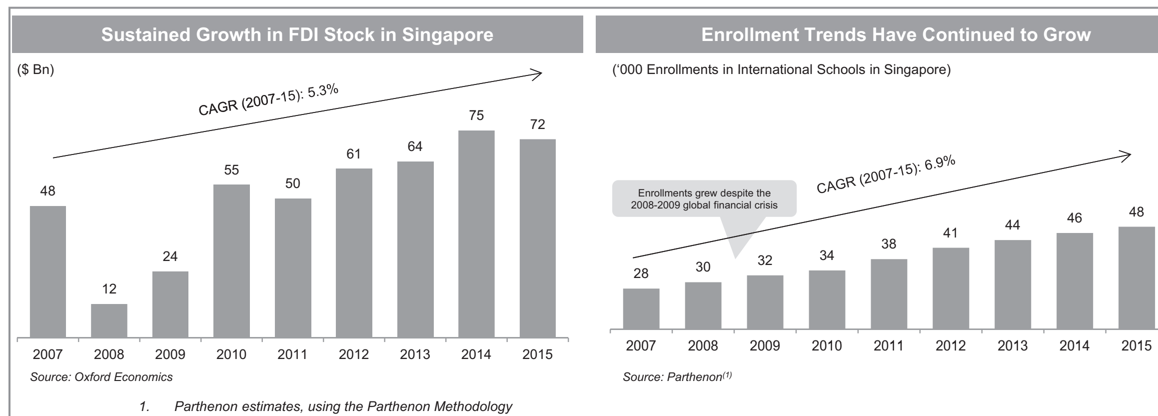



*Source: IHS, Parthenon and Company Information*(2)

(1) A school is included in the Pre-2007 Portfolio Year-to-Year Revenue Growth if it has been owned by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2014. This excludes schools that were acquired or disposed of at any time after August 31, 2006.

(2) UK Private-Pay K-12 Year-to-Year Revenue Growth is based on a June 30 year-end, UK Nominal GDP Growth is based on calendar years and our Pre-2007 Portfolio Year-to-Year Revenue Growth is based on our August 31 fiscal year-end.

This resilience can also be observed in Singapore where enrollment has increased in each year between 2007 and 2015, despite the global financial crisis and a substantial decline in FDI in 2008 and 2009:




Moreover, in Spain, which also experienced challenging economic conditions caused by the global financial crisis, Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues between June 30, 2010 and June 30, 2015 was 3.9%.

## Demand and Supply Drivers

We believe that the private-pay K-12 education market is supported by sustainable structural demand and supply drivers, particularly given the highly fragmented nature of the industry and significant barriers to entry.

### *Demand Drivers*

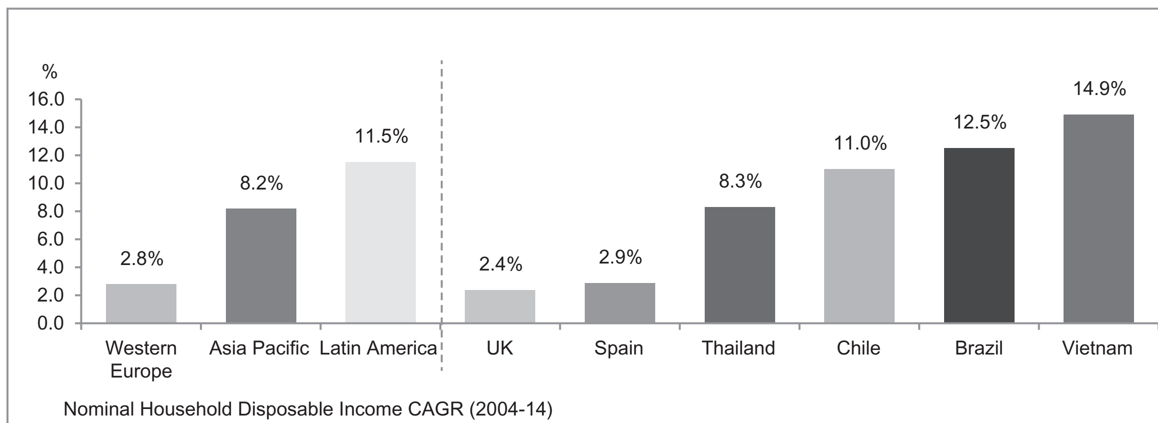
*Local Student Population*

Across both developed and emerging markets, local student population demand for private-pay K-12 education has been growing. We believe that this growth has been driven by several structural factors:

*Increases in Household Disposable Incomes*

In a given market, increases in household disposable income makes private education more affordable for an increasing number of families in such market. As illustrated in the chart below, many of the markets in which we operate have experienced significant growth in household disposable incomes.

Historical Growth in Household Disposable Income (2004-2014 CAGR)




*Source: IHS*

*Greater Parental Aspirations*

We believe that parents generally seek to provide their children with access to high-quality education that will help drive the best possible outcome for their children. In addition, we believe that parents in the emerging markets in which we operate particularly value education. Based on our experience, academic excellence is a key factor parents consider when making education choices.

*Expatriate Student Population*

*A Growing Global Expatriate Population*

Globalization has led to an increase in FDI and expatriate populations across the regions where we target expatriate students. Annual growth in FDI between 2010 and 2015 in Singapore, Vietnam, Thailand and Spain was 5.3%, 5.7%, 9.7% and (0.1%), respectively, and between 2015 and 2020 is projected to be 7.6%, 8.8%, 4.1% and 2.5% respectively according to Oxford Economics, and we expect this continued growth in FDI to result in growth in expatriate populations in these countries. We believe that expatriates prioritize quality and continuity of education for their children and seek schools that provide a similar curriculum and academic standards as schools in their home country. We expect demand from expatriate families to increase as the number of expatriates grows in the international regions in which we operate.

*Employer Support for Education Spend*

Many employers support expatriate education expenditure, which often takes the form of reimbursements to parents for tuition fees, direct payment of fees to educational institutions or lump sum payments that parents can use to pay tuition fees if they so choose. This employer support drives demand for high-quality education by improving the affordability of private-pay K-12 education for expatriate families.

*Governments Support for International Education*

In the international markets in which we operate, governments have generally been supportive of, and have encouraged the expansion of, international education within their borders. We believe that these governments support international education, in part, because high-quality international education supports expatriate families and FDI growth.

*Demand for English Language Education*

Due to the continued increase in importance of the English language in non-English speaking countries, we believe that parents in these markets consider the quality of English teaching to be an important criterion when choosing a school. Attending schools that teach in English better prepares children for post-secondary education at universities that teach primarily in English. We believe parents increasingly emphasize the pursuit of education in highly ranked universities, many of which are located in English-speaking countries, as one of the paths to a successful career, and obtaining quality primary and secondary education in English enhances the likelihood of admission to and success at these top universities.

The growing demand for English language proficiency translates directly into increasing demand for private-pay K-12 international and bilingual schools, where English is used extensively as the medium of instruction by native English-speaking teachers. The English language learning environment distinguishes these schools from other alternatives.

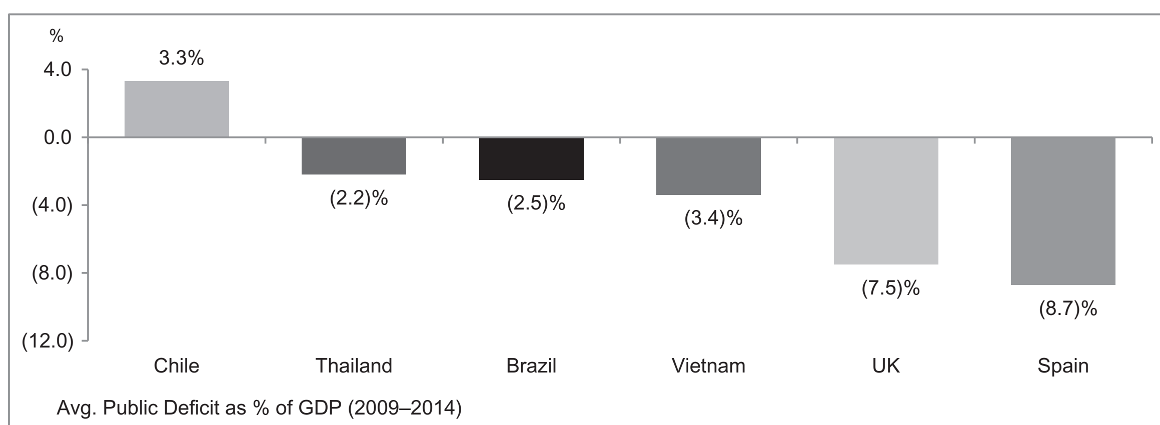
In addition to providing greater educational opportunities, we believe that proficiency in English provides students with broader professional opportunities, particularly in English-speaking countries or in countries where English is widely spoken, which provides the potential for higher earnings.

***Supply Drivers***

*Limited Investment in Capacity*

Investment in new or expanded capacity at public and single-operated private-pay K-12 schools in most of the countries in which we operate has not kept pace with the increasing demand for quality education. Public schools often face funding pressures. In the countries in which we operate, we believe the majority of government funding is spent on teacher salaries, other current expenses and maintenance capital expenditures, with limited remaining funding available for capacity expansion. More recently, ongoing public deficits and high levels of public debt in certain of the countries in which we operate have further limited the prospects of major capacity additions or substantive quality improvements and, in some cases, may have resulted in budgetary cuts for these public school systems.

Public Deficit in Our Markets




*Source: IHS*

We believe the vast majority of single-school private-pay K-12 operators are resource constrained in terms of management and/or financing required to fund capacity expansion. Historically, many of these operators have not increased capacity even when demand in their markets has exceeded supply. We believe this creates significant and attractive opportunities for multi-school operators to expand capacity and deliver high-quality education and school facilities.

*Limited Number of Multi-School Operators Offering International Curricula*

We believe that quality of education is a key factor impacting expatriate demand for private-pay K-12 education. Additionally, when governments or regulators, such as in Singapore, plan capacity expansion for private-pay K-12 international curriculum education, they generally expect operators to have a strong reputation and to be able to demonstrate their scale and ability to finance such expansion as well as a proven track record of meeting demand for private-pay K-12 international curriculum education. As there are a limited number of multi-school operators with global scale, there are limited potential partners that can work with governments and regulators to achieve desired capacity expansion.

***High Barriers to Entry***

The private-pay K-12 education industry has high barriers to entry, which make it challenging for new entrants to compete effectively and take market share from incumbents. While there are some variations across countries, these barriers generally include:

- the lead time required to build brand recognition and reputation, both on a local and global basis;
- challenges faced by inexperienced operators in securing government licenses and regulatory approval in many jurisdictions;
- in many markets, the scarcity of real estate in commercially viable areas that can accommodate a sizeable campus with comprehensive and high-quality facilities parents and students expect; and

- the student tenure tendency, where in many jurisdictions students stay enrolled in the same school until they graduate or their parents relocate, which reduces the potential for new entrants to gain meaningful scale by taking market share from reputable incumbents.

**Our Markets**

Founded in 2004 in the United Kingdom, we operate a portfolio of 66 private-pay K-12 schools in seven countries. While still retaining a strong presence and heritage based in the United Kingdom, our main expansion focus is on the emerging markets that we feel offer the most compelling growth opportunities and favorable market dynamics. Over the last ten years, we have gradually expanded from the United Kingdom into Spain and Singapore, before strategically entering other emerging markets in Asia, with acquisitions in Thailand and Vietnam, and more recently Latin America with acquisitions in Brazil and Chile. Each market entry and acquisition is a result of a thorough, rigorous and analytical assessment.

We operate in markets which benefit from increasing average revenue per student and are expected to see continued growth in enrollment and revenues. The table below summarizes the market size in terms of revenue and enrollment for the countries in which we operate:

| Market Size in Terms of Revenue and Enrollments | Market Revenue (£ Bn) June 30, Year End | 5 year CAGR June 30, Year End | Enrollments As of June 30 ('000) | 5 year CAGR June 30, Year End |
|---|---|---|---|---|
| **UK** | | | | |
| 2010 | 6.5 | N/A | 617 | N/A |
| 2015 | 7.8 | 3.8% | 619 | 0.1% |
| 2020 | 9.5 | 4.0% | 629 | 0.3% |
| **Spain** | | | | |
| 2010 | 1.3 | N/A | 2,147 | N/A |
| 2015 | 1.5 | 3.9% | 2,243 | 0.9% |
| 2020 | 1.7 | 2.7% | 2,245 | 0.0% |
| **Singapore** | | | | |
| 2010 | 0.3 | N/A | 34 | N/A |
| 2015 | 0.6 | 15.4% | 48 | 7.2% |
| 2020 | 0.9 | 9.5% | 65 | 6.4% |
| **Thailand** | | | | |
| 2010 | 0.7 | N/A | 2,364 | N/A |
| 2015 | 1.0 | 7.4% | 2,751 | 3.1% |
| 2020 | 1.3 | 6.5% | 3,078 | 2.3% |
| **Brazil** | | | | |
| 2010 | 7.5 | N/A | 7,560 | N/A |
| 2015 | 13.6 | 12.5% | 9,386 | 4.4% |
| 2020 | 21.3 | 9.5% | 10,723 | 2.7% |
| **Chile** | | | | |
| 2010 | 1.4 | N/A | 2,091 | N/A |
| 2015 | 1.9 | 5.9% | 2,221 | 1.2% |
| 2020 | 2.6 | 6.5% | 2,437 | 1.9% |

*Source: Parthenon estimates, using the Parthenon Methodology. Vietnam excluded due to lack of available information from Parthenon*

Our strategy and offerings in each market are tailored to local market conditions. This enables us to target the most relevant and attractive growth opportunities while retaining consistent focus on delivery of academic quality and outcomes. We summarize some of the key characteristics in our markets below.

***Europe***

*United Kingdom*

According to Parthenon estimates, the private-pay K-12 education market in the United Kingdom generated revenues of approximately £7.8 billion, with approximately 619,000 students. Parthenon expects, using the Parthenon Methodology, the enrollments in private schools to grow at an annual growth rate of 0.3% to reach approximately 629,000 by June 30, 2020, generating revenues of £9.5 billion.

The United Kingdom has a long history of private-pay K-12 schools. Private-pay K-12 education provides parents an alternative to state schools, which have been affected by austerity and limited capacity expansion.

While a majority of private-pay K-12 schools in the United Kingdom offer the British national curriculum, several private-pay K-12 schools offer non-British international curricula, especially in regions with sizeable expatriate populations, such as London. Our schools in the United Kingdom, with the exception of Southbank International School, cater primarily to local families and offer the British national curriculum.

*Spain*

According to Parthenon estimates, the private-pay K-12 education market in Spain generated revenues of approximately £1.5 billion, with approximately 2,243,000 students. Parthenon expects, using the Parthenon Methodology, the enrollments in private schools to reach approximately 2,245,000 by June 30, 2020, generating revenues of £1.7 billion. Demand for private-pay K-12 schools in Spain comes from both local and expatriate families.

According to the Spanish Ministry of Education, a majority of the private-pay K-12 schools in Spain operated on a "concerted" basis in the academic year 2012-2013, where a large portion of the fees and expenses were subsidized by the government and offer Spanish curriculum, while the remaining private-pay K-12 schools operate on a "fully private-pay" basis where fees are paid solely by parents and offer Spanish, International and bilingual curricula.

Our schools in Spain operate solely on a "fully private-pay" basis and offer the British curriculum, which is supplemented with the Spanish national curriculum.

***Asia***

*Singapore*

According to Parthenon estimates, the private-pay K-12 education market in Singapore generated revenues of approximately £600 million, with approximately 48,000 students. Parthenon expects, using the Parthenon Methodology, the enrollments in private schools to grow at an annual growth rate of 6.4% to reach approximately 65,000 by June 30, 2020, generating revenues of £945 million.

The Singapore private-pay K-12 education market is an attractive, large and well-developed market for international schools. The international schools in this market primarily cater to expatriate families, as regulations prohibit Singaporean nationals from attending international schools. Our schools in Singapore cater exclusively to expatriate families in line with government regulation and offer Australian, IB and American curricula.

Singapore has historically witnessed strong growth in FDI. This increase in FDI has coincided with growth in private-pay K-12 enrollments. FDI in Singapore is forecasted to grow at an estimated annual growth rate of 7.6% from 2015 to 2020, according to Oxford Economics. We expect this projected increase in FDI to lead to further growth in enrollments in private-pay K-12 schools in Singapore.

*Vietnam*

We believe that the Vietnamese private-pay K-12 education market is an attractive and fast growing market. Within the Vietnamese market, Ho Chi Minh City is the largest and most important sub-market for private-pay K-12 education. Vietnamese nationals are only permitted to attend international curriculum schools subject to certain limitations. The market for international curricula education is driven by a mix of expatriates and local families. Demand for private-pay K-12 education in Vietnam is supported by the growing importance of English language proficiency. Our schools in this market cater to a combination of local and expatriate families and offer American and IB curricula.

*Thailand*

According to Parthenon estimates, the private-pay K-12 education market in Thailand generated revenue of approximately £1.0 billion, with approximately 2,751,000 students. Parthenon expects, using the Parthenon Methodology, the enrollments in private schools to grow at an annual growth rate of 2.3% to reach approximately 3,078,000 by June 30, 2020, generating revenues of £1.3 billion. Enrollments in these markets are driven by a mix of expatriates and local families. The Thailand private-pay K-12 education market comprises of local and international schools, with local schools accounting for the largest proportion. Our schools in this market operate as international schools, cater to a combination of local and expatriate families and offer British and IB curricula.

***Latin America***

*Brazil*

According to Parthenon estimates, the private-pay K-12 education market in Brazil generated revenues of approximately £13.6 billion, with approximately 9,386,000 students. Parthenon expects, using the Parthenon

Methodology, the enrollments in private schools to grow at an annual growth rate of 2.7% to reach approximately 10,723,000 by June 30, 2020, generating revenues of £21.3 billion. Brazil is one of the largest markets for private-pay K-12 schools in Latin America. Demand for private-pay K-12 education in Brazil is supported by the growing importance of English language proficiency. The Brazil private-pay K-12 education market comprises of local, international and bilingual schools, with local schools accounting for the largest proportion. Our schools in this market operate as bilingual schools, cater primarily to local families and offer the Brazilian curriculum in both Portuguese and bilingual formats, which is based on the Brazilian national curriculum, responding to market demand for English language education.

*Chile*

According to Parthenon estimates, the private-pay K-12 education market in Chile was approximately £1.9 billion with approximately 2,221,000 students. Parthenon expects, using the Parthenon Methodology, the enrollments in private schools to grow at an annual growth rate of 1.9% to reach approximately 2,437,000 by June 30, 2020, generating revenues of £2.6 billion. The Chile private-pay K-12 education market comprises of private subsidized and fully private schools, with private subsidized schools accounting for the largest proportion. Our schools in this market operate as fully private schools, cater to local families and offer the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum.

## BUSINESS

### Overview

We are a leading global operator of private-pay K-12 schools. As of May 31, 2015, we operated 66 schools across Asia, Europe and Latin America with an average total capacity of 38,068 places and a total average enrollment of 31,018 FTE students. Since August 31, 2012, our total capacity has increased by 70.0% and our total enrollment has increased by 72.8%. For the twelve months ended May 31, 2015, our Group turnover and share of joint ventures and *Pro forma* Adjusted EBITDA were £289.6 million and £56.2 million, respectively.

We offer a wide and diverse range of curricula across regions to appeal to both local and expatriate populations, including: the British curriculum, which is based on the standardized national curriculum for England, Wales and Northern Ireland and which, with respect to our Spain segment, is supplemented with the Spanish national curriculum; the International Baccalaureate ("*IB*"), a prestigious and rigorous internationally recognized diploma program; the American curriculum (American Education Reach Out standard, Massachusetts state standards and the New York state standards); the Australian national curriculum; the Brazilian (bilingual) curriculum, which is based on the Brazilian national curriculum; and the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum.

We operate in both developed and developing markets and our success in increasing enrollment reflects the underlying strength and favorable dynamics of these markets. The developed markets in which we operate, including the United Kingdom, are characterized by stable market fundamentals, including a large middle class and a strong private school presence. Our success in the developing markets in which we operate is based on the sizeable pools of expatriate families in these markets and the increasing wealth among local families, each of whom value and demand high quality education for their children. Substantially all of our revenues are from private pay sources without exposure to changes in government funding. In addition, we believe that, throughout our organization, we benefit from our established reputation for providing academic excellence, high quality teachers and appealing school facilities.

Our educational philosophy of "Teaching Excellence" lies at the core of each of our schools' unique value proposition and sets the standards by which we operate and further develop our schools. We place significant emphasis on delivering individualized teaching and learning and providing exceptional student outcomes, irrespective of students' individual abilities. The majority of our schools follow a non-selective admissions policy and we seek to support each student in achieving outcomes to the best of his or her ability through our commitment to high standards in all aspects of teaching, care and school management. We strengthen this approach by setting individualized learning goals which provide the right level of challenge and support for growing minds and by implementing processes for regularly tracking and benchmarking student attainment.

We organize our business into the following segments:

***United Kingdom***. We operate 43 schools in the United Kingdom. This segment accounted for £132.7 million or 45.8% of our Group turnover and share of joint ventures, £21.1 million or 35.3% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 15.9% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 10,766 average FTE students in this segment. The average revenue per FTE student for this segment (including our 50% share of the St Nicholas Joint Venture) was £12,470 per annum for the twelve months ended May 31, 2015.

***Spain***. We operate four schools in Spain. This segment accounted for £21.9 million or 7.6% of our Group turnover and share of joint ventures, £4.3 million or 7.2% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 19.6% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 2,796 average FTE students in this segment. The average revenue per FTE student for this segment was £7,833 per annum for the twelve months ended May 31, 2015.

***Asia***. We operate eight schools in Asia, comprising of two schools in Singapore, three schools in Vietnam and three schools in Thailand. This segment accounted for £104.8 million or 36.2% of our Group turnover and share of joint ventures, £28.0 million or 46.9% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 26.7% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 7,135 average FTE students in this segment. The average revenue per FTE student for this segment was £14,688 per annum for the twelve months ended May 31, 2015.

***Latin America***. We operate 11 schools in Latin America, comprising of two schools in Brazil and nine schools in Chile. This segment accounted for £30.2 million or 10.4% of our Group turnover and share of joint ventures, £6.3 million or 10.6% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 20.9% for the twelve months ended May 31, 2015. For the twelve months ended May 31, 2015, we had 10,321 average FTE students in this segment. The average revenue per FTE student for this segment was £2,926 per annum for the twelve months ended May 31, 2015.

## Our Strengths

### *Attractive Market Fundamentals with Strong Resilience and Sustainable Drivers of Growth*

We operate in the large, growing and fragmented global private-pay K-12 education market. Parthenon estimates, using the Parthenon Methodology, that the global private-pay K-12 education market generated revenues of more than £215 billion in the twelve months ended June 30, 2015 and grew at a CAGR of 7.9% in the period from June 30, 2004 to June 30, 2015, comprising student enrollment growth at a CAGR of 3.9% with the remainder attributable to growth in tuition fee levels.

The private-pay K-12 education market has been resilient through the recent global economic downturn, primarily due to the continuing demand from parents who view expenditure on their children's education as largely non-discretionary. This resilience can be observed in the United Kingdom, where private-pay K-12 education market revenues increased each year between 2007 and 2014, despite the challenging economic conditions caused by the global financial crisis. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues in private-pay K-12 education between June 30, 2007 and June 30, 2015 was 3.7%, which exceeded the United Kingdom nominal GDP average annual growth rate of 3.1% during the same period, according to IHS. Moreover, in Spain, which also experienced challenging economic conditions caused by the global financial crisis, Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues in private-pay K-12 education between June 30, 2010 and June 30, 2015 was 3.9%. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues between June 30, 2015 and June 30, 2020 will be 4.0% and 2.7% for the United Kingdom and Spain, respectively, demonstrating the continued potential for growth in these markets.

In the developing markets in which our schools target local families, we have seen an increase in household disposable income in recent years, which has made private education affordable for an increasing number of families. According to IHS, household disposable income in our markets in Vietnam, Thailand, Brazil and Chile has increased by 14.9%, 8.3%, 12.5% and 11.0%, respectively, from 2004 to 2014. Furthermore, we believe that demand for private education in these regions is supported by the importance which parents and students living in non-English speaking countries place on English language fluency, which, in turn, supports demand for English language or bilingual schools. We believe that these increases in disposable income, combined with the demand for high quality education, are key drivers of growth in student enrollment in private-pay K-12 schools in these markets. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues in private-pay K-12 education between June 30, 2010 and June 30, 2015 for Thailand, Brazil and Chile was 7.4%, 12.5% and 5.9%, respectively, and that between June 30, 2015 and June 30, 2020, these markets will grow by 6.5%, 9.5% and 6.5%, respectively.

The international markets in which we serve expatriate families, including Singapore, Vietnam and Thailand, have experienced strong growth in foreign direct investment ("*FDI*"), with an associated increase in expatriate populations who, we believe, prioritize quality and continuity of education for their children and seek schools that provide a similar curriculum and academic standards as schools in their home countries. Annual growth in FDI between 2010 and 2015 in Singapore, Vietnam and Thailand was 5.3%, 5.7% and 9.7%, respectively, and between 2015 and 2020 is projected to be 7.6%, 8.8% and 4.1%, respectively, according to Oxford Economics. We expect this continued growth in FDI to result in growth in expatriate populations in these countries. Parthenon estimates, using the Parthenon Methodology, that the average annual rate of growth in revenues in private-pay K-12 education between June 30, 2010 and June 30, 2015 for Singapore, where we only cater to expatriate families, was 15.4%, and that between June 30, 2015 and June 30, 2020, it will grow at 9.5% per annum.

In addition, many employers support expatriate education expenditure, which often takes the form of reimbursements to parents for tuition fees, direct payment of fees to educational institutions or lump sum payments that parents can use to pay tuition fees, if they so choose. This employer support drives demand for high-quality education by improving the affordability of private-pay K-12 education for expatriate families.

### *Global Scale and Reputation Provides Significant Competitive Advantages to Capitalize on Growth in Private-Pay K-12 Education*

The global market for private-pay K-12 schools has benefited from sustained growth as the increase in demand from parents for high-quality education for their children has outstripped the supply of quality private-pay K-12 education.

As a result of our significant scale and operational experience, we are better placed to address certain barriers to expanding in existing markets or entering new markets compared to smaller operators, including the requirement for significant financial resources in order to invest in new school facilities or to acquire existing schools, the

need to meet legal, financial and other requirements in securing government licenses and regulatory approvals, the ability to recruit and retain high quality teachers, particularly in expatriate markets, and the tendency of property developers and landlords to prefer operators with a strong track record and financial resources.

The global market for private-pay K-12 education is characterized by high levels of fragmentation. We believe that the majority of private-pay K-12 schools are operated by single-school operators, who lack the competitive advantages of the global platform available to us. Moreover, we believe that many successful not-for-profit and family-owned schools are often motivated by prestige and exclusivity and hence apply selective admissions criteria, limiting the supply in their market. In contrast, our non-selective admissions policy means that we can accept students from a larger applicant pool.

***High Quality Academic Offering with Proven Ability to Deliver Academic Excellence***

We deliver high quality academic offerings across our schools through our focus on teaching excellence, and we operate schools across a broad range of curricula, enabling us to appeal to both local and expatriate populations in diverse markets internationally, and to prepare our students for entry into a broad range of international tertiary educational institutions. Teaching excellence at our schools is supported by:

- *Robust Academic Design*: A majority of our schools operate a non-selective admissions policy and offer curricula aimed at stimulating and challenging our students. Our teachers seek to ensure that every student is supported in achieving outcomes to the best of his or her individual ability. All of our schools are subject to rigorous governance, academic oversight and quality assurance.
- *Individualized Learning:* We focus on individualized learning by setting tailored goals which seek to provide the right level of challenge and support for each student and we underpin this approach with data and processes for benchmarking individual student attainment, predictive tools and tracking.
- *Academic Environment:* We focus on providing an enhanced learning environment and experience for our students, which is supported by our well-invested campuses and facilities. We also offer a broad range of extra-curricular activities to enrich the student experience.
- *High Quality Teaching Staff:* We seek to recruit and retain talented teachers and we have management systems that enable us to maintain a consistently high standard of teaching. Frequent appraisals, lesson observations and external assessments form an integral part of our quality assurance.
- *Focus on Outcomes:* We continuously monitor each school's progress by measuring improvements in academic outcomes and benchmarking of progress across our portfolio of schools.

Our continued focus on teaching excellence has enabled our schools to achieve examination outcomes which are generally well above the relevant national, regional or global averages for each curriculum, for example:

- Over the past three years, our British curriculum schools in our United Kingdom and Spain segments consistently achieved GCSE outcomes significantly above the United Kingdom national average.
- Over the past three years, students at our IB curriculum schools achieved outcomes ahead of the "world points average" despite being non-selective schools, whilst the IB curriculum is, in many cases, offered by selective schools.
- Over the past three years, students at our Australian curriculum school achieved "Australian Tertiary Admission Rank" ("*ATAR*") results above the average in New South Wales.
- Since acquiring our schools in Chile in June 2013, these schools have achieved PSU results (the standardized university examination used in Chile) above the national average.

The high quality academics and student care delivered by our schools are also recognized by external school inspections. As of May 31, 2015, 40% of inspections by Ofsted of our United Kingdom and British curriculum schools worldwide resulted in an overall inspection rating of "outstanding" on all measures and 60% resulted in an overall inspection rating of "good," "good with outstanding features" or "good with satisfactory features," while none have resulted in an overall inspection rating of "satisfactory" or below. This is notably better than the average for English independent schools overall as of March 2015, whereby only 14% were ranked as "outstanding", 61% were ranked as either "good" or "good with outstanding features" and 25% were ranked as "satisfactory" or below. As per the latest inspections prior to our acquisition or the first inspections occurring thereafter of our British curriculum schools worldwide, 2% resulted in an overall inspection rating of "outstanding" on all measures, 90% resulted in an overall inspection rating of "good," "good with outstanding features" or "good with satisfactory features," 5% resulted in an overall inspection rating of "satisfactory" and 3% resulted in an overall inspection rating of "inadequate," demonstrating our ability to improve the quality of our schools over time.

### *Established Operating Platform Enabling Implementation of Global Best Practices*

We employ a systematic approach to student enrollment and retention across our platform. Our focus on student recruitment is facilitated by dedicated in-school admissions and marketing professionals and regional experts. Each school's individual marketing strategy is tailored to the local market and to create awareness among parents of prospective students and build loyalty and advocacy among families of currently enrolled students. Our admissions process is tailored around parent and student interest, with a strong focus on engagement with teachers through school visits. Once enrolled, student retention is a focus for the whole school community, with parent satisfaction regularly monitored through survey programs, the findings of which are used to identify improvement opportunities across our schools. We also continually monitor the number of students who leave our schools and attempt to identify and respond to any issues that influence the level of voluntary churn.

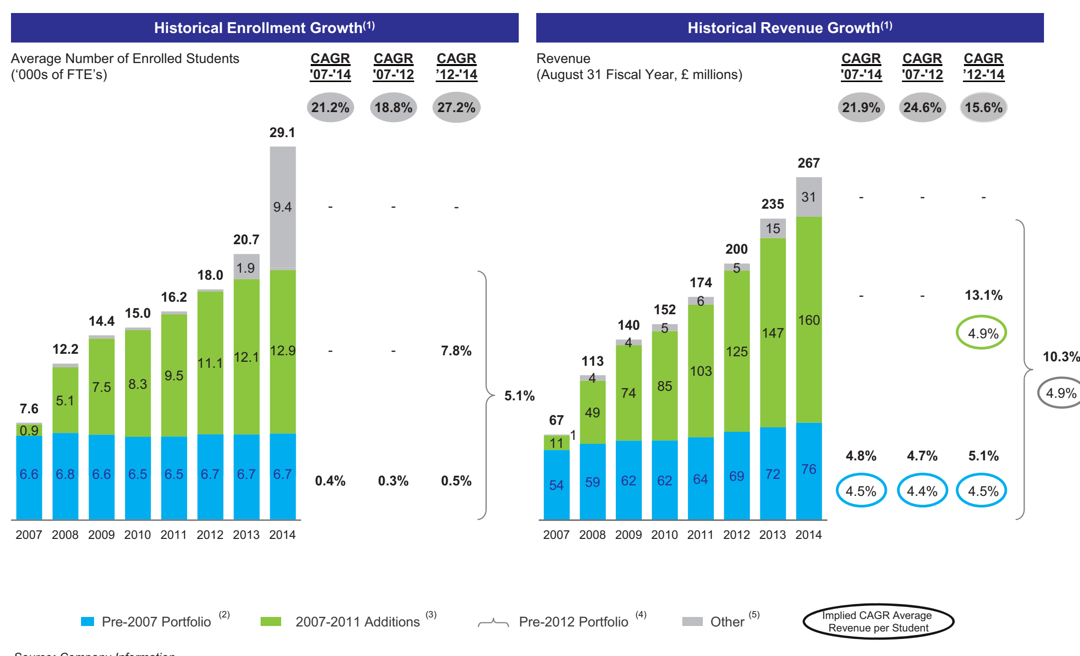
Furthermore, we view employing skilled and well-educated teachers at all of our schools as an important driver of the success of our product offering, and we have a professional and diligent approach to recruitment and selection, with tailored practices specific to each region. We also invest in the professional development of our teachers to help them to enhance their skills as well as to maintain high motivation levels, for example, by providing the opportunity for teachers with high potential to complete Masters programs in education. By operating as a global group, we also provide internal opportunities to our teachers such as workplace shadowing and secondments, which may be unavailable with single school operators. Our global platform and Group central and regional management teams free up school management and teachers from dealing with commercial and administrative matters so that they have more time to focus on teaching high quality academics.

Our global platform also allows us to deliver an enhanced student learning experience, including, for example, student exchange programs and interschool sports challenges. In addition to our schools, we operate holiday activity camps for children, primarily in the United Kingdom and Singapore and in various other locations. We also actively encourage teacher exchanges and the transfer of knowledge and best practices among our teaching faculty.

### *Attractive Financial Profile with High Revenue Visibility*

- *High visibility and predictability:* We have relatively predictable revenues and cash flows because of the visibility of our student enrollments. As each grade advances within a school from one academic year to the next, we can reliably estimate, assuming student retention rates remain consistent with historical trends, the future number of students in the school in the upcoming academic year. In addition, we continue to benefit from a high degree of revenue visibility driven by the advance confirmation of student enrollment within any given academic period for the next academic period. For example, as of June 2015, we had already enrolled students securing approximately 90% of our forecasted enrollments for the fiscal year ending August 31, 2016. In most jurisdictions, we have minimum notice periods for students to withdraw without penalty, and we offer only limited refunds of tuition and other fees, which reduces the financial impact of churn and provides high visibility with respect to revenues for the relevant academic period. Moreover, average year-on-year Student Retention Rates for the last three fiscal years ended August 31, 2014, have been approximately 81.6% in Asia, 85.4% in the United Kingdom, 90.6% in Spain and 91.8% in Latin America. Our revenue visibility enables us to make operational adjustments, balance utilization, expand capacity and manage costs more effectively, which facilitates an efficient use of resources.

- *Historical enrollment and revenue growth*: The following chart shows our historical enrollment and revenue growth on a like-for-like basis with respect to schools we have owned between the fiscal years ended August 31, 2006 to 2014 and also between the fiscal years ended August 31, 2011 and 2014.




(1) The numerical figures set out in the table above are subject to rounding adjustments and, as a result, the totals and percentages relating to such data in this Offering Memorandum may vary slightly from the actual arithmetic totals and percentages relating to the information presented in the table above.

(2) A school is included in the Pre-2007 Portfolio if it has been owned by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2014. This excludes schools that were acquired or disposed of at any time after August 31, 2006.

(3) A school is included in 2007-2011 Additions if it has been acquired by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2011 and owned by us until August 31, 2014.

(4) A school is included in the Pre-2012 Portfolio if it has been owned by us from the first day of the fiscal year ended August 31, 2012 to August 31, 2014. This excludes schools that were acquired or disposed of at any time after August 31, 2011.

(5) Other comprises all other elements of our offerings, including camps, schools that we commenced operating after August 31, 2011 and schools that we formerly owned but which we disposed of prior to August 31, 2014. For historical revenue growth, Other also includes adjustments for currency exchange rate differences and adjustments between our management accounts and our audited financial statements.

- *Historically resilient revenues:* For a constant perimeter of schools in our portfolio from the first day of the fiscal year ended August 31, 2007 to August 31, 2014 (Pre-2007 Portfolio), which were in the United Kingdom, student enrollment increased from 6,557 students to 6,726 students, representing a CAGR of 0.4%, turnover increased from £54.4 million to £75.8 million, representing a CAGR of 4.8% and average revenue per FTE student increased at a CAGR of 4.5% over this period. Turnover increased year-on-year throughout this period, despite the global financial crisis, which we believe demonstrates the resilience of our revenues supported by the inelastic nature of demand from parents who view expenditure on their children's education as largely non-discretionary. Historically, our ability to increase fees above cost inflation has been supported by high demand and price inelasticity.

- *Consistent revenue growth through organic growth, capacity expansions and acquisitions:* We have consistently increased Group turnover through organic enrollment growth and fee increases as well as capacity expansions and acquisitions. Our global enrollments have increased from 17,953 average FTE students to 29,065 average FTE students, representing a CAGR of 27.2% for the last three fiscal years ended August 31, 2014. Over the same period, Group turnover increased from £199.6 million to £266.8 million, representing a CAGR of 15.6%. Average turnover per student decreased due to the acquisition of schools in Chile during this period, which operate at a lower price point than the rest of the Group. For a constant perimeter of our schools (primarily in the United Kingdom, Spain and Asia) from the first day of the fiscal year ended August 31, 2012 to August 31, 2014 student enrollments increased from 17,800 average FTE students to 19,671 average FTE students, representing a CAGR of 5.1%, turnover increased from £194.1 million to £236.1 million, representing a CAGR of 10.3% and average revenue per FTE student increased at a CAGR of 4.9% for the last three fiscal years ended August 31, 2014.

- *Strong growth in Regional Adjusted EBITDA driven by top line growth and disciplined approach to cost management and operating leverage:* Our top line growth coupled with our disciplined approach to cost management has enabled us to achieve consistent Regional Adjusted EBITDA growth and an increase in Regional Adjusted EBITDA margin over the three fiscal years ended August 31, 2014. In addition, Regional Adjusted EBITDA has increased in each of our segments in the three fiscal years ended August 31, 2014. Over this period, we delivered a Regional Adjusted EBITDA CAGR of 23.3% and an increase in Regional Adjusted EBITDA margin from 17.8% in the fiscal year ended August 31, 2012 to 20.2% in the fiscal year ended August 31, 2014. This improvement was achieved despite investment in regional resources to position the Group for future growth.
- *Strong cash conversion:* We had an operating cash conversion rate of 78.2% for the twelve months ended May 31, 2015, which was driven by:
  - structurally negative working capital due to the advance collection of tuition fees, which becomes increasingly favorable as enrollments grow;
  - efficiently managed capital expenditure (operating capital expenditure has averaged 5.8% of Group turnover for the three fiscal years ended August 31, 2014); and

In addition, our ability to generate cash is supported by a low blended effective tax rate, given that some of our schools are located in jurisdictions with lower tax rates than the United Kingdom and with favorable tax treatment for educational institutions.

#### *Attractive Real Estate Portfolio*

Our operations are backed by a large and attractive portfolio of well-invested and well maintained campuses and facilities. Our real estate portfolio comprises of 94 sites, of which 46 are owned on a freehold basis and the remaining 48 are leasehold properties on lease terms that we believe are favourable for our operations. The majority of our leasehold properties have lease terms exceeding 10 years. For example, our schools in Singapore, Stamford American International School and Australian International School, have remaining lease tenures of 25 years and 16 years, respectively. In addition, the majority of our leases in the United Kingdom have security of tenure under the Landlord and Tenant Act. The book value of our real estate portfolio at cost as at August 31, 2014 was £384 million. See "*Business—Properties*" for more information on our properties.

#### *Experienced Management Team with Global and Local Expertise*

We have a highly experienced management team with a proven track record of global development and expansion, academic improvement, value creation and unique credentials in the education sector. Our senior management team has in excess of 50 years of aggregate experience in the education sector, with strong backgrounds in management, education, marketing, human resources, real estate and finance.

Our operating model is based on regionalization, whereby local school management teams focus on the provision of education and regionalized teams manage certain functions, such as human resources, marketing and admissions, quality assurance, property and facilities management, IT systems and some finance functions. Our central Group team is responsible for strategy, governance, finance and general oversight of the Group. This allows the local school-based leadership teams, headmasters and academic staff to focus on delivering academic excellence customized for the school and its catchment.

### Our Strategy

We consistently focus on the following elements of our Group strategy to maintain our position as one of the leading global operators of private-pay K-12 schools.

#### *Continue to Operate in Selected Attractive and Scalable Markets*

Our global operations as well as our track record of successful acquisitions enables us to effectively evaluate market opportunities and to select the most attractive markets and catchments in which to operate. We intend to continue to evaluate strategic expansion and acquisition opportunities to develop capacity in markets in which we have experience or which we have identified as attractive based on rigorous analysis of the relevant market dynamics.

We have already identified a number of capacity expansion opportunities in certain regions. For example, we are in the process of expanding our offering in Singapore by creating dedicated early learning facilities that are scheduled to open in August 2017. These expansions will include state of the art facilities and provide over 2,100 additional places. In addition, we plan to continue to selectively evaluate opportunities to acquire businesses in new or existing markets in order to increase our market share.

### *Continue Delivering High Quality Education to Maintain and Increase Demand for Our Product Offerings*

Our aim is to become the school operator of choice and to drive enrollments across our portfolio by focusing on high quality educational outcomes and student and parent satisfaction. Academic rigor and excellence are at the core of our value proposition to parents and students and influence all of our strategic decisions and we intend to maintain our systematic approach towards improving the quality of the provision of education in all of our schools to deliver superior academic outcomes.

We will also continue to develop a tailored educational provision which appeals to the specific parent and student demographic of each of our schools, including language development programs (such as daily Mandarin in our Singapore schools), unique educational experiences (such as direct university partnerships offering college credits), high quality athletic programs and extensive co-curricular clubs and activities.

### *Leveraging Our Global Platform and Reputation*

We intend to utilize our regionalized management approach to allow our regional and local school management teams to focus on delivering educational excellence customized for their respective region and school, while sharing academic and administrative best practices across all of our schools. At the same time, our global scale provides operating leverage and economies of scale through consolidation of specialized functions and know-how at the regional or Group level.

In addition, we intend to continue our strategy of attracting and retaining high-quality teaching professionals by offering professional development opportunities and prospects of global mobility and career progression throughout our network of schools. Furthermore, we believe that our high levels of support staff, which allow our teachers to focus on the educational needs of individual students, enhance the level of job satisfaction of our teachers and enables us to recruit and retain "best-in-class" teachers.

### *Maximizing Operating and Financial Performance*

We continuously monitor and evaluate the operational performance of our schools and staff across our global platform to identify opportunities for enhancement. Ongoing focus on optimizing our marketing and admissions processes is a key feature of our strategy to increase student enrollments and improve utilization of our platform.

We will also seek to consistently generate fee growth above cost inflation, supported by the growing demand for private-pay K-12 education in the markets in which we operate, our strong reputation and the quality of our educational provision, in order to grow our revenue and increase our EBITDA margins. We will continue to place significant emphasis on optimizing resources to manage our costs efficiently, including centralized or regional procurement of goods and services to benefit from economies of scale, improved operating leverage and maintaining operational flexibility.

## History

We commenced our operations through the acquisition of our first school, Quinton House, in the United Kingdom in 2004 followed by the acquisition of the Asquith Court Group which comprised of 17 schools in the United Kingdom.

By the end of the 2008 fiscal year, we had expanded and diversified our operations to a total of 46 schools, including the acquisition of four international curriculum schools, including Southbank International School in London and the Australian International School in Singapore. In addition, during this year we also embarked on our first greenfield project to build the Stamford American International School in Singapore.

In October 2009, we expanded our portfolio into Thailand through the acquisition of an 80% interest in BEMS, through which we operate three St. Andrews schools. In May 2011, we acquired an 80% interest in International Education Corporation Joint Stock Company (Vietnam), which operates ISHCMC and AAVN and which is controlled by a third-party nominee who has assigned his rights to us under a deed of assignment. In September 2011, we acquired the Royal School Hampstead in the United Kingdom which we later incorporated into the North Bridge House group of schools.

In October 2012, we expanded into Latin America with the acquisition of Playpen in São Paulo, Brazil, and in June 2013 we acquired a majority interest in a Chilean school group consisting of nine schools in Santiago, Colina, Valparaíso, Puerto Montt and Temuco (together, the "*Chilean Schools*").

In August 2013, the third-party nominee acquired the remaining 20% minority interest in International Education Corporation Joint Stock Company (Vietnam), such that we effectively control 100% of our Vietnam schools through the nominee structure.

We acquired a 75% interest in the International School Saigon Pearl in Ho Chi Minh City, Vietnam in January 2014 and we acquired the remaining 25% interest in August 2014. In December 2014, we acquired the GayLussac School in Niterói, Brazil. In addition to the new acquisitions, in September 2014 we opened the North Bridge House Senior School and Sixth Form—Canonbury in London, enhancing the offering provided by the North Bridge House group of schools. In February 2015, we acquired the remaining 20% minority interest in BEMS.

We are in the process of acquiring a further school in Spain, and this transaction is currently expected to be completed in August 2015. In addition, we may acquire additional schools in the future which would impact our results of operations going forward.

Between 2011 and 2012, we merged two of our schools with other existing schools and sold the freehold properties left vacant following these mergers. Furthermore, we transferred Ffynone House School in April 2012 and Ferndale Preparatory School in April 2014 to parent groups.

**Our Operations**

We own and operate a diverse range of schools that include nursery, preparatory/junior schools (for K-6), senior schools (for 7-12) and schools for juniors through to seniors (K-12). Of the 66 schools we operated as of May 31, 2015, we operated one boarding school, which also offers accommodation, after hours care and supervision and additional out-of-hours activities for boarders. The majority of our 66 schools are operated under an individual brand name, with some schools operating a number of campuses under the same brand name. We also operate a mix of local and international schools covering various curricula. As of May 31, 2015, we operated 51 predominantly local curriculum schools and 15 predominantly international curriculum schools, however, some of our schools offer dual curricula. Our students include local and expatriate students and tuition fees are typically paid by local and expatriate parents and, to a lesser extent, by employers of expatriate parents.

We believe that our ability to deliver quality education is supported by operational excellence underpinned by our global platform. Day to day operations in our schools are supervised by an academic leader of the school (the "*Head*") and a senior leadership team. Each local school management team oversees the provision of education and is responsible for delivering education in line with our mission of "Teaching Excellence." In order to enable local school management teams to focus on educational quality, we have centralized certain core functions, such as property and facilities management, information technology systems and finance functions. Each centralized team oversees these functions on a regional and/or global basis. This centralized approach also enables us to deploy our resources and capital to achieve the best outcomes for our business by making operational and investment decisions based on areas where we are mostly likely to derive benefits and maximize our returns. See "—*Centralized Functions*."

In addition to our schools, we also operate holiday activity camps for children, primarily in the United Kingdom and Singapore (referred to as "*Super Camps*" in the United Kingdom and "*Camp Asia*" in Singapore), and in various other locations. Our camps are primarily intended for children aged four to 15, and include students from within our own schools as well as the wider community. We provide a range of sports and other activities as well as supervision for children attending our camps during the summer holiday vacation period.

For the purposes of carrying out its activities, Super Camps uses both existing Cognita schools as well as other schools' sites. Camp Asia was established in the summer of 2012 at Stamford American International School and has now grown to operate from both of our schools in Singapore and is the largest camps provider in Singapore.

We use our holiday activity camps to attract prospective students to our schools. Furthermore, the operation of these holiday activity camps on school premises during school vacation periods enables us to optimize the use of our facilities. In addition to our camps, we operate an interschool program for student events and exchange programs across our schools ("*Expro*"). Expro facilitates the movement of our students between schools and across countries, strengthening our value proposition through academic, cultural and sports exchange programs that are tailored to each school. Students who take part in our academic exchange programs pay a tuition fee to the "host" school, in addition to the tuition fees paid to their "home" school.

**Academic Design and Delivery**

Our mission statement is "Teaching Excellence," which lies at the core of our value proposition. We place a significant emphasis on delivering academic excellence and exceptional student outcomes. The majority of our schools follow a non-selective admissions policy and our schools seek to support each student in achieving

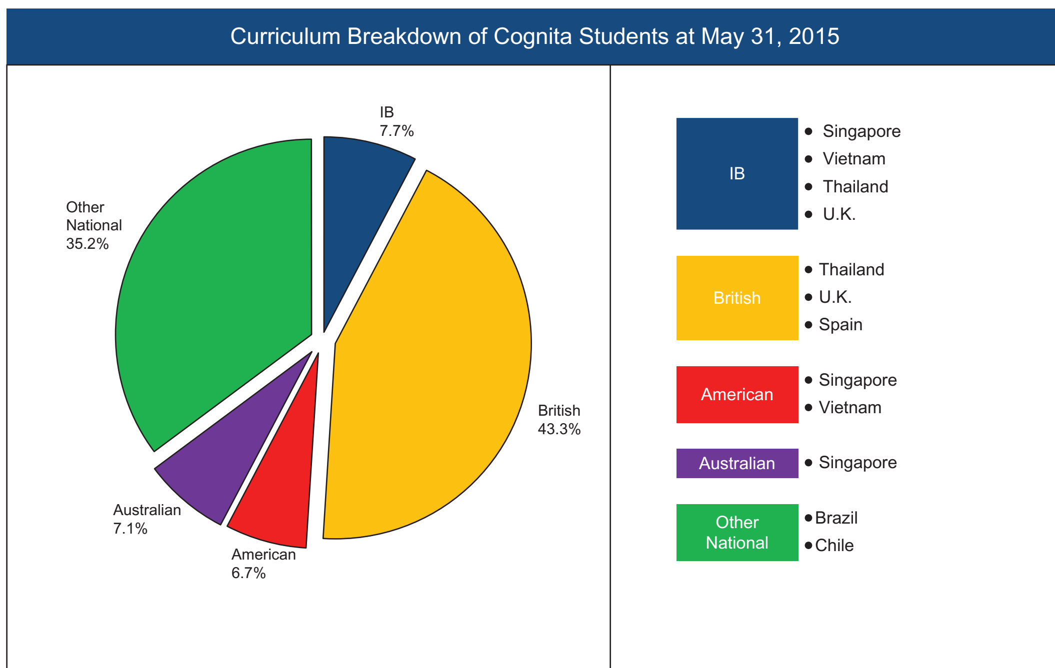
outcomes to the best of his or her ability. The key elements that we focus on to promote a high level of academic quality are:

***Curricula Offerings***

We offer a wide range of internationally recognized curricula to appeal to both local and expatriate populations and to facilitate the entry into a broad range of international tertiary educational institutions. We offer more than one curriculum in certain of our schools. We currently offer the following curricula:

- the British curriculum, which is based on the standardized national curriculum for England, Wales and Northern Ireland and which with respect to our Spain segment is supplemented with the Spanish national curriculum;
- the International Baccalaureate ("*IB*"), a prestigious and rigorous internationally recognized diploma program;
- the American curriculum (American Education Reach Out standard, Massachusetts state standards and the New York state standards);
- the Australian national curriculum;
- the Brazilian (bilingual) curriculum, which is based on the Brazilian national curriculum; and
- the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum.

The following chart indicates the current curriculum mix by enrollment at our schools as of May 31, 2015 and provides an overview of countries where various curricula are offered. See also "—*Summary of our Schools*."




***Academic Assessment***

Our approach to academic achievement is based on monitoring measurable outcomes for each student over time. We measure examination results by the examination grade achieved and we focus on the value added for each student, through initiatives such as measuring the difference between a student's actual grade and their predicted grade based on progress achieved over the course of the academic year.

In the United Kingdom, Spain and Asia, we use a number of innovative, nationally recognized and accredited testing systems for various age groups to establish a baseline for anticipated performance. This baseline is then benchmarked against data from other schools with students in an equivalent grade and serves as a basis for measuring value added progress. We apply similar methodologies in other markets.

***Academic Outcomes and Parental Satisfaction***

Our academic approach is designed to deliver consistently high quality education to ensure strong student outcomes. Strong academic performance contributes to improved parent satisfaction, student retention and builds school reputation, which in turn supports continued enrollment and fee generation. In particular, we assess and

track multiple aspects of parent satisfaction, the results of which inform our decision-making process. For example, we measure and track parent satisfaction with respect to teaching and learning, extra-curricular activities, communication, services and amenities and management of the school. We use professionally designed and administered surveys in order to gather comprehensive feedback from parents. This data is then used to guide school improvements and to provide quantitative data to support school governance and allocation of resources.

Our continued focus on teaching excellence has enabled our schools to achieve examination outcomes which are generally well above the relevant national, regional or global averages for each curriculum, for example:

- Over the past three years, our British curriculum schools in our United Kingdom and Spain segments consistently achieved GCSE outcomes significantly above the United Kingdom national average. In 2012, 90.4% of students at our British curriculum schools achieved grades between A*-C in five or more GCSEs, compared to 59.4% of students nationally in the United Kingdom. In 2013, 90.5% of students at our British curriculum schools achieved grades between A*-C in five or more GCSEs, compared to 58.6% of students nationally in the United Kingdom. In 2014, 85.6% of students at our British curriculum schools achieved grades between A*-C in five or more GCSEs, compared to 53.5% of students nationally in the United Kingdom.
- Over the past three years, students at our IB curriculum schools achieved outcomes ahead of the "world points average" despite being non-selective schools whilst the IB curriculum is, in many cases, offered by selective schools. In 2012, Southbank International School, St. Andrews International School, ISHCMC and Australian International School had average points scores of 34.8, 32.0, 30.4 and 34.4, respectively, compared to the world points average of 29.9. In 2013, Southbank International School, St. Andrews International School, ISHCMC and Australian International School had average points scores of 36.2, 32.5, 32.3 and 33.3, respectively, compared to the world points average of 29.8. In 2014, Southbank International School, St. Andrews International School, ISHCMC and Australian International School had average points scores of 35.5, 31.6, 33.2 and 30.9, respectively, compared to the world points average of 30.1.
- Over the past three years, students at our Australian curriculum school achieved "Australian Tertiary Admission Rank" ("*ATAR*") results above the average in New South Wales. In 2012, students at Australian International School achieved an average ATAR result of 74.0 compared to the New South Wales average of 69.3. In 2013, students at Australian International School achieved an average ATAR result of 75.8 compared to the New South Wales average of 69.2. In 2014, students at Australian International School achieved an average ATAR result of 78.0 compared to the New South Wales average of 69.0.
- Since acquiring our schools in Chile in June 2013, these schools have achieved PSU results (the standardized university examination used in Chile) above the national average.

In addition, many of our secondary school graduates secure admission into the top 200 universities globally. For example, in 2014, 39.4% of our secondary school graduates who applied to university (excluding Chile) secured admission into the top 200 universities globally, while 83.2% of our secondary school graduates in Chile, who generally prefer to attend local universities, secured admission into these local universities.

***Academic Oversight and School Inspections***

We believe that the key to academic success for our students is the academic vision of our Heads, supported by the quality of our teachers. We have established a disciplined approach to raising educational and academic standards in our schools, both through rigorous governance by an experienced educational team as well as through standardized performance management processes. We are also subject to mandatory school inspections by external regulators and accredited bodies in certain regions. We devote considerable attention to such school inspections, as favorable ratings enhance our school's reputation and local demand and we have generally been successful in improving the academic performance and regulatory ratings from the time we acquire a new school. As of May 31, 2015, 40% of inspections by Ofsted of our United Kingdom and British curriculum schools worldwide resulted in an overall inspection rating of "outstanding" on all measures and 60% received an overall inspection rating of "good," "good with outstanding features" or "good with satisfactory features" while none have resulted in an overall inspection rating of "satisfactory" or below. This is notably better than the average for English independent schools overall as of March 2015, whereby only 14% were ranked as "outstanding, " 61% were ranked as either "good" or "good with outstanding features" and 25% were ranked as "satisfactory" or below. As per the latest inspections prior to our acquisition or the first inspections occurring thereafter of our British curriculum schools worldwide, 2% resulted in an overall inspection rating of "outstanding" on all measures, 90% resulted in an overall inspection rating of "good," "good with outstanding features" or "good with satisfactory features," 5% resulted in an overall inspection rating of "satisfactory" and 3% resulted in an overall inspection rating of "inadequate," demonstrating our ability to improve the quality of our schools over time.

In our United Kingdom and Spain segments, we have a Director of Education who is responsible for the educational performance of our schools and for ensuring a culture of teaching excellence and high quality of standards in our schools. The Director of Education is supported by a team of education executives, each of whom provide leadership and school governance support to the Heads. Furthermore, in the United Kingdom and Spain, a quality assurance officer leads the internal school review process and works with the Heads to continually raise school standards and a compliance officer provides support and guidance on compliance matters. In Asia, our quality assurance program is monitored and tested through the Asia Educational Leadership Council, which is an internal body, comprised of our leading academics within the region. We also have a school compliance officer for each school in Asia who ensures that Heads are aware of compliance requirements and initiatives. In Chile, education standards and quality assurance is overseen by a Director of Education and a team of education coordinators, who, as a group, have extensive experience with respect to Chilean curriculum, bilingual education and teaching English as a foreign language. In Brazil, our two schools are supported by international education consultants and the Latin America regional team.

To further support academic quality, we regularly assess the quality of teaching within the classroom according to standardized performance management methods. We have put in place a performance management system, which we use to conduct a comprehensive review of our teachers including appraisals every four to six months, lesson observations every four to six months and external assessment processes to track student progress and teacher impact.

### *Student Experience and Extra-curricular Activities*

We strive to enhance overall student experience by providing an environment with high quality facilities and a broad range of extra-curricular activities. Facilities at our individual schools vary depending on the type of school and fee range. We offer state-of-the-art facilities in certain of our schools, such as Stamford American International School, which has iLearn centers (an online learning system), media center, climbing wall, golf facilities, swimming pools, theatre, tennis courts and athletics facilities. Some of our schools, such as Quinton House, offer over 100 different clubs and activities each week, ranging from sports and creative and performing arts to foreign languages and community services. Many of our schools also offer before and after school care, sport, music and arts and challenge programs, such as the Duke of Edinburgh Award, which promotes personal development through a range of community service initiatives and fitness activities.

We believe that our global platform differentiates our schools through offerings, such as inter-school sports and musical events, as well as academic student exchange programs. For example, through Expro we operate an exchange program that enables students from our schools in Spain, Chile and Brazil to study for short periods of time at Chilton Cantelo in the United Kingdom. As part of this program visiting students are fully integrated in both classroom study and boarding accommodation, which allows them to improve their command of the English language and experience British culture.

Our schools also provide activities and services that seek to encourage greater parental involvement, with teachers placing a strong emphasis on positive interactions with parents. For example, our schools in Spain offer a "Saturday Family Club," which provides a range of activities for parents and students together.

Furthermore, we use technology to enhance student learning and support pedagogical innovations. For example, Stamford American International School provides tablets to every student in its primary grades and laptops for every student in its secondary grades. In addition to being a powerful educational tool to deliver digital content for unique learning methodologies, this program also enhances the overall quality of the student experience.

## Summary of Our Schools

The table below sets out an overview of our existing schools as of May 31, 2015:

| | Name of School | Calendar Year Established | Calendar Year Acquired/ Opened | City | Grades Offered | Curriculum |
|---|---|---|---|---|---|---|
| **Singapore** | | | | | | |
| 1. | Australian International School (AIS) | 1993 | 2007 | Singapore | Pre-K to Grade 12 | Australian, IB |
| 2. | Stamford American International School (SAIS) | 2009 | 2009 | Singapore | Nursery to Grade 12 | American, IB |

| | Name of School | Calendar Year Established | Calendar Year Acquired/ Opened | City | Grades Offered | Curriculum |
|---|---|---|---|---|---|---|
| **Vietnam** | | | | | | |
| 3. | International School Ho Chi Minh City (ISHCMC) | 1993 | 2011 | Ho Chi Minh City, Vietnam | Pre-K to Grade 12 | IB |
| 4. | International School Ho Chi Minh City, American Academy (AAVN) | 2007 | 2011 | Ho Chi Minh City, Vietnam | Grade 6 to Grade 12 | American |
| 5. | International School Saigon Pearl | 2010 | 2014 | Ho Chi Minh City, Vietnam | Nursery to Grade 5 | American |
| **Thailand** | | | | | | |
| 6. | St Andrews International School Sathorn | 2003 | 2009 | Bangkok, Thailand | Nursery to Grade 6 | British |
| 7. | St Andrews International School Green Valley | 1996 | 2009 | Rayong, Thailand | Nursery to Grade 12 | British, IB |
| 8. | St Andrews International School Sukhumvit 107 | 1996 | 2009 | Bangkok, Thailand | Nursery to Grade 12 | British, IB |
| **Brazil** | | | | | | |
| 9. | Escola Cidade Jardim/PlayPen | 1980 | 2012 | Sao Paulo, Brazil | Pre-K to Grade 9 | Brazilian |
| 10. | Instituto GayLussac | 1954 | 2014 | Niterói, Brazil | Pre-K to Grade 12 | Brazilian |
| **Chile** | | | | | | |
| 11. | Colegio Manquecura, Ciudad de los Valles | 2005 | 2013 | Santiago, Chile | Pre-K to Grade 12 | Chilean |
| 12. | Colegio Manquecura, Ciudad del Este | 2002 | 2013 | Santiago, Chile | Pre-K to Grade 12 | Chilean |
| 13. | Colegio Manquecura, Valle Lo Campino | 2001 | 2013 | Santiago, Chile | Pre-K to Grade 12 | Chilean |
| 14. | Colegio Pumahue, Chicureo | 2008 | 2013 | Chicureo, Colina, Chile | Pre-K to Grade 12 | Chilean |
| 15. | Colegio Pumahue, Curauma | 2008 | 2013 | Valparaíso, Chile | Pre-K to Grade 12 | Chilean |
| 16. | Colegio Pumahue, Huechuraba | 1999 | 2013 | Santiago, Chile | Pre-K to Grade 12 | Chilean |
| 17. | Colegio Pumahue, Peñalolén | 1999 | 2013 | Santiago, Chile | Pre-K to Grade 12 | Chilean |
| 18. | Colegio Pumahue, Puerto Montt | 2004 | 2013 | Puerto Montt, Chile | Pre-K to Grade 12 | Chilean |
| 19. | Colegio Pumahue, Temuco | 2001 | 2013 | Temuco, Chile | Pre-K to Grade 12 | Chilean |

| | Name of School | Calendar Year Established | Calendar Year Acquired/ Opened | City | Grades Offered | Curriculum |
|---|---|---|---|---|---|---|
| **Spain** | | | | | | |
| 20. | British School of Barcelona (BSB) | 1958 | 2007 | Barcelona, Spain | Nursery to Year 13 | British |
| 21. | Hastings School, Madrid | 1971 | 2010 | Madrid, Spain | Pre-Nursery to Year 13 | British |
| 22. | El Limonar International School Murcia | 1990 | 2008 | Murcia, Spain | Nursery to Year 13 | British |
| 23. | El Limonar International School Villamartin | 2004 | 2008 | Alicante, Spain | Nursery to Year 13 | British |
| **United Kingdom** | | | | | | |
| 24.-25. | Akeley Wood Schools (2) | 1946 | 2004 | Wicken, Akeley Wood, Lillingstone Dayrell, Buckingham | Nursery to Year 13 | British |
| 26. | Breaside Preparatory School | 1950 | 2004 | Bromley, Kent | Kindergarten to Year 6 | British |
| 27. | Charterhouse Square School | 1985 | 2008 | Barbican, London | Nursery to Year 6 | British |
| 28. | Chilton Cantelo School | 1959 | 2007 | Yeovil, Somerset | Nursery to Year 13 | British |
| 29. | Clifton Lodge School | 1979 | 2008 | Ealing, London | Kindergarten to Year 8 | British |
| 30. | Colchester High School | 1882 | 2005 | Colchester, Essex | Nursery to Year 13 | British |
| 31. | Cranbrook School | 1896 | 2006 | Ilford, Essex | Nursery to Year 11 | British |
| 32. | Cumnor House School for Boys | 1931 | 2008 | Croydon, Surrey | Nursery to Year 8 | British |
| 33. | Cumnor House School for Girls | 2010 | 2010 | Purley, Surrey | Nursery to Year 6 | British |
| 34.-37. | Downsend Schools (4) | 1891 | 2004 | Leatherhead, Ashtead, Epsom, Surrey | Nursery to Year 8 | British |
| 38. | Duncombe School | 1939 | 2005 | Hertford, Hertfordshire | Nursery to Year 6 | British |
| 39. | Glenesk School | 1925 | 2005 | East Horsley, Surrey | Nursery to Year 2 | British |
| 40. | Hendon Preparatory School | 1873 | 2004 | Hendon, London | Nursery to Year 8 | British |
| 41. | Huddersfield Grammar School | 1995 | 2007 | Huddersfield, Yorkshire | Nursery to Year 11 | British |
| 42. | Hydesville Tower School | 1952 | 2004 | Walsall, West Midlands | Nursery to Year 11 | British |

| | Name of School | Calendar Year Established | Calendar Year Acquired/ Opened | City | Grades Offered | Curriculum |
|---|---|---|---|---|---|---|
| 43. | King's School and Nursery, Plymouth | 1989 | 2008 | Plymouth, Devon | Nursery to Year 6 | British |
| 44. | Kingscourt School | 1995 | 2006 | Catherington, Hampshire | Kindergarten – Year 6 | British |
| 45. | Long Close School | 1940 | 2004 | Slough, Berkshire | Nursery to Year 11 | British |
| 46. | Meoncross School | 1953 | 2004 | Fareham, Hampshire | Nursery to Year 13 (from September 2015) | British |
| 47. | Milbourne Lodge Preparatory School | 1912 | 2007 | Esher, Surrey | Reception to Year 8 | British |
| 48.-52. | North Bridge House Schools (5) | 1939 | 2004 | Hampstead, Camden and Islington, London | Nursery to Year 13 | British |
| 53. | Oakfields Montessori School | 1988 | 2007 | Upminster, Essex | Kindergarten to Year 6 | British |
| 54. | Oakleigh House School | 1919 | 2007 | Swansea, Wales | Nursery to Year 6 | British |
| 55. | Oxford House School | 1959 | 2006 | Colchester, Essex | Nursery to Year 6 | British |
| 56. | Polam School | 1923 | 2004 | Bedford, Bedfordshire | Nursery to Year 4 | British |
| 57. | Quinton House School | 1946 | 2004 | Northampton, Northamptonshire | Nursery to Year 13 | British |
| 58. | Sackville School | 1905 | 2006 | Tonbridge, Kent | Year 7 to Year 13 | British |
| 59. | Salcombe Preparatory School | 1916 | 2004 | Southgate, London | Nursery to Year 6 | British |
| 60.-62. | Southbank International School (3) | 1979 | 2006 | London. | Pre-K to Grade 12 | IB |
| 63. | St Clare's School | 1938 | 2006 | Porthcawl, Wales | Nursery to Year 13 | British |
| 64. | St Margaret's Preparatory School | 1946 | 2008 | Halstead, Essex | Nursery to Year 6 | British |
| 65. | St Mary's School | 1926 | 2006 | Henley on Thames, Oxfordshire | Nursery to Year 6 | British |
| 66. | St. Nicholas Preparatory School | 1946 | 2004 | Kensington, London | Nursery to Year 6 | British |

**Recruitment of Teachers and Human Resources**

A large part of our ability to deliver high quality education is dependent on the caliber of our teachers. Given the importance of academic results to our mission to deliver "Teaching Excellence," recruiting and retaining high quality teachers and Heads is a priority for us. We believe that our global platform offers attractive professional development and career opportunities for our staff. In addition, we believe that we offer appropriate

compensation packages, which are based on the local markets in which we operate. Depending on the local market, such packages may include housing allowances and other benefits, such as healthcare and pensions. Our teachers and other staff are appropriately trained and qualified for their relevant positions.

We invest substantial resources into the professional development of our teachers to continually enhance their skills. Our teachers are required to comply with the relevant continuing education requirements in each local market. For example, teachers in certain jurisdictions are required to complete on-going professional training programs in the form of classroom based training and other development activities to help them to keep abreast of curriculum changes. We offer a program to enable selected teachers to complete a post graduate certificate in education as well as a master of education program in the United Kingdom, Spain and certain countries in Asia for current and aspiring leaders. We also host professional development conferences for leaders, bursars and admissions personnel regularly throughout the academic year.

We have developed our own policy for safer recruitment, which is being implemented across the Group. This policy applies to the recruitment and selection of all of our staff, including non-employees. The policy provides guidelines regarding background checks on prospective teachers and other staff in their country of origin and any country in which they have lived or worked for at least three months since the age of 16. Our schools in the United Kingdom and Spain have implemented this policy and we are in the process of rolling it out in the other regions in which we operate.

In the United Kingdom, we follow the U.K. Guidance from the Department for Education safer recruitment guidelines, the Independent Schools Inspectorate Handbook for the Inspection of Schools (2014), which ensures consistent and compliant recruitment in the United Kingdom education sector. In Asia, we apply the United Kingdom standards and also conduct additional non-mandatory compliance procedures, such as background checks on new teachers where possible. Additionally, in Asia, we use Control Risks, an external risk consultancy firm, to perform international integrity and background checks on prospective Heads and candidates for key executive roles where such persons have worked in two or more countries. In Latin America, we conduct background checks on new teachers and are in the process of expanding these to overseas checks as part of our own policy for safer recruitment.

### Joint Ventures and Minority Interests

As of May 31, 2015, we operated a joint venture with respect to St. Nicholas Preparatory School. We and Montessori St. Nicholas each hold a 50% interest in the joint venture.

As of May 31, 2015, we operated the Chilean Schools, which consist of nine schools in partnership with Inversiones La Construcción S.A. ("*ILC*"). We have a 51% shareholding in the Chilean Schools, with ILC holding the remaining 49%. We have the option to buy, and ILC the option to sell, the remaining 49% held by ILC between April to July of each year, beginning in April 2016, under a shareholders agreement between Cognita Holdings and ILC. Notwithstanding this, the option can be exercised at any time if (i) it is triggered as a result of a deadlock on matters that require a special resolution, (ii) there is a change in the control of ILC or Cognita Holdings, or (iii) there is a breach of the non-compete provision of the shareholder agreement. The price for the remaining shareholding will be based on a multiple of EBITDA as at December 2015, adjusted for net debt and working capital.

### Investment Opportunities

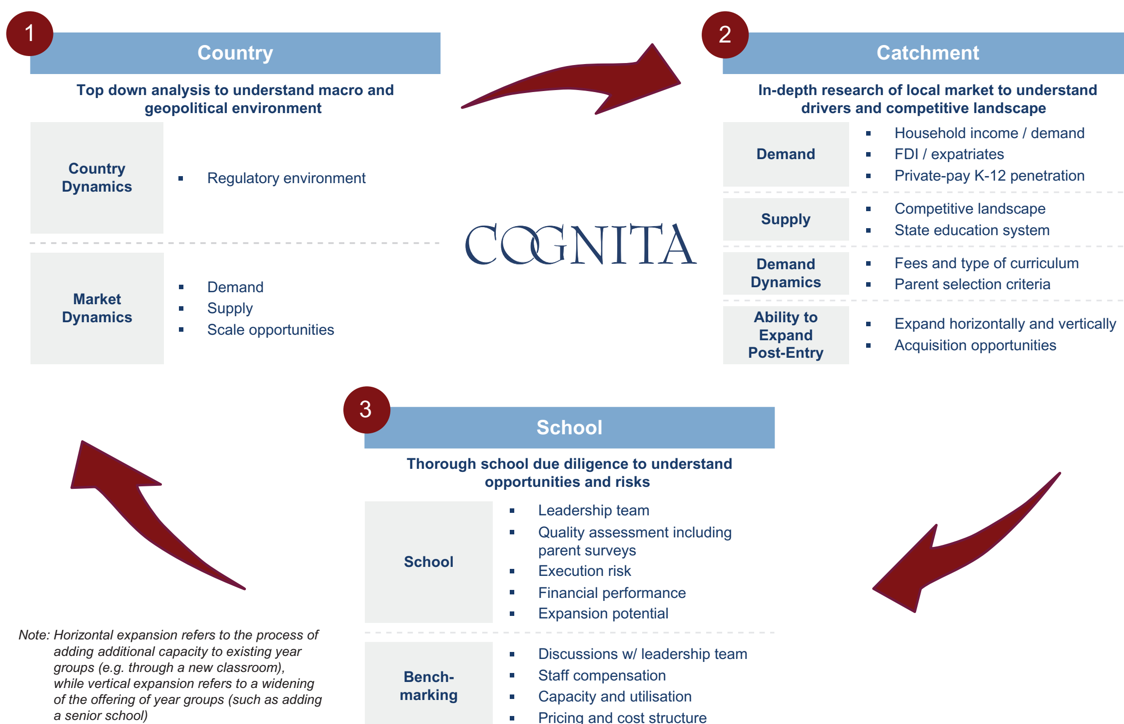
Historically, we have pursued a combination of acquisitions, capacity expansions, investments in existing operations, and a greenfield project to deliver growth. When considering an investment opportunity, we carefully evaluate both the market and catchment dynamics in connection with the proposed acquisition, expansion or greenfield project. Our investment strategy has allowed us to build an extensive global operating platform, as demonstrated below.

#### *Market Selection*

We target markets that exhibit favorable characteristics using a number of specific criteria, including (i) underlying demand dynamics that support sustainable growth, (ii) increasing economic activity, which drives affordability among local parents and expatriates, (iii) a limited supply of alternative private school operators in the local catchment and (iv) a favorable regulatory environment. We further evaluate shortlisted markets to ensure that other considerations such as cost structure, macroeconomic conditions and related risks are reflected in our risk-return analysis.

Once we have identified an attractive market, we undertake a detailed analysis of catchment dynamics to evaluate market potential. Analysis of a catchment involves estimating affordability and concentration of the customer base, which is an important factor in determining if there are a sufficient number of parents within driving distance of a potential school who have the requisite income levels to support our desired pricing models. In addition, we analyze competitors within the catchment and frequently conduct parent surveys to understand the optimum market positioning and educational offering for the area. While the nature of the analysis varies based upon the type of opportunity being evaluated, we apply our selection process consistently and rigorously across all opportunities.

Our framework for analyzing country, market, catchment and school dynamics is set out below:




### *Capacity Expansion at Existing Schools*

We consider schools for expansion only if there is strong underlying unmet demand, if our existing school has high current utilization rates and the school has an established reputation in the catchment area. Investments in expansions at existing schools often yield strong returns within a shorter period than greenfield developments or new acquisitions since much of the necessary academic and central resources are already in place.

Expansions of capacity in our existing schools are only possible where we have land available to undertake an expansion of the existing facility. Therefore, the potential for future expansions are often considered at the time of acquiring or developing a new school. When acquiring or building a school, we undertake a detailed and rigorous assessment that includes market analysis to ascertain existing and projected supply and demand trends at a catchment level and options to obtain land that is optimally located and allows flexibility for expansion over time. The planning regulatory framework is also taken into consideration. The costs involved in expanding the capacity of an existing school primarily relate to development costs.

Recent examples of capacity expansion include our North Bridge House group of schools, where we expanded capacity in two phases, driven by the schools' high demand for places. In September 2012, we increased capacity by 280 places through the acquisition and integration of a school in London. We further expanded capacity through the acquisition of a new site, enabling us to open the North Bridge House Senior School and Sixth Form—Canonbury in September 2014, which added a further capacity of approximately 300 places between Years nine and 13. These capacity expansions were driven by the school's existing demand and perceived market opportunity.

In Singapore, we continue to respond to market demand with carefully timed capacity expansions. We opened Stamford American International School in 2009 on a foundation campus on a temporary site with 500 places to enable us to fulfill demand whilst the permanent campus was under construction and by 2010 the school had utilized 19% of its capacity. We then completed the phase I development of Stamford American International School in August 2012, moving the school to a new campus with a capacity of 1,500 places, and by 2013 the

School had utilized 70% of its capacity. By the end of 2014 the school had utilized 106% of its capacity. The phase II development of Stamford American International school was completed in August 2014, increasing capacity by an additional 1,800 places. As of May 31, 2015, we had total capacity of 3,300 at this school. Similarly, we have expanded the Australian International School. Upon the acquisition of the Australian International School it had 1,700 places, which we subsequently expanded to 2,550 places in 2008 and to 3,150 places in 2010. The Australian International School had utilized 103% of its capacity in academic year 2008, 75% in 2009, 74% in 2011 and 82% in 2014.

In addition, we are in the process of expanding our offering in Singapore by creating dedicated early learning facilities that are scheduled to open in August 2017. This expansion will include state of the art facilities and provide over 2,100 additional places. We believe this is an attractive expansion opportunity where we can leverage our local market knowledge and experience, development expertise and the reputation of our current Singapore schools, in a market where the supply of private-pay education for expatriate families is limited by land constraints and the need for regulatory approvals.

***Acquisition and Integration of Newly Acquired Schools***

We have both Group and regional in-house acquisition teams that evaluate and execute strategic acquisitions and integrate acquired schools. Our acquisition teams work with the regional management teams who bring a deep understanding of their local market and provide insight into cultural or regional variations.

During the closing stages of an acquisition, we set up an integration team to begin the process of early engagement with the target school across all key functions. The level of engagement and timelines in connection with integration activity vary according to the size and complexity of the acquired schools. Our integration processes are structured to minimize operational disruptions at the acquired school.

Upon acquiring a new school, we implement our operational and strategic programs to improve educational outcomes, student and parent satisfaction and operational and financial efficiency. For example, certain management responsibilities with respect to IT, finance, facilities management and real estate may be transferred to our regional and Group teams, while the Heads and their senior management team will continue to retain responsibility for the day-to-day operations of the school.

Following an acquisition of a new school, we seek to maximize student retention during the integration process as well as desired retention of the Head and teachers. A key part of the integration process involves acquiring an in-depth understanding of parental preferences and current levels of parent satisfaction. We also engage in new marketing activities aimed at increasing student enrollment and parental satisfaction. As part of our integration process, we also review existing teaching practices and implement any required changes to drive academic excellence and we may recruit new teachers and train existing teachers to ensure a high quality of teachers and support staff. We also seek to improve teacher and class utilization levels to optimize our operational and financial performance.

***Greenfield Projects***

From time to time, we may participate in tender processes operated by governments, regulators or residential developers to build new schools. Such tender processes are customary in certain countries in Asia to meet the increasing demand for education. As part of our strategy to optimize our operations by participating in markets which meet our selection criteria, we evaluate these greenfield investments on an opportunistic basis. If successful, we would be required to develop and operate such new schools within a specified timeframe. Greenfield investments may be an attractive option to enter a market where there is very substantial unmet demand and likely future demand growth. To date, we have completed one greenfield project with respect to Stamford American International School, which we initially built as a foundation campus on a temporary site in 2009. The school subsequently moved to a "state-of-the-art" campus in 2012, which currently has a capacity of 3,300 students. The number of FTE students enrolled at Stamford American International School increased by 1,247 FTE students or 132.5% to 2,188 FTE students as of May 31, 2015 from 941 FTE students as of August 31, 2012.

In addition, in December 2014 we entered into an agreement with a real estate developer under which the developer has agreed to construct a school on its land by January 2016 in Lampa, a suburb located to the northwest of Santiago, Chile. Under the agreement, we will operate the school once it has been built but will only be required to purchase the school and pay for the construction costs when we achieve enrollment of 650 students. If we have not reached enrollment of 650 students by March 2023, the developer will pay us the equivalent of the difference between tuition fees for the number of students actually enrolled and the tuition fees we would have received had 650 students been enrolled in the school for the period from March 2023 to

December 2025. If we have not reached enrollment of 650 students by December 2025, we have the option to terminate this agreement without any further obligations to operate or purchase the school or to pay the construction costs. If we reach enrollment of 650 students at any time prior to December 2025, we will be required to pay the developer a purchase price covering the purchase of the school and construction costs in an amount representing a fixed sum for the land plus a variable component for the construction, the aggregate of which we currently estimate to be approximately £5.7 million. This amount may be subject to change pending completion of the construction of the school.

**Student Recruitment**

To facilitate effective student recruitment and retention, each school has a team of marketing and admissions professionals who are responsible for implementing activities to stimulate inquiries and to maximize conversions of inquiries into enrollments. We place strong emphasis on admissions management and each school follows a structured admissions process which reflects our best practices framework. Within this framework, particular emphasis is placed on standardized and comprehensive customer data gathering, proactive inquiry management, interaction with school academic staff and a personalized service, in order to create a positive experience for each individual family.

While our student recruitment process consists of several stages, the key metrics in relation to our admissions processes are the number of inquiries received by the school and the conversion of these inquiries into enrollments. We have tools to monitor admissions KPIs. Through these tools, we monitor and analyze the source of inquiries, demand for places and conversion of inquiries into enrollments by enrollment year and grade, current and expected enrollments versus available capacity, current admissions pipeline and the status of each inquiry. Schools maintain their own database to record relevant information about prospective parents, which allows the school's team to manage and progress each inquiry as well as provide management reporting.

- *Inquiries/Applications:* parents considering enrolling their child at one of our schools register their child's details and request further information from the relevant school. Once the information is received, parents will choose whether to apply for a place at the school by completing an application form and paying an application fee.
- *Admissions/Enrollments*: if offered a place at one of our schools, parents are required to confirm the acceptance of the place by signing a contract. For certain segments, we charge a one-off facility fee or upfront tuition fee for the first semester at the time of enrollment.

***Generating Inquiries***

Our marketing strategy is designed to develop awareness among prospective parents and students and loyalty and advocacy among existing parents and students. While we standardize best practice across all of our schools, our local personnel retain the flexibility to vary marketing tactics according to local requirements.

The majority of our inquiries are generated through the following methods:

*Website and Digital Marketing*

We recognize that online marketing is a critical means of communication with prospective parents and students, as well as families of our existing students. Each school has its own website which is designed to serve both current and prospective parents, with information organized separately for each group. For prospective parents, our websites are designed to convey our value proposition of "Teaching Excellence," in a user-friendly manner to inform decision making and to enable ease of navigation through the use of online application forms. We also use video content to highlight the school experience.

In addition to developing attractive, well-structured school websites that support our marketing and admissions process, we utilize online advertising campaigns, effective search engine optimization and integration with social media to enhance our communications with parents. We regularly monitor our websites and online inquiry generation programs to enable adjustments to be made to campaigns and websites in order to optimize responsiveness. Our digital efforts are supported by digital marketing agencies, whose expertise further complements that of our internal staff.

*Parent Referrals*

We understand that some prospective parents may seek out parents of current and former students to solicit their opinions on our schools. We encourage the parents of current and former students to speak positively about our schools, and we believe we achieve this by providing high quality education, communicating with and involving

parents in our schools and seeking to place each of our schools at the center of its community through initiatives including:

- ***Inclusive Events for Parents.*** Each school holds regular events, which parents are encouraged to attend and at which they are able to interact with other parents. For example, some of our schools provide weekend family days for students and their parents, parent engagement groups, which brings small groups of parents together to provide feedback to the school and to discuss ideas for further development, and parent coffee mornings, which offer a relaxed environment for parents to meet informally with staff of the school and to socialize with each other.
- ***Community Relationship Building.*** Each school strives to develop strong relationships with local organizations in the catchment. Partner organizations can include play groups, nurseries, and junior schools that serve as feeder institutions to our schools, and sports leisure and social clubs for families that match the profile of the schools' parent body.
- ***Charitable Activities.*** All our schools participate in philanthropic initiatives that raise funds for local and national charities. Many school fundraising activities include parents, staff and students.

*Relocation Agents*

In expatriate markets, relocation agents are an important source of inquiries. We develop close relationships with these relocation agents through a variety of initiatives, such as hosting school visits, providing quality information on our schools and producing user-friendly materials they can share with their clients.

*Employers*

Within our expatriate markets, we have established relationships with certain major employers, including multi-national corporations and embassies. We understand that parents consult their employers for school recommendations and information and we invite key personnel from leading corporations to participate in community events that we organize in order to foster good relationships with these employers and to showcase our schools.

*Other Marketing Activities*

We support our marketing program with targeted communications, including:

- ***Promotional Materials.*** We use promotional materials such as school brochures, educational magazines and other publications to enhance our schools' reputation as high quality and leading academic institutions.
- ***Public Relations.*** We create and distribute positive news stories, including news about our academic results and quality of our school facilities to promote our schools' profiles in the media.

***Converting Inquiries into Enrollments***

Typically, parents draw up a shortlist of schools for their child, review the schools' website, request brochures and then, to the extent possible, visit the school campuses. Based on our experience, parents generally visit two or three schools before selecting the schools to which they will apply. As a result, our management of school visits is important to convert inquiries into enrollments, and we have designed our systems to help maximize the conversion of inquiries into enrollments. For example, as part of our typical school visits, we provide an opportunity for prospective parents and students to interact with the teachers who will educate the child, as in our experience, a parent's perception of a school's academic quality is a key factor in school selection. We also seek to ensure that promotional materials are provided to prospective parents and that such materials provide appropriate information to convey each school's academic credentials, such as standardized tests, examination outcomes, scholarships achieved and university admissions.

Within each school, a dedicated admissions officer is responsible for handling parent inquiries, which includes coordinating the school visit, ensuring that appropriate information is provided to the prospective parent and maintaining close contact with the family throughout the entire process. Admissions officers work closely with our Heads and teachers to ensure that individual school tours are tailored to the needs of the family and that the most relevant teachers are available to meet with the families during their visit. In order to enhance our conversion rates, our admissions officers participate in regional training programs which provide them with the necessary skills to maximize their effectiveness.

### *Maximizing Student Retention*

We are focused on retaining our students. The most important aspect in maximizing student retention is to ensure that the school understands and meets the developing needs of both its students and its parents, and that any issues or concerns that may arise are addressed promptly. Our schools employ a number of methods to encourage parent feedback, which include regular parent engagement groups and parent surveys. In addition, we ensure that our teachers are accessible to parents.

In August 2014, we introduced a strategic initiative, "Help us Grow," which implemented a systematic approach to gathering and acting upon parent feedback. The program is underpinned by a "Voice of the Customer" 'VoC' technology platform which enables our schools to regularly invite parents and prospective parents to provide feedback on all aspects of the school. We act on this data, using a feedback mechanism which ensures that any issues highlighted are assigned to the correct person within the school for follow up. We monitor the number of students leaving our schools on a weekly basis and seek to take prompt corrective action with respect to any weaknesses identified in a school. For the fiscal year ended August 31, 2014, the percentage of students retained within our schools was 86.3% of the total number of students.

## Centralized Functions

In order to optimize our global operations, we have centralized certain core functions relating to finance, facilities, IT, human resources and marketing on a regional and/or global basis. By centralizing these functions, are able to provide more professional management and expertise in these areas. In addition, by minimizing these functions at each individual school, we enable local school management to focus solely on educational quality and the day-to-day operations of our schools.

Our centralized functions include:

- ***Information Technology Systems.*** We determine our IT systems needs by considering both global and local requirements, implementing where appropriate, Group or region-wide solutions that ensure consistency and cost effectiveness in the IT procurement process. Additionally, local systems are implemented to address specific local market needs, ensuring that schools retain flexibility to address local or regional needs whilst leveraging Group procurement wherever appropriate.
- ***Finance.*** Each school has a finance team that reports to country or regional finance, who in turn report through to the Group finance team led by the Group CFO. Our finance teams are responsible for accounting and reporting, risk management, compliance, business planning, forecasting, preparation of budgets, management information, financial policy and procedures, treasury activities and allocation of financial resources.
- ***Real Estate.*** Our regional real estate management teams have strategic and day-to-day oversight of all aspects of our real estate portfolio, including estate management, maintenance, facilities management, expansion or development projects and are also responsible for the real estate planning and execution relating to major developments or potential acquisitions. Our real estate team is also responsible for the procurement of certain goods and services, and ensuring compliance with legal, health and safety guidance. Our regional real estate teams are overseen by the COO who reports to the CEO.
- ***Human Resources.*** Each region has a director of HR and a team responsible for overseeing our staff related activities including recruitment, performance management, compensation and benefits, talent management and the related policy and compliance routines.
- ***Marketing and Admissions.*** Regional marketing and admissions directors support strategy development for each region, provide centralized marketing support for key channels such as digital marketing and provide management oversight of school marketing and admissions personnel in their day-to-day activities.

## Accreditation

We require a license or permit from the relevant regulatory authority to operate each of our schools. In addition, in certain jurisdictions we also require licenses to offer curricula from certain accrediting organizations. Our teachers are also subject to the relevant regulatory requirements in each jurisdiction in which we operate. In addition, our schools are required to comply with industry operating standards and may be subject to inspection by the relevant accreditation body. Such inspections generally relate to educational requirements and to health and safety standards. We have the requisite licenses and permits to operate. See "*Regulation*."

### Employees

As of May 31, 2015, we had 4,959 FTE employees consisting of:

| | FTE employees |
|---|---|
| Teachers | 3,561 |
| Non-teaching staff | 1,191 |
| Other[(1)] | 207 |
| **Total** | **4,959** |

(1) Other comprises of all administrative staff based in our regional and corporate offices.

Our teachers and other staff in Brazil, Spain and Vietnam are subject to collective bargaining agreements. We do not believe we face the threats of strikes or other action from our teachers in those countries that could reasonably be expected to have a material and adverse effect on our business, prospects, results of operations or financial condition.

### Intellectual Property

We are the applicant or registrant of trademarks relating primarily to our logos, names of our individual schools and "Cognita" which is registered in the EU, China, Singapore, Thailand, Vietnam, Chile, Mexico, India and South Korea.

### Insurance

We maintain insurance cover in respect of various insurable risks under a range of insurance policies. These include property, fire and consequential loss, business interruption, public liability, professional indemnity and personal injury. Assets are covered on a replacement cost basis. We also have insurance cover for our teachers and staff such as life insurance and travel insurance.

### Properties

Our Group headquarters are located in Milton Keynes in the United Kingdom where we lease approximately 10,700 square feet. As of May 31, 2015, we had 46 freehold and 48 leasehold school properties (including playing fields, car parks and administrative buildings). The average remaining tenure with respect to our leasehold school properties is 21 years and the majority of our leasehold properties have lease terms exceeding 10 years. Eight of the leases with respect to our leasehold school properties are due to expire over the next five years comprising one school and seven other properties, including playing fields, car parks and administrative buildings. The table below summarizes our school properties by region:

| No. | Name of School | Address | Freehold/ Leasehold |
|---|---|---|---|
| **United Kingdom** | | | |
| 1. | Breaside Preparatory School | 41/43 Orchard Road, Bromley BR1 2PR | Freehold |
| 2. | Chilton Cantelo School | Chilton Cantelo, Yeovil BA22 8BG | Freehold |
| 3.-6. | Colchester High School | 19 Wellesley Road, Colchester CO3 3HD | Freehold |
| | | 19A Wellesley Road, Colchester CO3 3HD | Freehold |
| | | 13/15 Wellesley Road, Colchester CO3 3HD | Leasehold |
| | | 21 Oxford Road, Colchester CO3 3HN | Leasehold |
| 7.-8. | Cranbrook School | 32 & 36/38 Mansfield Road, Ilford IG1 3BD | Freehold |
| | | 34 Mansfield Road, Ilford IG1 3BD | Leasehold |
| 9. | Downsend Preparatory School | Main – 1 Leatherhead Road, Leatherhead KT22 8TJ | Freehold |

| No. | Name of School | Address | Freehold/ Leasehold |
|---|---|---|---|
| 10. | Downsend Pre-Prep School | Ashstead Lodge – 22 Oakfield Road, Ashtead KT21 2RE | Freehold |
| 11. | Downsend Pre-Prep School | Epsom Lodge – 6 Norman Avenue, Epsom KT17 3AB | Freehold |
| 12. | Downsend Pre-Prep School | Leatherhead Lodge – 13 Epsom Road, Leatherhead KT22 8ST | Freehold |
| 13. | Duncombe School | 4 Warren Park Road, Bengeo SG14 3JA | Freehold |
| 14. | Glenesk School | Ockham Road North, East Horsely FT24 6NS | Freehold |
| 15. | Hendon Preparatory School | 20 Tenterden Grove, Hendon NW4 1TD | Freehold |
| 16. | Huddersfield Grammar School | Luck Lane, Marsh, Huddersfield HD1 4QX | Freehold |
| 17. | Hydesville Tower School | 25 Broadway North, Walsall, WS1 2QG | Freehold |
| 18. | Kings School | Hartley Road, Mannamead, Plymouth PL3 5LW | Freehold |
| 19. | Long Close School | Upton Court Road, Slough SL3 7LU | Freehold |
| 20. | Meoncross School | Burnt House Lane, Stubbington, Fareham PO14 2EF | Freehold |
| 21. | North Bridge House Nursery School | 33 Fitzjohns Avenue, London NW3 5JY | Freehold |
| 22. | North Bridge House Preparatory School | 1 Gloucester Avenue, London NW1 7AB | Freehold |
| 23. | North Bridge House Senior School | 65 Rosslyn Hill, Hampstead, London NW3 5UD | Leasehold |
| 24. | North Bridge House Pre-Preparatory School | 8 Netherhall Gardens, London NW3 5RR | Leasehold |
| 25. | North Bridge House Senior & Sixth Form | 7/9 Canonbury Place, London N1 2NQ | Leasehold |
| 26. | Oxford House School | 4 Lexden Road, Colchester CO3 3NE | Freehold |
| 27. | Polam School | 45 Landsdowne Road, Bedford MK40 2BU | Freehold |
| 28. | Sackville School | Tonbridge Road, Hildenborough TN11 9HN | Freehold |
| 29.-30. | Salcombe Preparatory School | Campus 1 – 224/226 Chaseside, Southgate N14 4PL | Freehold |
| | | Campus 2 – Green Road, Southgate N14 4AD | Freehold |
| 31. | St Mary's School | 13 St Andrews Road, Henley on Thames RG9 1HS | Freehold |
| 32. | St Margaret's Preparatory School | Gosfield Hall Park, Gosfield CO9 1SE | Freehold |
| 33. | Clifton Lodge Preparatory | 8 Mattock Lane, Ealing W5 5BG | Freehold |
| 34.-35. | Cumnor House School for Girls | 13 Woodcote Lane, Purley, Surrey CR8 3HB | Freehold |
| | | 1 Woodcote Lane, Purley, Surrey CR8 3HB | Leasehold |
| 36.-37. | Cumnor House School for Boys | 91 & 168 Pampisford Road, South Croydon, Surrey CR2 6DA | Freehold |
| 38.-39. | Akeley Wood Senior School | Akeley Wood, Bycell Road, Buckingham MK18 5AE | Leasehold |
| | | Playing Fields, Akeley Wood, Buckingham MK18 5AE | Leasehold |

| No. | Name of School | Address | Freehold/ Leasehold |
|---|---|---|---|
| 40. | Akeley Wood Junior School | Wicken Park, Wicken, Milton Keynes MK19 6DA | Leasehold |
| 41. | Akeley Wood Senior School (lower grades) | Tile House Mansion, Lillingstone Dayrell, Buckingham MK18 5AN | Leasehold |
| 42. | St. Nicholas Preparatory School | 23/24 Princes Gate, London SW7 1PT | Leasehold |
| 43. | Quinton House School | Upton Hall, Upton NN5 4UX | Leasehold |
| 44. | St Clare's School | Newton, Porthcawl CF36 5NR | Leasehold |
| 45. | Kingscourt School | Catherington Lane, Catherington PO8 9NJ | Leasehold |
| 46. | Charterhouse Square School | 38/39/40 Charterhouse Square, London EC1M 6EA | Leasehold |
| 47.-48. | Milbourne Lodge Preparatory School | Arbrook Lane, Esher, Surrey KT10 9EG | Leasehold |
| | | Playing Fields, Arbrook Lane, Esher, Surrey KT10 9EG | Leasehold |
| 49. | Oakfields Montessori School | Harwood Hall, Harwood Hall Lane, Corbetts Tey, Upminster RM14 2YG | Leasehold |
| 50. | Oakleigh House School | 38 Penlan Crescent, Swansea SA2 0RL | Leasehold |
| 51.-53. | Southbank International School (Kensington campus) | Kensington – 36/38 Kensington Park Road, London W11 3BU | Leasehold |
| | | Kensington – 40/42 Kensington Park Road, London W11 3BU | Leasehold |
| | | Portobello – Admissions Office – 18 Portobello Road, London | Leasehold |
| 54.-56. | Southbank International School (Hampstead campus) | Netherhall – 16 Netherhall Gardens, London NW3 5TH | Leasehold |
| | | Netherhall – The Hall at Netherhall Gardens | Leasehold |
| | | Netherhall – Block C Netherhall Gardens | Leasehold |
| 57.-58. | Southbank International School (Westminster campus) | Portland – 63/65 Portland Place, London W1B 1QR | Leasehold |
| | | Conway – 17 Conway Street, London W1T 6BN | Leasehold |
| 59. | Southbank International School | Charteris Sports Centre, 24/30 Charteris Road, London NW6 7ET | Leasehold |
| **Spain** | | | |
| 60.-62. | Hastings School, Madrid | Azulinas, 8. 28036 Madrid | Leasehold |
| | | Paseo de la Habana, 204. 28036 Madrid | Leasehold |

| No. | Name of School | Address | Freehold/ Leasehold |
|---|---|---|---|
| | | Bendición de Campos, 5. 28036 Madrid | Freehold |
| 63.-64. | British School of Barcelona (BSB) | BSB Property – Pitort | Freehold |
| | | BSB – Ginesta | Freehold |
| 65.-68. | El Limonar International School Murcia | ELIS El Palmar, Colonia Buenavista s/n, 30120, El Palmar, Murcia | Leasehold |
| | | ELIS El Palmar, Colonia Buenavista s/n, 30120, El Palmar, Murcia | Leasehold |
| | | ELIS El Palmar, Colonia Buenavista s/n, 30120, El Palmar, Murcia | Leasehold |
| | | Monteprincipe | Leasehold |
| 69. | El Limonar International School Villamartin | Villamartin | Leasehold |
| **Singapore** | | | |
| 70. | Stamford American International School (SAIS) | 1 Woodleigh Lane, Singapore 357684 | Leasehold |
| 71. | Australian International School (AIS) | 1 Lorong Chuan, Singapore 556818 | Leasehold |
| **Thailand** | | | |
| 72. | St Andrews International School Sathorn | 9 Sathorn Soi 4, North Sathorn, Bangrak, Bangkok 10500 | Leasehold |
| 73. | St Andrews International School Green Valley | Moo 7, Banchang-Makham Koo Road, Banchang, Rayong 21130 | Freehold |
| 74. | St Andrews International School Sukhumvit 107 | 7 Sukhumvit 107 Road, Bangna, Bangkok 10260 | Leasehold |
| **Vietnam** | | | |
| 75.-80. | International School Ho Chi Minh City (ISHCMC) | Building 28 VTT, District 2, Ho Chi Minh City | Leasehold |
| | | Building 18 VTT, District 2, Ho Chi Minh City | Leasehold |
| | | Admissions Villa | Leasehold |
| | | Administration Villa | Leasehold |
| | | Car Park Original | Leasehold |
| | | Car Park New | Leasehold |
| 81. | International School Ho Chi Minh City, American Academy (AAVN) | Building 16 VTT, District 2, Ho Chi Minh City | Leasehold |
| 82. | International School Saigon Pearl | Ward 22, Binh Thanh District | Leasehold |

| No. | Name of School | Address | Freehold/ Leasehold |
|---|---|---|---|
| **Brazil** | | | |
| 83. | Escola Cidade Jardim (Playpen) | Pça Prof Américo de Moura, 101, Cidade Jardim, São Paulo | Freehold |
| 84.-85. | GayLussac | Rua Maria Caldas, 35 / 81, São Francisco, CEP 24365-050, Niterói, RJ, Brasil | Freehold |
| | | Rua Coronel João Brandão, 95, São Francisco, CEP 24365-060, Niterói, RJ, Brasil | Freehold |
| **Chile** | | | |
| 86. | Colegio Manquecura, Ciudad de los Valles | Avda. El Canal 19877, Ruta 68, Pudahuel, RM | Freehold |
| 87. | Colegio Manquecura, Ciudad del Este | Avda. Diego Portales 07045, Puente Alto, RM | Freehold |
| 88. | Colegio Manquecura, Valle Lo Campino | Camino El Cerro 2700, Quilicura, RM | Freehold |
| 89. | Colegio Pumahue, Chicureo | Camino Santa Elena 215, Chicureo, RM | Freehold |
| 90. | Colegio Pumahue, Curauma | Nudo Curauma 495, Curauma, V región | Freehold |
| 91. | Colegio Pumahue, Huechuraba | Avda. Santa Rosa de Huechuraba 7201, Santiago, RM | Freehold |
| 92. | Colegio Pumahue, Peñalolén | Avda. Quilín 8200, Peñalolén, RM | Freehold |
| 93. | Colegio Pumahue, Puerto Montt | Volcán Puntiagudo 1700, Puerto Montt, X región | Freehold |
| 94. | Colegio Pumahue, Temuco | Avda. Martín Lutero 01200, Temuco, IX región | Freehold |

## Litigation

We may be subject to legal or administrative proceedings or claims arising in the ordinary course of our business. Other than as described below, we are not currently subject to any such claims that we believe could reasonably be expected to have a material and adverse effect on our business, prospects, results of operations or financial condition.

A former teacher at the Southbank International School was engaged in criminal conduct with respect to a number of students during the course of his career, including between 2009 and 2013, during which time he taught at Southbank International School. We have received letters of claim on behalf of several claimants and their parents, which may become formal claims. As a result, we may face civil claims by affected students and their parents. Such claims may be filed either individually or as a joint action. Although we maintain insurance coverage, and believe such insurance will be adequate to cover the full amount of expected claims, we cannot provide any assurance that claims will not exceed expected amounts. See "*Risk Factors—Risks Relating to Our Business—Further developments relating to the widely reported inappropriate conduct by a former teacher at the Southbank International School could result in damage to our reputation, a decrease in enrollments, civil liabilities and regulatory or other legal action, all of which could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition*."

## REGULATION

Our schools are subject to regulation by national and local authorities under applicable law. Compliance is built into the regular routines operated by our schools. Our schools are inspected regularly by the relevant accreditation body. Below is a summary of the principle regulatory framework in each of the countries we operate in.

### Europe

#### *England and Wales*

Section 463 of the Education Act 1996 (as amended) defines an independent school in England and Wales as any school at which full time education is provided for five or more students of compulsory school age (i.e., five to 16 years old), or one or more such students with a statement of special educational needs or who is "looked after" by a local authority, and is not a school maintained by U.K. local authority or non-maintained special school. In England, such independent school must register with the Secretary of State for Education (the "*SSE*"), who is responsible for the work of the Department for Education (the "*DfE*"). In Wales, an independent school must register with the Welsh Ministers ("*WM*"), who form part of the Welsh Government. Independent schools must be registered before they start to operate and failure to do so is an offence punishable by a fine and/or imprisonment. Establishments that solely cater for children under the age of five will be required to register as an independent school if they meet the definition of an independent school. In England they must register with the Ofsted Early Years Directorate and in Wales with the Wales Care & Social Services Inspectorate. Establishments offering education for 16 to 19 year olds alone do not need to register as independent schools.

The SSE and the WM must be satisfied that the Independent School Standards are likely to be met before a school can be registered. These standards are set out in the Education (Independent School Standards) Regulations 2014 and the Independent School Standards (Wales) Regulations 2003, respectively (collectively the "*Regulations*"). Once a complete application is made in England, the SSE will ask the Office for Standards in Education, Children's Services and Skills ("*Ofsted*") (which oversees various aspects of state and independent schools in England) to inspect the school and provide a report as to whether the school is likely to meet these standards upon registration. The SSE will consider the report from Ofsted and any other evidence available in coming to a decision. The process in Wales is similar with Her Majesty's Inspectorate for Education and Training in Wales ("*Estyn*") (which oversees various aspects of state and independent schools in Wales) providing the report to the WM. The application process generally takes around six months from receipt of a complete application.

The Regulations require the SSE or the WM to make checks on any individual responsible for the day to day management of an independent school. The individual must not be barred under section 3(2) of the Safeguarding Vulnerable Groups Act 2006 and checks must be undertaken in respect of the person's identity and right to work in the United Kingdom. An enhanced criminal record check must also be undertaken. In England, this record check must be countersigned by the SSE and in Wales, by a Welsh Government official. If the proprietor has lived overseas, checks must also be made with the relevant overseas authorities and/or such other checks as the SSE or WM, as applicable, directs. If the proprietor is a formally constituted board of governors, directors or trustees, a trust or a limited company, only the chair will be required to undergo such checks. When inspected, a school will be required to provide evidence that these checks have been carried out. Proprietors must ensure that staff also meet all the above requirements and, in addition, if staff care for, train or are in charge of boarders, the National Minimum Standards for boarding schools must be met or the National Minimum Standards for Residential Special Schools must be met (if applicable).

The DfE guidance states that all new independent schools are required to have an Ofsted inspection in their first year of operation, and provided that all Independent School Standards are met, schools will be inspected on a regular basis thereafter. Schools that belong to an Independent Schools Association, such as our schools in England, will have inspections carried out by an independent inspectorate rather than Ofsted. The Welsh Government guidance states that Estyn will carry out an inspection between three and six months after the date the school is registered, and at least every six years thereafter to judge compliance with the Independent School Standards. Independent schools can be inspected at any time and inspections will be more frequent where there is a cause for concern. If there is evidence that a school is failing to meet the required Independent School Standards, and the SSE or the WM, as applicable, considers that there is a risk of serious harm to the welfare of the students, the school can be removed from the Register of Independent Schools, subject to appeal. In all other circumstances where the results of an inspection or other evidence reveals that the school does not meet one or more of the standards, the standards that are not being met will be identified and the SSE or the WM, as applicable, will require the proprietor to submit an action plan on how the issue will be remedied within a specified period of time. If the plan is rejected, or the issue is not remedied in line with an agreed action plan,

then the SSE or the WM, as applicable, can remove the independent school from the register (after the conclusion of an appeal), require the proprietor to cease using any part of the school's premises, close any part of the school's operation or order the school to cease to admit new students or students of a certain description. A school proprietor can appeal against a decision made by the SSE or the WM, as applicable, within 28 days of the decision being made.

All independent schools must gain approval from the SSE or the WM, as applicable, before making material changes, including, for example, a change of proprietor or a change to admit, or cease to admit, children with special educational needs. Whilst the majority of changes will be approved quickly, some can take up to six months, and if approval is not forthcoming within six months, it will not be deemed to have been granted.

Education providers in England and Wales have certain duties under the Equality Act 2010 not to discriminate in relation to admissions, exclusions, provision of education and access to any benefit, facility or service on the grounds of any of the relevant "protected characteristics." The protected characteristics that apply to education providers are disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Schools in England and Wales must also comply with a range of other legislation that includes, without limitation, child welfare and protection, health and safety, data protection and food safety.

***Spain***

Spanish privately-owned foreign schools are regulated under the Royal Decree 806/1993, May 28 (the "*Spanish Royal Decree*"), which specifically regulates the regime applicable to foreign schools in Spain, and more generally by the Organic Law 8/1985, July 3, which regulates the right to education; the Organic Law 2/2006, May 3, which regulates education; and the Royal Decree 332/1992, April 3, which regulates authorizations of private schools to teach under the general regime.

Pursuant to the Spanish Royal Decree and the Organic Law 8/1985, all natural or legal persons can be a holder of a privately-owned foreign school in Spain, regardless of their nationality, with the exception of:

- persons that already provide services to the Spanish national, regional (Autonomous Community) or local education administrations;
- persons who have any criminal record for intentional crimes; and
- persons expressly deprived of this right by judgment.

For legal persons, the above mentioned restrictions will apply when the person affected by the restriction holds a governing position or 20% or more of the issued share capital.

In order to carry out their business in Spain, schools must obtain authorization from the Spanish Ministry of Education. Once granted, the authorization does not need to be renewed and the schools are registered with the Public Registry of Schools and subject to inspection. In order to obtain the required authorization to operate in Spain, foreign privately-owned schools must satisfy both basic requirements applicable to all Spanish schools (such as adequate hygiene, safety, acoustic, and habitability conditions at the school premises, and architectural characteristics to guarantee the mobility of disabled students) as well as the relevant requirements of the applicable education authorities for the specific curricula taught in every school. Foreign educational curricula is required to include certain Spanish-specific contents. In the case of international schools that do not follow the Spanish curricula, schools are required to seek an international accreditation and ratification from the relevant foreign embassy, a copy of which is provided to the Ministry of Education before the local Spanish authorization is granted.

All of our schools in Spain are accredited by the National Association of British Schools in Spain and have been accredited and ratified by the British Council. Schools in Spain must comply with a range of legislation and other directives that include child welfare and protection, criminal records checks, health and safety, data protection, racial equality, disability discrimination, food allergy and school trips.

**Asia**

***Singapore***

The key regulators for international schools in Singapore are the Council for Private Education (the "*CPE*"), the primary regulator for private education providers in Singapore, and the Economic Development Board, which monitors the demand of private education and evaluates the overall economic impact of schools on Singapore. The premises of a private education institution must be deemed suitable for the delivery of private education by relevant land planning and fire safety authorities. The CPE is tasked with the strategic development, regulation and the quality assurance of private education institutions in Singapore and ensuring consumer and student support.

In order to maintain the required authorization from the CPE, schools are required to register as a private education institution. The registration of a private education institution is subject to renewal. Each renewable period of registration is between one to six years, and will be determined by the CPE based on the achieved standards of quality or performance of the private education institution.

In addition to being registered with the CPE, the Australian International School and the Stamford American International School are also registered under the EduTrust scheme, a voluntary certification scheme that helps to distinguish higher quality educational institutions in Singapore's private education industry. Assessment for acceptance under the scheme involves additional requirements with respect to the establishment and implementation of management strategies and organizational tasks that value excellence in the provision of private education, corporate governance and administration, management of external recruitment agents, student protection and support services, academic processes and assessment of students and quality assurance, monitoring and results.

Singapore nationals who reside in Singapore are required to attend national schools and are not permitted to attend international schools unless a special exemption has been granted by the Ministry of Education. Exemptions are assessed and granted on a case-by-case basis by the Ministry of Education and such exemptions may be subject to terms and conditions. The exemptions as granted may additionally be revoked at any time.

Schools in Singapore must comply with a range of legislation, regulations, administrative and other directives that include building, classroom and playground safety, fee collection, child welfare and protection, criminal records checks, health and safety, data protection, racial equality and disability discrimination.

In respect of the fee collection restrictions, save for the exception of imposing charges for late payment of course fees, a private education institution is not allowed to collect deposits or penalties from any student for any purpose regardless of whether such deposit or penalty is refundable or not. However, a registered private education institution is to maintain the statutorily prescribed fee collection schedule for courses longer than two months in duration.

***Thailand***

The key regulations in regards to education in Thailand are the National Education Act and the Private Schools Act. The National Education Act outlines the fundamental rights and duties regarding the education of Thai people and provides for the establishment of the National Education Standards and Quality Assessment ("*NESQA*"). The NESQA is a public organization that ensures that education is properly provided and assesses whether the provision of education complies with the national education policy and serves the needs of the people. The Private Schools Act regulates the private school business in Thailand. It establishes the Office of the Private Education Commission ("*OPEC*"), which, under the supervision of the Office of the Permanent Secretary for Education, provides general oversight for K-12 education in Thailand and promotes and supports private education data and registration, as well as monitors and evaluates the provision of private education.

The Private Schools Act requires that, in order to establish a private school, a license must first be obtained by any of the Secretary-General of OPEC located in Bangkok, the Director of the Educational Service Area Office for private schools located in other provinces or the Provincial Governor in cases where there is no Educational Service Area Office in such a province. The application for a private school license must include evidence demonstrating that upon being granted a license, a school will have ownership or a possessory right of land for a period of no less than 10 years. The license holder can be either an individual or a corporate entity possessing qualifications prescribed under the Private Schools Act and the notification promulgated thereunder. In cases of an individual license holder, the license holder must be of Thai nationality. In cases of a corporate entity, no less than half of the total number of shares of such entity is required to be held by Thai persons (individual or entity) and no less than half of the total number of shareholders is required to be Thai persons (individual or entity). Our license is owned by an entity which is owned by a Thai person for purposes of these rules, but that person has assigned all of his ownership rights to us, which we believe is not unusual in various sectors which have foreign ownership restrictions in Thailand. While such nominee structures have not been challenged by regulators, the position is uncertain. See "*Risk Factors—Risks Relating to Our Business—We are subject to rules arising from our ownership structures in Thailand and Vietnam*." Private school licenses are transferable.

The school entity is a separate entity from the license holder for the school, and the license holder shall act as representative of such school entity. The school charter forms the relationship between the license holder and the school. The school is governed under the school charter and operated by the executive board consisting of the license holder, the manager of the school, the director of the school, representatives of teachers, representatives of students' parents, and other qualified members (the "*Executive Board*"). Changes to the school charter and details relating to the school's business, including operating plan or tuition fees, after obtaining a private school license, shall require prior approval from the Executive Board and the corresponding authority.

In order to maintain the required authorization from the Ministry of Education, schools are required to comply with the Private Schools Act and other rules and regulations promulgated thereunder. Schools in Thailand must also comply with a range of legislation and other directives that include child welfare and protection, health and safety, data protection, racial equality, and disability and religion discrimination.

Tuition fees and other fees are fixed by the Executive Board and shall be publicly announced within the school area. If the Ministry of Education or OPEC determines that the school charges tuition fees that create an excessive burden on the public or seek exorbitant profits, the Ministry of Education or OPEC have the power to order the reduction of tuition fees as they deem appropriate.

***Vietnam***

In Vietnam, the primary regulatory authorities are the Ministry of Education and Training and the Department of Education & Training. The Ministry of Education & Training is the primary governmental authority for education in Vietnam while the Department of Education & Training is the organization responsible for issuing "Certificates of Operation Registration" that allow schools to operate in Vietnam. Foreign operators are also required to obtain an Investment Certificate from the Department of Planning and Investment with respect to its investment in any enterprise owning and operating schools in Vietnam.

Vietnam laws allow up to 100% foreign ownership of an educational establishment; however, foreign operators must meet minimum requirements in terms of, among other things, investment per capita, student intake and teaching staff in order to obtain a "Certificate of Operation Registration." Also, subsequent to the passage of a new decree in 2012, the proportion of Vietnamese and expatriate students enrolled in foreign-invested school may be limited. In particular, pursuant to this decree, (i) kindergartens/pre-schools are not allowed to enroll Vietnamese national students, (ii) primary and middle schools are allowed to enroll Vietnamese national students of no more than 10% of the total number of students, and (iii) high schools are allowed to enroll Vietnamese national students of no more than 20% of the total number of students. However, we believe, based on guidelines issued after the issuance of that decree, that schools operated pursuant to a Certificate of Operation Registration obtained prior to the adoption of the current regulation, such as our schools do, are not required to limit their enrollment of Vietnamese students as prescribed by the decree. There are no restrictions for foreign-invested tertiary and vocational/short-term training establishments (i.e., up to 100% of student recruits can be Vietnamese). Furthermore, schools that admit Vietnamese national students are required to maintain provision of certain local subjects, as prescribed by the Ministry of Education and Training. We hold licenses at both International School Ho Chi Minh City and International School Ho Chi Minh City, American Academy to teach an international curriculum to Vietnamese national students.

Schools in Vietnam must comply with a range of legislation and other directives that include child welfare and protection, criminal records checks, health and safety, data protection, racial equality, disability discrimination, food allergy and school trips.

**Latin America**

***Chile***

The key regulators for educational matters in Chile are the Ministry of Education (*Ministerio de Educación* or "*MINEDUC*") and the Superintendence of Education (*Superintendencia de Educación*). The MINEDUC oversees the performance of all the different agents involved in educational activities and it has a presence throughout the country by means of regional offices (*Secretaría Regional Ministerial* or "*SEREMI*"). The Superintendence of Education monitors recognized schools and its sponsors, ensuring that all recognized schools' operations meet the relevant regulations.

The main statute regarding schools is the General Law of Education (Law Nº 20.370), which provides a series of rights and obligations regarding students, parents, teachers, sponsors and schools. In addition, Decree Nº 315 enacted by the MINEDUC sets forth the process and requirements for obtaining the State's recognition for a school, how to maintain it and what may cause its cancellation or revocation. Importantly, all schools must have a sponsor (or *sostenedor*) by law. In the case of private schools the sponsor must be a private legal entity, which sole corporate purpose must be to act as a sponsor of an educational establishment. The law does not discriminate between national and foreign sponsors, so there is no issue concerning foreign ownership of schools, whether partial or absolute. Licensing is handled by the corresponding SEREMI. The remaining regulations related to educational matters stem from the MINEDUC and focus on specific issues, such as academic content for specific levels or the minimum requirements for being able to teach in schools. Schools are subject to inspections performed by the Superintendence of Education. These inspections may be previously arranged or may be random and unscheduled. The Superintendence of Education may also impose four types of penalties to schools

for legal or regulatory non-compliance: written admonishments; fines, ranging from approximately $70 to $70,000 (in private schools, the average cost of tuition is taken into consideration when determining the amount of the fine); temporary or definitive inability to act as sponsor for a school; and revocation of the State's recognition of the school. The harshness of the penalty ultimately imposed shall depend on the seriousness of the school's non-compliance or infraction, as well as its cooperation or lack thereof in rectifying such non-compliance. In addition, the school may also be penalized with fines or temporary closing of its premises if it fails to comply with the regulation concerning hygienic and construction matters.

Admission requirements in private schools must be pursuant to objective, clear and non-arbitrary parameters and must ensure the dignity of the applicants and their families. Provided this requirement is met, private schools are free to set forth its own set of requirements, such as religious beliefs, nationality, academic performance, and family composition. There are no statutes or regulations requiring a minimum percentage of Chilean students. Private schools are also free to determine the amount, payment term and conditions of tuition and its related admission process, enrollment, parent associations' fees and any other costs of enrollment. During the academic year, the school may not suspend or expel a student due to any unpaid and outstanding tuition fee.

Schools in Chile must also comply with hygiene and construction codes, as well with a wide ranging set of laws, regulations and other directives that include child welfare and protection, criminal records checks, safety, data protection, and disability discrimination.

***Brazil***

Brazilian schools must comply with federal regulations and guidelines as well as any applicable state or local regulations. Brazil's federal government regulates the country's education system through the Ministry of Education (Ministério da Educação). However, licensing is handled by the school's state or local government, depending upon the type of school. Specifically, state governments are responsible for the licensing of all elementary schools and high schools located within their respective jurisdictions while local governments are responsible for the licensing of early childhood education programs. Local governments are also responsible for establishing state education programs following the guidelines and using the funding supplied by the federal government.

In order to maintain the required authorization from federal, state, and local governments, a school must satisfy certain requirements ranging from the suitability of its physical facilities to the qualification of its teachers and the structure of its curriculum. The licensing authorities have the power to check compliance with such requirements periodically and non-compliance may lead to the revocation of the school's existing permits.

Aside from certain age requirements in relation to the grade a student can be enrolled in, there are no specific rules that Brazilian schools must follow when deciding whether or not to accept any given student. However, regulators may levy sanctions against a school using discriminatory admissions practices.

Private schools are unregulated with regards to determining tuition rates and charging any other fees to their students. Additionally, provided that all foreign investment is duly registered in the Central Bank of Brazil (*Banco Central do Brasil*), there are no restrictions in the remittance of funds (such as dividends and other distributions) to a private school's foreign investors.

## MANAGEMENT

*In this "Management" discussion, we use the term "we," "us" and "our" to refer to Cognita Holdings, except where the context otherwise requires.*

### Management of Cognita Holdings

#### *Board of Directors*

Set forth below are the names, ages, and titles of the members of the Board of Directors of Cognita Holdings. The business address of each of the directors of Cognita Holdings is Seebeck House, One Seebeck Place Knowlhill, Milton Keynes, Buckinghamshire MK5 8FR.

| Name | Age | Title |
|---|---|---|
| Rees Withers | 62 | CEO and Director |
| Edmund Lazarus | 46 | Director |
| Patrik Johnson | 34 | Director |
| Brian Carroll | 43 | Director |
| Christian Ollig | 37 | Director |

Summarized below is a brief description of the experience of the individuals who serve as members of the Board of Directors of Cognita Holdings.

Rees Withers has served as the Group's Chief Executive Officer since 2004. As a founding member of the Group, Mr. Withers became a member of the board of Cognita Holdings in November 2004. Prior to this, Mr. Withers served as Chief Executive of a European homecare company, Domus Homecare, from 1998 to 2002. Mr. Withers' early career was spent in Europe and the USA with Xerox and Tektronix Inc. He returned from the USA in 1986, having been appointed European Marketing Director for Invacare Corp. Mr. Withers spent the next six years building Invacare Corp.'s European business before being appointed to the Board of Intercare Plc, a U.K. FTSE listed healthcare group. He later invested in the formation of his own European business, in partnership with Warburg Pincus, a US private equity firm. Mr. Withers holds a bachelor degree in Mechanical Engineering from the University of Bath.

Edmund Lazarus was appointed a director of Cognita Holdings in November 2004. Mr. Lazarus is the Managing Partner, and a founding partner, of Bregal Capital LLP, which was founded in 2002. Before founding Bregal Capital LLP, Mr. Lazarus worked at Morgan Stanley Capital Partners, where he was a member of the firm's Global Investment Committee, SG Warburg, Merrill Lynch and Bain & Co. Mr. Lazarus sits on Bregal Capital LLP's Investment Committee and is currently a member of the boards of Cognita, Danwood, Morrison, QA, Reconomy, Stelrad and Studialis. He led Bregal Capital LLP's successful exits from its investments in GSL, Ideal Boilers and Zephyr. He also served as a member of the Board of Novem during the initial years of Bregal Capital LLP's ownership of the company. Mr. Lazarus graduated from Oxford University with a First Class degree in Politics, Philosophy and Economics, where he also served as President of the Oxford Union. He served for ten years from 1992 to 2002 on Westminster Council, the city government for central London, latterly as Chairman of Finance and Deputy Leader. He subsequently served as Chairman of Finance of the London Development Agency and currently chairs the London Green Fund on behalf of the Mayor of London.

Patrik Johnson was appointed a director of Cognita Holdings in November 2006. Mr. Johnson is a partner in Bregal Capital LLP which he joined in September 2005. Prior to joining Bregal Capital LLP, Mr. Johnson worked for Credit Suisse First Boston in their investment banking division. Mr. Johnson played an active part in Bregal Capital LLP's investments in Bluestep, Cognita, Danwood, MCi and Whittan and currently sits on the board of Bluestep, Cognita and Whittan. He holds a master's degree in Accounting and Financial Management from Stockholm School of Economics.

Brian Carroll was appointed a director of Cognita Holdings in June 2013. Mr. Carroll joined KKR in 1995 and currently heads the consumer and retail teams in Europe. Mr. Carroll is also a member of KKR's European Investment Committee. Since joining KKR, Mr. Carroll has played a significant role in many investments including Laureate Education, Inc., Sealy Corporation, Borden, Merit Behavioral Care, Randall's Food Markets, Rockwood/Dynamit Nobel, Harman International Industries, Wild Flavors, Wincor Nixdorf, Pets at Home Group Plc, Northgate Information Solutions, SMCP Group, Cognita Holdings and Afriflora. He is currently a member of the board of directors of Laureate Education, Inc., Pets at Home Group Plc, Northgate Information Solutions, Cognita Holdings, SMCP Group and Afriflora. Prior to joining KKR, Mr. Carroll was with Donaldson, Lufkin & Jenrette. Mr. Carroll has a BS and BAS from the University of Pennsylvania, and an MBA from Stanford University Graduate School of Business.

Christian Ollig was appointed a director of Cognita Holdings in June 2013. Mr. Ollig joined KKR in 2008 and is leading KKR's private equity platform in Germany and is a senior member of the consumer industry team. At KKR, Mr. Ollig has played a significant role in KKR's investments in Wild Flavors, U.N. Ro-Ro, and Württembergische Metallwarenfabrik AG (WMF) as well as Hertha BSC. Prior to joining KKR, he was a Vice President at Lehman Brothers in the Mergers & Acquisitions Group, and the Media Group in Frankfurt and New York. At Lehman he was involved in a range of KKR investments, including SBS Broadcasting, ProeSiebenSat.1 and Kion. He holds an M.B.A. (Diplom-Kaufmann) with distinction from the University of Cologne and London Business School.

**Management of Cognita Financing plc**

Cognita Financing plc was incorporated on July 3, 2015 for the principal purpose of issuing the Notes. The Board of Directors of Cognita Financing plc is composed of the following members:

| Name | Age | Title |
|---|---|---|
| Rees Withers | 62 | CEO |
| Dean Villa | 57 | COO, Property Director |
| Mark Adams | 50 | Interim CFO |

**Senior Management Team**

In addition to the foregoing, the following individuals are members of the senior management team of the Group:

| Name | Age | Title |
|---|---|---|
| Ralph Kugler | 59 | Chairman |
| Rees Withers | 62 | CEO |
| Dean Villa | 57 | COO, Property Director |
| Mark Adams | 50 | Interim CFO |
| Nicole Louis | 47 | Group Director of Marketing, Admissions & Communications |
| Max Vialou-Clark | 44 | CEO, Europe |
| Brian Rogove | 41 | CEO, Asia |
| Josep Caubet | 37 | CEO, Latin America |

Ralph Kugler joined the Cognita Group as Chairman in February 2014. He spent nearly 30 years with Unilever and was appointed to the Boards of Unilever plc and Unilever N.V. in May 2005, before retiring from Unilever in 2008. Mr. Kugler is currently also a board director of Kugler Associates Limited, Chairman and a director of AFG Media Ltd. and is an advisor on the board of Mars, Incorporated. Mr. Kugler serves as a board trustee of the David Rattray Memorial Trust, which seeks to improve education for the underprivileged in South Africa, and is a chairman of the International Advisory Board at Leeds University Business School. Mr. Kugler was previously a board director at Intercontinental Hotels Group plc, Chairman at Byotrol plc, Chairman at Gorkana Ltd, and board director at Spotless Group SAS and at Discovery Group Holdings Ltd. He holds a first class honors degree in Economics from Leeds University and an MA in Industrial Relations from Warwick University. Mr. Kugler was appointed Commander of the Royal Order of the Direkgunaborn, a Thai royal honor in 1999.

Dean Villa has served as the Group's Chief Operating Officer and Real Estate Officer since 2004. As a founding member of the Group, Mr. Villa became a member of management in 2004. From 2003 to 2004, Mr. Villa was the Property Director of Global Education Management Systems ("*GEMS*"), responsible for the property acquisition of new and existing schools, estate management, and procurement for GEMS's entire portfolio of schools. Prior to GEMS, Mr. Villa was Property Director for Thistle Hotels, with responsibility for the asset management of 56 hotels (valued at over £1 billion) and spent 18 years as Development Director for Whitbread plc, where he was responsible for managing a restaurant estate of several thousand properties, including the rollout of several successful new brands within the United Kingdom. Mr. Villa is responsible for the real estate and licensing aspects of all school acquisitions, capacity expansion projects across the Group including greenfield school developments, real estate acquisitions for capacity expansions and the Group's capital investment program. He is also responsible for the procurement of goods and services, insurance and the Group's compliance with health and safety and safeguarding.

Mark Adams joined the Cognita Group as Interim CFO, Asia Pacific in February 2014, before becoming Interim Group CFO in April 2015. Mr. Adams has over 20 years' experience in senior finance roles. He was the CFO of Hastings Insurance Group between May 2011 and May 2012, the CFO of easyJet plc between September 2009 and December 2010, the Group Finance Director and then Chief Executive at Helphire Group between April 2008 and April 2009, Finance Director of Alpha Airports Group plc between October 2006 and February 2008,

and CFO at STA Travel Group between December 2000 and April 2006. Mr. Adams has also been a non-executive director at Development Media International since February 2011. Mr. Adams is a Chartered Accountant, and holds a degree in Mathematics with Statistics from the University of Surrey.

Nicole Louis joined the Cognita Group as U.K. Marketing Director in January 2009. Ms. Louis was appointed Group Communications and Admissions Director in January 2012. Before joining Cognita, Ms. Louis held senior level marketing posts with a number of brands within the telecommunications, retail, consumer goods and fine art sectors. From 2006 to 2008, Ms. Louis was Marketing Director, Europe and Asia at Sotheby's and between 2003 and 2006, Ms. Louis served as Marketing Controller for Camelot. Between 1996 and 2003, Ms. Louis held senior marketing posts with United Kingdom telecoms provider Orange. Ms. Louis has also held marketing roles at Bell Cable Media from 1989 to 1996.

Max Vialou-Clark was appointed as CEO, Europe in July 2015. Mr. Vialou-Clark has over 20 years' experience in commercial and managerial roles. From January 2011 to October 2014, Mr. Vialou-Clark was Commercial Director—Retail and Brand, at Heathrow Airport where he was responsible for the consumer proposition at the new Terminal 2. From January 2008 to January 2011, he was Head of Business Development at J Sainsbury's and between January 2003 and January 2011 he was Product and Marketing Director and Regional GM at HBoS. He is a governor of a free school in Hertfordshire. He holds an MBA from Cranfield School of Management and a BSc in Production and Operations Management from Nottingham University.

Brian Rogove joined the Cognita Group as CEO, Asia in July 2008. Mr. Rogove was a Founding General Partner at Tuscan Ventures, a boutique private equity firm focused on growth capital investments in India and Greater Asia, where he served between 2006 to 2008. Between 2004 to 2007, Mr. Rogove served as Managing Director Asia Pacific for Coherix, a US Venture Capital backed technology start-up. Mr. Rogove has more than 18 years of experience in Asia and eight years of entrepreneurial experience, having also started and managed three companies across diverse industry segments. Mr. Rogove started his career at Henkel Corporation (Loctite Corporation) in 1996, where he spent five years. Mr. Rogove serves as Chairman of the Chicago Private Equity Network in Asia. He is a member and has served on committees of the AmCham Singapore, IMAPS, YVCA and The American Club in Singapore. Mr. Rogove is also a member of Young Presidents' Organization (YPO) and serves on the Board of the Pan Asia Chapter. He holds an Economics degree from Northern Illinois University, and an MBA from the University of Chicago—Booth School of Business.

Josep Caubet joined the Cognita Group as Director of Strategic Development, Spain in November 2007. In January 2011, Mr. Caubet became Director of Strategic Development in Southern Europe and Latin America, and in April 2013 became CEO, Latin America. Before joining Cognita, Mr. Caubet held a number of senior roles within world-leading corporate finance and banking institutions. From 2000 to 2001, Mr. Caubet was a senior analyst in Arthur Anderson's corporate finance division. From 2001 to 2007, Mr. Caubet was at Atlas Capital Close Brothers (currently Daiwa Securities Group), where he became a vice-president of the investment banking division. Mr. Caubet has a degree and an MBA from ESADE in Barcelona and studied the Corporate Finance Programme at the London Business School.

### Newly Appointed Officer

On June 1, 2015, we appointed David Pearce as our new Group Chief Financial Officer, effective from October 1, 2015. Mr. Pearce was previously the Global Chief Financial Officer of Bartle Bogle Hegarty. Prior to this, Mr. Pearce was the Global Deputy Chief Financial Officer of Hit Entertainment from 2007 to 2008 and held the position of CFO/Senior VP Finance, IT & Operations with Sony Music Entertainment from 2002 to 2006. Mr. Pearce holds a bachelor of science degree from Durham University and is an ACA Chartered Accountant.

### Compensation

The aggregate compensation paid by us to the directors of Cognita Limited and our key management personnel for the twelve months ended May 31, 2015 was £2.3 million.

### Incentive Plans

We established a management incentive plan in June 2013 under which non-voting shares are issued to current and certain former members of management. The program strives to align the interests of management and the principal shareholders and contains customary leaver provisions.

# PRINCIPAL SHAREHOLDERS

The Issuer's entire issued and outstanding share capital is held by the Company, a wholly-owned subsidiary of Cognita Midco.

KKR indirectly controls 48.9% of the voting rights attaching to Cognita Topco's shares and Bregal Capital indirectly controls 51.1% of the voting rights attaching to Cognita Topco's shares.

# CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

## Transactions with Entities Affiliated with our Shareholders

KKR Capital Markets Limited, one of the initial purchasers, is an affiliate of KKR and therefore an affiliate of the Issuer. In addition, Bregal Capital will receive a debt advisory fee in connection with the Refinancing Transactions.

## Shareholders' Arrangements

The Shareholders' Arrangements governs various rights of Bregal Capital and KKR with regard to the Group, including voting rights and appointment rights. Pursuant to the Shareholders' Arrangements, each of Bregal Capital and KKR may appoint up to two directors of each company in the Group, including Cognita Topco and Cognita Holdings. The Shareholders' Arrangements requires at least one director appointed by each of Bregal Capital and KKR to consent to any resolution considered by the companies in the Group and to consent to the appointment of any new directors of the companies in the Group. Furthermore, the Shareholders' Arrangements, together with the articles of association of each relevant company, governs the transfer of Group securities, requires each party to consent to any new issuance of securities and gives each party the right to subscribe to such securities on a *pro rata* basis.

# DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the Revolving Credit Facility Agreement or the Intercreditor Agreement, as applicable.

## Revolving Credit Facility

### *Overview and Structure*

In connection with the Refinancing Transactions, the Company and certain of its subsidiaries entered into a new £60 million super senior revolving credit facility agreement (the "*Revolving Credit Facility Agreement*") on July 31, 2015 with, among others, Elavon Financial Services Limited as facility agent, U.S. Bank Trustees Limited, as security agent, and Morgan Stanley Bank International Limited, Barclays Bank PLC, Commerzbank AG, London Branch and HSBC Bank plc as arrangers.

The revolving credit facility made available under the Revolving Credit Facility Agreement (the "*Revolving Credit Facil*ity") may be utilized by any current or future borrower thereunder in pound sterling, euros, U.S. dollars, Singapore dollars and any other currency which is readily available and freely convertible into pound sterling, by the drawing of cash advances, the issuance of letters of credit and/or the establishment of ancillary facilities. The Revolving Credit Facility may be used for (directly or indirectly) financing or refinancing the general corporate purposes and/or working capital requirements of the Group.

In addition, the Company may elect to request additional facilities, either as new facilities or additional tranches of the Revolving Credit Facility (each an "*Additional Facility*"). The Company and the lenders providing an Additional Facility may agree to certain terms applicable to such Additional Facility, including the margin, the termination date and the availability period (where relevant, subject to certain parameters as set out in the Revolving Credit Facility Agreement).

The Revolving Credit Facility may be utilized until the date falling one month prior to the termination date of the Revolving Credit Facility. The initial borrower under the Revolving Credit Facility is Cognita Holdings.

### *Interest and Fees*

Loans under the Revolving Credit Facility Agreement will initially bear interest at rates per annum equal to LIBOR or, for loans denominated in euro, EURIBOR, plus a margin of 3.25% per annum (which is subject to reduction in accordance with a ratchet linked to the leverage ratio). The margin applicable to an Additional Facility will be agreed between the Company and the lenders of that Additional Facility (subject to certain parameters set out in the Revolving Credit Facility Agreement).

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility until the end of the availability period for the Revolving Credit Facility at a rate of 35% of the margin applicable to the Revolving Credit Facility from time to time. The commitment fee is payable quarterly in arrears, on the last date of availability of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment thereunder. Default interest is calculated as an additional 1% on the overdue amount. The Company is also required to pay customary agency fees to the facility agent and the security agent in connection with the Revolving Credit Facility.

### *Repayments*

Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism applicable to amounts being drawn on the same date. All outstanding amounts under the Revolving Credit Facility will be repaid on the date falling 66 months after the Issue Date. The termination date for a facility under an additional facility commitment is the date agreed between the Company and the relevant lenders, subject to certain parameters as set out in the Revolving Credit Facility Agreement. Amounts repaid by the borrowers in respect of loans made under the Revolving Credit Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

### *Mandatory Prepayment*

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to minimum amounts). The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender under the Revolving Credit Facility Agreement upon a Change of Control. For

purposes of the Revolving Credit Facility Agreement, the Company will have discretion as to whether or not to deem a Change of Control not to have occurred by reason of such Change of Control also being a Specified Change of Control. The Revolving Credit Facility Agreement also requires the Company to make an offer to prepay the Revolving Credit Facility with the net cash proceeds received by the Group from certain disposals of assets, to the extent that such net cash proceeds exceed certain agreed thresholds and have not been applied for other permitted purposes.

***Guarantees***

The Issuer and the Guarantors will provide senior guarantees of all amounts payable to the finance parties under the Revolving Credit Facility Agreement, in each case subject to the limitations on such guarantees as set out in the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement requires that, following the grant of the guarantees by the Company, the Issuer and the Acceding Subsidiary Guarantors (subject to agreed security principles and upon request in certain cases), each subsidiary of the Company incorporated in a Security Jurisdiction that is or becomes a Material Subsidiary (which definition includes, among other things, any member of the Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated EBITDA or total assets representing 5% or more of the total assets of the Group), and any holding company of that company, will be required to become a guarantor under the Revolving Credit Facility Agreement within the time period specified therein. The Security Jurisdictions are initially England and Wales and Singapore. In the event that a Material Subsidiary is incorporated in a jurisdiction which is not a Security Jurisdiction, the jurisdiction of that Material Subsidiary shall, if so required by the requisite majority of lenders under the Revolving Credit Facility Agreement and provided that it is a jurisdiction other than Brazil, Chile, Spain, Vietnam or Thailand, become a Security Jurisdiction for the purposes of the Revolving Credit Facility Agreement (but only in relation to that Material Subsidiary).

Furthermore, if on the last day of a financial year of the Company, the guarantors represent less than 80% of the consolidated EBITDA and/or the total assets of the Group (subject to certain exceptions), within 60 days of delivery of the annual financial statements for that financial year, subject to agreed security principles, additional restricted subsidiaries of the Company are required to become additional guarantors under the Revolving Credit Facility Agreement until the 80% coverage requirement is met (calculated as if such additional guarantors had been guarantors on such last day of the relevant financial year).

***Security***

The Revolving Credit Facility will be initially secured by the same Collateral as the Notes. In addition, any member of the Group which becomes a guarantor of the Revolving Credit Facility is required (subject to agreed security principles) to grant security over its material assets in favor of the security agent under the Revolving Credit Facility.

***Representations and Warranties***

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, power and authority, binding obligations, non-conflict with laws, constitutional documents or other binding obligations, authorizations, consents and filings and no default.

***Covenants***

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) that are set forth in the Indenture. In addition, the Revolving Credit Facility Agreement contains a financial covenant (see "—*Financial Covenant*").

The Revolving Credit Facility Agreement also contains a "notes purchase condition" covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Company may not, and shall procure that no other member of the Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time) prior to its scheduled repayment date in any manner which involves the payment of cash consideration by a member of the Group to a person which is not a member of the Group. The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time) or any Additional Notes incurred at any time after the Issue Date.

The Revolving Credit Facility Agreement also requires certain members of the Group to observe certain affirmative covenants relating to maintenance of guarantor and security coverage and further assurances.

Certain of the covenants under the Revolving Credit Facility Agreement will be suspended upon (i) the Notes receiving Investment Grade Status or (ii) an achievement by the Company (or any of its affiliates) of a long-term corporate credit rating of Baa3/BBB- or better by at least two of Moody's Investor Services, Inc., Standard & Poor's Investors Ratings Services and Fitch Ratings Limited.

The Revolving Credit Facility contains an information covenant under which, among other things, the Company is required to deliver to the facility agent annual financial statements, quarterly financial statements and compliance certificates, provided that delivery of accounts and/or financial statements for any period which comply with the terms of the Indenture (or documentation governing any replacement, equivalent or similar financing from time to time) shall satisfy such requirements.

***Financial Covenant***

As a condition to utilising the Revolving Credit Facility, the Revolving Credit Facility Agreement requires the Company to comply with a Leverage Ratio (defined as the ratio of Consolidated Leverage as of the relevant date of calculation less cash and Cash Equivalents at such date ("*Consolidated Net Indebtedness*") to Consolidated EBITDA for the period of the most recent four consecutive financial quarters ending prior to the date of determination of such ratio (the "*Relevant Period*"), each such term as defined in the Revolving Credit Facility Agreement). The covenant will be tested quarterly following the delivery of a compliance certificate for the Relevant Period ending 31 May 2016, provided that there shall be no requirement to comply with the covenant unless at 5.00 p.m. London time on the last day of the relevant period the aggregate amount of all outstanding utilisations under the Revolving Credit Facility Agreement is equal to or greater than 25% of the total commitments under the Revolving Credit Facility Agreement at that time.

The Leverage Ratio for any relevant period shall not exceed the ratio set out in Column 2 opposite such date.

| Column 1 | Column 2 |
|---|---|
| **Relevant Period expiring on or about:** | **Ratio** |
| May 31, 2016 | 10.5:1 |
| August 31, 2016 | 11.0:1 |
| November 30, 2016 | 11.0:1 |
| February 28, 2017 | 11.6:1 |
| May 31, 2017 | 10.8:1 |
| August 31, 2017 | 11.4:1 |
| November 31, 2017 | 10.3:1 |
| February 28, 2018 | 10.4:1 |
| May 31, 2018 | 8.7:1 |
| August 31, 2018 | 9.0:1 |
| November 30, 2018 | 8.1:1 |
| February 28, 2019 | 8.3:1 |
| May 31, 2019 | 7.1:1 |
| August 31, 2019 | 7.3:1 |
| Each accounting date thereafter | 7.3:1 |

The Company is permitted to prevent or cure breaches of the Leverage Ratio by applying all or any part of amounts received by the Company in cash pursuant to any new equity or permitted subordinated debt (such amount being a cure amount) as if Consolidated Net Indebtedness had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than two cure amounts may be taken into account during each financial year of the Company and no more than four cure amounts may be taken into account during the term of the Revolving Credit Facility. Breaching the specified financial covenant levels will result only in a drawstop event, and not an event of default.

**Events of Default**

The Revolving Credit Facility contains events of default which are, with certain adjustments, the same as those applicable to the Notes and set forth in the section entitled "*Description of the Notes—Events of Default*." In addition, the Revolving Credit Facility contains the following events of default (which are subject to certain materiality exceptions and cure periods):

- inaccuracy of a representation or statement when made;
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the Revolving Credit Facility Agreement or any other finance documents entered into in connection with it; and
- non-compliance by a member of the Group with a material obligation under the Intercreditor Agreement.

## Intercreditor Agreement

### *General*

To establish the relative rights of certain of our creditors under our financing arrangements, the Company (referred to as the "Parent" in this summary of the Intercreditor Agreement), Cognita Holdings and the Issuer (together with any other entity which accedes or otherwise becomes a party to the Intercreditor Agreement as a debtor, the "*Debtors*") are parties to the Intercreditor Agreement dated July 31, 2015, with, among others, the lenders under our Revolving Credit Facility Agreement, U.S. Bank Trustees Limited as security agent (the "*Security Agent*") and Elavon Financial Services Limited as senior facility agent.

The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the collateral providers, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

The Intercreditor Agreement additionally provides for Hedge Counterparties and Operating Facility Lenders (each as defined below) to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Senior Facilities Agreement.

Capitalized terms set forth and used in this section entitled "*—Intercreditor Agreement*" have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

### *Definitions*

The following capitalized terms used in this summary of the Intercreditor Agreement have the meaning given to them below:

"*Creditors*" means the Senior Secured Creditors, the Senior Parent Creditors, the Hedge Counterparties, the intra-Group lenders and the investors in the Group.

"*Group*" means the Parent and its Restricted Subsidiaries (as such term is defined in the Revolving Credit Facility Agreement) for the time being.

"*Hedge Counterparty*" means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

"*Hedging Liabilities*" means the liabilities owed by any Debtor to hedge counterparties in respect of certain hedging agreements.

"*Majority Permitted Parent Financing Creditors*" means, in relation to any Permitted Parent Financing Debt, the requisite number or percentage of Permitted Parent Financing Creditors under the Permitted Parent Financing Agreement on whose instructions the Senior Parent Creditor Representative is required to act in relation to the relevant matter.

"*Majority Permitted Senior Financing Creditors*" means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Senior Creditor Representative is required to act in relation to the relevant matter.

"*Majority Senior Lenders*" means, at any time, subject to certain provisions of the Revolving Credit Facility Agreement, a Senior Lender or Senior Lenders commitments under the Revolving Credit Facility Agreement that aggregate at least 66.66 per cent. of the total commitments under the Revolving Credit Facility (or, if the total commitments have been reduced to zero, aggregate at least 66.66 per cent. of the total commitments immediately prior to that reduction).

"*Operating Facility*" means any facility or financial accommodation (including, without limitation, any overdraft or other current account facility, any foreign exchange facility, any guarantee, bonding, documentary or standby letter of credit facility, any credit card or automated payments facility, any short term loan facility and any derivatives facility) provided to a member of the Group by an Operating Facility Lender which is notified to the Security Agent by the Parent in writing as a facility or financial accommodation to be treated as an "Operating Facility" for the purposes of the Intercreditor Agreement.

"*Operating Facility Document*" means, at the election of the Parent, any document relating to or evidencing an Operating Facility.

"*Operating Facility Lender*" means any person that executes or accedes to the Intercreditor Agreement as an Operating Facility Lender.

"*Operating Facility Liabilities*" means the liabilities owed by any Debtor to the Operating Facility Lenders under or in connection with the Operating Facility Documents.

"*Permitted Parent Financing Agreement*" means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

"*Permitted Parent Financing Creditors*" means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Senior Parent Creditor Representative).

"*Permitted Parent Financing Debt*" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "Permitted Parent Financing Debt" for the purposes of the Intercreditor Agreement, provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case unless already a party in that capacity.

"*Permitted Parent Financing Documents*" means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Parent and the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt.

"*Permitted Parent Financing Liabilities*" means all liabilities of any Debtor to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

"*Permitted Senior Financing Agreement*" means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

"*Permitted Senior Financing Creditors*" means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Senior Creditor Representative).

"*Permitted Senior Financing Debt*" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "Permitted Senior Financing Debt" for the purposes of the Intercreditor Agreement provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement in each case to the extent not already a party in that capacity.

"*Permitted Senior Financing Documents*" means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Parent and the Senior Creditor Representative under that Permitted Senior Financing Debt.

"*Permitted Senior Financing Liabilities*" means all liabilities of any Debtor to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

"*Primary Creditors*" means the creditors in relation to the Senior Facilities, certain hedging obligations, the Senior Notes, the Senior Parent Notes, the Permitted Senior Financing Debt and the Permitted Parent Financing Debt, and each a "Primary Creditor."

"*Secured Debt Documents*" means the Senior Facilities finance documents, the Senior Notes finance documents, the Permitted Senior Financing Documents, the hedging agreements regulated by the Intercreditor Agreement, the Operating Facility finance documents, the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents.

"*Secured Party*" means, to the extent legally possible and subject to the Agreed Security Principles, each of the Security Agent, any receiver or delegate and each of the creditor representatives of the relevant secured creditors, the arrangers under the Revolving Credit Facility Agreement, the Operating Facility Lenders, the Senior Secured Creditors and the Senior Parent Creditors from time to time but, to the extent required by the Intercreditor Agreement, only if it is a party to the Intercreditor Agreement or has acceded to it, in the appropriate capacity, pursuant to its terms.

"*Senior Creditors*" means the Senior Lenders and the Hedge Counterparties.

"*Senior Creditor Representative*" means in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

"*Senior Facility*" means the revolving credit facility made available under the Senior Facilities Agreement.

"*Senior Facilities Agreement*" means the Revolving Credit Facility Agreement as defined above.

"*Senior Lender*" means each of the lenders, clearing facility lenders, issuing banks and ancillary lenders under the Senior Facilities Agreement.

"*Senior Lender Liabilities*" means the liabilities owed by the Debtors to the Senior Lenders under the Senior Facilities finance documents.

"Senior Liabilities" means the Senior Lender Liabilities, the Hedging Liabilities, the Senior Notes liabilities and the Permitted Senior Financing Liabilities (as applicable).

"*Senior Notes"* means the notes offered hereby.

"*Senior Notes Creditors*" means the Senior Note holders and each trustee under any such issue of Senior Notes.

"*Senior Notes Trustee*" means any entity acting as trustee under any issue of Senior Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

"*Senior Parent Creditors*" means the Senior Parent Note holders, each trustee under any such issue of Senior Parent Notes and any Permitted Parent Financing Creditors.

"*Senior Parent Creditor Representative*" means in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

"*Senior Parent Debt Issuer*" means, in relation to any Senior Parent Notes or Permitted Parent Financing Debt, the member of the Group which is the issuer, or, as the case may be, the borrower of those Senior Parent Notes or that Permitted Parent Financing Debt, provided that no member of the Group which is a Subsidiary of an issuer or, as the case may be, a borrower of any outstanding Senior Notes or outstanding Permitted Senior Financing Debt (other than a subsidiary which is a financing vehicle) may be a Senior Parent Debt Issuer.

"*Senior Parent Finance Parties*" means any Senior Parent Notes Trustee (on behalf of itself and the Senior Parent Noteholders that it represents), any Senior Parent Noteholder, the Security Agent and the Permitted Parent Financing Creditors.

"*Senior Parent Liabilities*" means the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities.

"*Senior Parent Noteholders*" means the holders of the Senior Parent Notes.

"*Senior Parent Notes*" means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as "Senior Parent Notes" for the purposes of the Intercreditor Agreement.

"*Senior Parent Notes Finance Documents*" means, generally, the Senior Parent Notes, each indenture for Senior Parent Notes, guarantees of the Senior Parent Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Parent Notes and any other document designated as such by the Parent and the applicable Senior Parent Notes Trustee.

"*Senior Parent Notes Liabilities*" means, generally, the liabilities owed by any Debtor to the Senior Parent Notes Creditors and the Security Agent under the finance documents for the Senior Parent Notes (excluding, generally, certain amounts owed to the relevant Senior Parent Notes Trustee in respect of each issuance of Senior Parent Notes).

"*Senior Parent Notes Trustee*" means any entity acting as trustee under any issue of Senior Parent Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

"*Senior Secured Creditors*" means the Senior Creditors, the Senior Notes Creditors and any Permitted Senior Financing Creditors.

***Debt Refinancing***

The Intercreditor Agreement permits any of the liabilities under the debt documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt and/ or Permitted Parent Financing Debt or the issue of additional Senior Notes and the introduction of a "super senior" revolving credit facility (the "*Priority Revolving Facility*") or the establishment of new or additional Operating Facilities (each a "*Debt Refinancing*").

Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Parent in order to facilitate such a Debt Refinancing including changes to, the taking of, or release and retake of any guarantee or security, subject to certain conditions. At the option of the Parent, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements.

Under the terms of the Intercreditor Agreement each agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Parent, each other member of the Group and each agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Parent, executing any document or agreement and/or giving instructions to any person).

In the event of any refinancing or replacement of all or any part of the Senior Lender Liabilities (or any such refinancing or replacement indebtedness from time to time), the Parent shall be entitled to require that the definition of Instructing Group is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the Senior Facilities (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Parent all or any part of the relevant refinancing or replacement indebtedness may be treated as Senior Secured Credit Participations of the Senior Creditors and not Senior / Notes/Permitted Financing Credit Participations).

In the event that any Priority Revolving Facility becomes subject to the provisions of the Intercreditor Agreement, the Parent shall be entitled to require that all or any part of the liabilities in relation to Hedging Liabilities and/or the Operating Facility Liabilities shall rank in right and priority of payment *pari passu* with that Priority Revolving Facility (which, for the avoidance of doubt, may result in such Hedging Liabilities and/or, as the case may be, Operating Facility Liabilities ranking ahead of the Senior Notes liabilities, the Permitted Senior Financing liabilities, the Permitted Parent Notes Liabilities and/or the Permitted Parent Financing Liabilities) in each case unless otherwise prohibited by the Debt Financing Agreements.

Any Priority Revolving Facility implemented pursuant to a Debt Refinancing shall comply with, among others, the following limitations:

*Ranking of a Priority Revolving Facility*

No liabilities or obligations in respect of any Priority Revolving Facility may rank in right and priority of payment ahead of the Senior Lender Liabilities (other than as regards amounts of the type set out in paragraphs (i) and (ii) under the caption "—*Application of Proceeds*").

Subject to the paragraph above and to the extent not otherwise prohibited by the Debt Financing Agreements, any Priority Revolving Facility shall rank in right and priority of payment as determined by the Parent.

*Enforcement: Priority Revolving Facility*

The right of the lenders or other creditors in respect of a Priority Revolving Facility to:

(a) instruct the Security Agent to enforce the security;

(b) give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the security as they see fit; and/or

(c) otherwise provide instructions as, or as part of, an Instructing Group,

shall be generally consistent with, or otherwise not materially less favorable to the other Secured Parties than, those customary for facilities of a similar nature to that Priority Revolving Facility (if any), in each case as at the date such Priority Revolving Facility is contractually committed by the relevant member(s) of the Group and as determined by the Parent (with any such determination to be conclusive).

*Option to Purchase*

(a) The Senior Notes Creditors and the Permitted Senior Financing Creditors shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Revolving Facility consistent in all material respects with the 'option to purchase' right provided in relation to the Senior Lender Liabilities as set out under the caption "*—Restrictions Relating to Senior Secured Liabilities—Option to Purchase: Senior Secured Creditors*."

(b) The Senior Parent Notes Trustee and any Senior Parent Creditor Representative(s) shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Revolving Facility consistent in all material respects with the 'option to purchase' right as set out under the paragraph captioned "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities—Option to Purchase: Senior Parent Creditors*."

***Ranking and Priority***

*Priority of Debts*

Subject to the provisions set out in the caption "*—Senior Parent Liabilities and Security*" below, the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Structural Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Structural Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- first, the Senior Lender Liabilities, the Senior Notes liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, amounts due to the Senior Notes Trustee and amounts due to the Senior Parent Notes Trustee pari passu and without any preference amongst them; and
- second, the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities pari passu and without any preference amongst them.

The liabilities owed by any Structural Debt Issuer (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Structural Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank pari passu in right and priority of payment without any preference amongst them.

*Priority of Security*

The Intercreditor Agreement provides that the security shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

- first, the Senior Lender Liabilities, the Senior Notes Liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, amounts due to the Senior Notes Trustee and amounts due to the Senior Parent Notes Trustee *pari passu* and without any preference amongst them; and
- second, the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them.

*Senior Parent Liabilities and Security*

The Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities owed by a Structural Debt Issuer (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Structural Debt Issuer is the issuer or, as the case may be, the borrower) are senior obligations of that Structural Debt Issuer. Notwithstanding the preceding sentence, until the date the Senior Lender Liabilities, the Hedging Liabilities, the Senior Notes liabilities and the Permitted Senior Financing Liabilities have been discharged (the "*Senior Discharge Date*"), the Senior Parent Creditors may not take any steps subject to the Security Documents in connection with any Enforcement Action (as defined below), other than as expressly permitted by the Intercreditor Agreement.

For the avoidance of doubt, this paragraph shall not impair the right of the Senior Parent Creditors to institute suit for the recovery of any payment due by a Structural Debt Issuer in respect of the Senior Parent Liabilities and/or the Permitted Parent Financing Liabilities (in each case to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Structural Debt Issuer is the issuer or, as the case may be, the borrower).

*Intra-Group Liabilities and Investor Liabilities*

The Intercreditor Agreement provides that the intra-Group liabilities and the liabilities of the Group to an investor are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and the Operating Facility Lenders, but does not purport to rank any of those liabilities as between themselves.

*Additional and/or Refinancing Debt*

The Creditors and the Operating Facility Lenders acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement). Such liabilities are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities.

The Creditors and the Operating Facility Lenders undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Parent and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security (provided it is not prohibited by the terms of the Debt Financing Agreements at such time) to take place in a timely manner. In particular, but without limitation, each of the secured parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to or replacement of the Intercreditor Agreement and such other debt documents and/or (subject to certain pre-conditions) release and retake of security required by the Parent to reflect, enable and/or facilitate any such arrangements (including, as regards the ranking of any such arrangements).

If a Debtor incurs any new, additional or increased liabilities under any Secured Debt Document and/or in connection with any Debt Refinancing, at the option of the Parent, the relevant Debtor may (but subject to the relevant Debt Financing being elected to be secured in accordance with the applicable terms of the Intercreditor Agreement and subject to the agreed security principles) grant to the relevant Secured Parties in respect of all or any part of such Debt Financing additional security by executing additional security documents which will benefit from the order of priority and ranking set out in the Intercreditor Agreement.

***Restrictions Relating to Senior Secured Liabilities***

The Parent and the Debtors may make payments of the senior secured liabilities at any time.

The Intercreditor Agreement provides that the Senior Secured Creditors, the Operating Facility Lenders, the Parent and the Debtors may at any time amend or waive the terms of the finance documents in relation to the Senior Facilities (the "*Senior Facilities Finance Documents*"), the Senior Notes, the Permitted Senior Financing Debt and/or any Operating Facility in accordance with their respective terms from time to time (and subject only to any consent required under them).

*Security and Guarantees: Senior Secured Creditors*

The Senior Secured Creditors and the Operating Facility Lenders may take, accept or receive the benefit of:

- any security from any member of the Group in respect of any of the Senior Liabilities in addition to the shared security provided that, to the extent legally possible and subject to certain agreed security principles;
    - the security provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);
    - all amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*;" and
    - any such security may only be enforced in accordance with the provisions set out under the caption "—*Enforcement of Security—Security Held by Other Creditors*."

- any guarantee, indemnity or other assurance against loss from any member of the Group regarding any of the Senior Liabilities in addition to those in:
  - the Senior Facilities Agreement, any Senior Notes Indenture, any Permitted Senior Financing Document or any Operating Facility Document;
  - the Intercreditor Agreement; or
  - any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to, or expressed to be given to, all the senior secured parties in respect of their senior secured liabilities,

  provided that (except for any guarantee, indemnity or other assurance against loss permitted to be given to any ancillary lender or issuing bank), to the extent legally possible, and subject to certain agreed security principles,

  - the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and
  - such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement.
- any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:
  - any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or
  - any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Senior Notes liabilities and/or Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of this Agreement).

All amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*." Any such Security may only be enforced in accordance with the terms of the Intercreditor Agreement which relate to security held by someone other than the Security Agent.

This provision does not require any security or guarantee to be granted in respect of the Senior Parent Notes.

*Restriction on Enforcement: Senior Lenders and Senior Notes Creditors*

The Intercreditor Agreement provides that no Senior Lender, Operating Facility Lender, Senior Notes Creditor or Permitted Senior Financing Creditor may take certain Enforcement Action without the prior written consent of an Instructing Group (as defined below).

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (an "Insolvency Event") in relation to the Parent or a Debtor, each Senior Lender, Operating Facility Lender, Senior Notes Creditor and/or Permitted Senior Financing Creditor may, to the extent it is permitted to do so under the relevant Debt Documents, take certain Enforcement Action and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event or process in relation to that Debtor for liabilities owing to it (but no Senior Secured Creditor or Operating Facility Lender may direct the Security Agent to enforce the common security in any manner).

*Option to Purchase: Senior Secured Creditors*

Senior Notes Creditors holding at least a simple majority of the Senior Notes liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the "Senior Secured Acquiring Creditors") may, after the occurrence of an acceleration event which is continuing, by giving not less than ten (10) days' notice to the Security Agent (with the first notice to prevail in the event that more than one set of Creditors serves such a notice), require the transfer to them (or to a nominee or nominees), in

accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities and the Operating Facility Liabilities (a "*Senior Liabilities Transfer*") if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement and the Operating Facility Documents;

(ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement and the Operating Facility Documents are complied with, other than:

(A) any requirement to obtain the consent of, or consult with, a member of the Group in relation to such transfer, which consent or consultation shall not be required; and

(B) to the extent to which all the Senior Secured Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;

(iii) the Senior Facility Agent, on behalf of the Senior Lenders, is paid an amount equal to the aggregate of:

(A) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any letter of credit (as envisaged in paragraph (ii)(B) above);

(B) all of the Senior Lender Liabilities at that time (whether or not due), including all amounts that would have been payable under the Senior Facilities Agreement if the Senior Facilities were being prepaid by the relevant Debtors on the date of that payment; and

(C) all costs and expenses (including legal fees) incurred by the Senior Facility Agent and/or the Senior Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(iv) the Operating Facility Lenders are paid an amount equal to the aggregate of:

(A) all of the Operating Facility Liabilities at that time (whether or not due), including all amounts that would have been payable under the Operating Facility Documents if the Operating Facilities were being prepaid by the relevant Debtors on the date of that payment; and

(B) all costs and expenses (including legal fees) incurred by the Operating Facility Lenders and/or the Security Agent as a consequence of giving effect to that transfer.

(v) as a result of that transfer:

(A) the Senior Lenders have no further actual or contingent liability to a Debtor under the Senior Facilities Finance Documents; and

(B) the Operating Facility Lenders have no further actual or contingent liability to a Debtor under the Operating Facility Documents.

(vi) an indemnity is provided from each of the Senior Secured Acquiring Creditors (other than any Senior Agent) or from another third party acceptable to all the Senior Lenders and the Operating Facility Lenders in a form reasonably satisfactory to each Senior Lender and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender or Operating Facility Lender in consequence of any sum received or recovered by any Senior Lender or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender or Operating Facility Lender for any reason;

(vii) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders or the Operating Facility Lenders, except that each Senior Lender and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and

(viii) the Senior Parent Creditors have not exercised their rights to purchase as described under the provisions set out in the paragraph captioned "*—Option to Purchase: Senior Parent Creditors*" or having exercised such rights, have not failed to complete the acquisition of the relevant Senior Secured Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a Senior Liabilities Transfer if, at the same time, they require a transfer of the Hedging Liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Senior Liabilities Transfer may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the Senior Facility Agent and the Operating Facility Lenders shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

***Instructing Group***

The term "Instructing Group" means at any time:

(a) prior to the Senior Discharge Date:

(i) in relation to any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action:

(A) those Senior Instructing Group Creditors whose Senior Secured Credit Participations at that time aggregate to more than $66^2/_3$% of the Total Senior Instructing Group Credit Participations at that time; and/or

(B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors,

in each case as applicable in accordance with the provisions set out under the caption "*—Consultation Period*;" or

(ii) in relation to any other matter:

(A) those Senior Instructing Group Creditors whose Senior Secured Credit Participations at that time aggregate to more than $66^2/_3$% of the Total Senior Instructing Group Credit Participations at that time; and

(B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors; and

(b) on or after the Senior Discharge Date but before the Senior Parent Discharge Date, and subject—always to the provisions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*," the Majority Senior Parent Creditors.

In the foregoing definition of "Instructing Group":

"Majority Senior Parent Creditors" means, at any time, those Senior Parent Creditors whose Senior Parent Credit Participations at that time aggregate to more than $66^2/_3$% of the total aggregate amount of all Senior Parent Credit Participations at that time.

"Senior Instructing Group Creditors" means:

(a) prior to the Senior Lender Discharge Date, the Senior Secured Creditors (other than the Senior Creditors); and

(b) on and after the Senior Lender Discharge Date, the Senior Secured Creditors (other than the Senior Lenders).

"Senior Lender Discharge Date" means the first date on which all Senior Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Lenders are under no further obligation to provide financial accommodation to any of the Debtors under any of the Senior Facilities Finance Documents.

"Senior Parent Credit Participation" means:

(a) in relation to a Senior Parent Noteholder, the principal amount of outstanding Senior Parent Notes Liabilities held by that Senior Parent Note holder; and

(b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor (as applicable and without double counting).

"*Senior Secured Credit Participation*" means:

(a) in relation to a Senior Creditor, its Senior Credit Participation in relation to the Senior Facilities Agreement and the hedging agreements only;

(b) in relation to a Senior Notes Creditor, the principal amount of outstanding Senior Notes liabilities held by that Senior Noteholder; and

(c) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting).

"*Total Senior Instructing Group Credit Participations*" means:

(a) prior to the Senior Lender Discharge Date, the aggregate of all the Senior Secured Credit Participations at any time (excluding the Senior Secured Credit Participations of the Senior Creditors); and

(b) on and after the Senior Lender Discharge Date, the aggregate of all the Senior Secured Credit Participations at any time (excluding the Senior Secured Credit Participations of the Senior Lenders).

***Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities***

*Restriction on Payment and Dealings*

The Intercreditor Agreement provides that, until the Senior Discharge Date, no Senior Parent Debt Issuer shall (and the Parent shall ensure that no member of the Group will):

(i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities except as permitted by the provisions set out below under the captions "*—Permitted Senior Parent Payments,*" "*—Permitted Senior Parent Enforcement*," and the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement;

(ii) exercise any set-off against any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, except as permitted by the provisions set out in the caption "*—Permitted Senior Parent Payments*" below, the provisions set out in the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*" below or the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" below or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement; or

(iii) create or permit to subsist any security over any assets of any member of the Group or give any guarantee (and the Senior Parent Notes Trustee or Senior Parent Creditor Representative, as the case may be, may not, and no Senior Parent Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any Senior Parent Notes liabilities or any Permitted Parent Financing Liabilities other than:

    (a) guarantees by a member of the Group of any obligations of the Group under the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents;

    (b) at the option of the Parent, all or any of the security (provided that, for the avoidance of doubt, each of the parties agrees that the security shall rank and secure any Senior Parent Notes and any Permitted Parent Financing Debt as set out in "*—Ranking and Priority—Priority of Security*);" and

    (c) any security over any assets of any Structural Debt Issuer (other than, any such assets over which a Structural Debt Issuer has granted security);

    (d) any other security or guarantee provided by a member of the Group (the "*Credit Support Provider*") provided that, to the extent legally possible:

        (i) the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(ii) all amounts actually received or recovered by the Senior Parent Notes Trustee, the Senior Parent Creditor Representative or the Senior Parent Creditors, as the case may be, with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*;"

(iii) any such security may only be enforced in accordance with the provisions set out under the caption "*—Enforcement of Security—Security Held by Other Creditors*;" and

(iv) such guarantee is expressed to be subject to the Intercreditor Agreement; and

(e) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(i) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(ii) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Senior Notes liabilities and/or any Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

***Permitted Senior Parent Payments***

Prior to the Senior Discharge Date, any member of the Group may, directly or indirectly, make payments with respect to the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities then due in accordance with the finance documents in relation to the Senior Parent Notes and the Permitted Parent Financing Debt (such payments, collectively, "*Permitted Senior Parent Payments*"):

(i) if:

(a) the payment is of:

(I) any of the principal amount of the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities which is either (1) not prohibited from being paid by the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Agreement; or (2) paid on or after the final maturity date of the relevant Senior Parent Notes liabilities and Permitted Parent Financing Liabilities (subject to certain conditions); or

(II) any other amount which is not an amount of principal or capitalized interest;

(b) no Senior Parent Payment Stop Notice (as defined below) is outstanding; and

(c) no payment default under the Senior Facilities Agreement, the Senior Notes or the Permitted Senior Financing Documents ("*Senior Payment Default*") has occurred and is continuing; or

(ii) if the Majority Senior Lenders, the Senior Notes Trustee and the Majority Permitted Senior Financing Creditors or the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the "*Required Senior Consent*") give prior consent to that payment being made; or

(iii) if the payment is of certain amounts due to the Senior Parent Notes Trustee for its own account;

(iv) if the payment is made by a Structural Debt Issuer and funded directly or indirectly with amounts which have not been received by that Structural Debt Issuer from another member of the Group;

(v) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(vi) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Parent Notes Indenture and any Permitted Parent Financing Documents (including in relation to any reporting or listing requirements under such documents);

(vii) if the payment is funded directly or indirectly with Permitted Parent Financing Debt;

(viii) if the payment is funded directly or indirectly with the proceeds of an Equity Contribution or Available Shareholder Amounts; or

(ix) in the case of Senior Parent Liabilities of a Structural Debt Issuer only, of any other amount not exceeding £5,000,000 (or its equivalent) in aggregate in any financial year of the Parent.

On or after the Senior Discharge Date, the Debtors may make payments to the Senior Parent Creditors in respect of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, in accordance with the Senior Parent Notes Indenture and the Permitted Parent Financing Documents, as applicable.

***Payment Blockage Provisions***

Until the Senior Discharge Date, except with the Required Senior Consent, no Senior Parent Debt Issuer shall make (and the Parent shall procure that no other member of the Group shall make), and neither the Senior Parent Notes Trustee, any holder of Senior Parent Notes or the Permitted Parent Financing Creditors may receive from any other members of the Group, any Permitted Senior Parent Payment (other than certain amounts due to the Senior Parent Notes Trustee for its own account, payments funded by amounts not received from another member of the Group or payments funded by Permitted Parent Financing Debt) if:

- a Senior Payment Default is continuing; or
- an event of default under the Senior Facilities Agreement, the Senior Notes Indenture and/or any Permitted Senior Financing Agreement (a "*Senior Event of Default*") (other than a Senior Payment Default) is continuing, from the date which is one business day after the date on which any of the Senior Facility Agent, the Senior Notes Trustee and any Senior Creditor Representative (together, the "*Senior Agents*") delivers a payment stop notice (a "*Senior Parent Payment Stop Notice*") specifying the event or circumstance in relation to that Senior Event of Default to the Parent, the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:
- the date falling 179 days after delivery of that Senior Parent Payment Stop Notice;
- in relation to payments of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, if a Parent standstill period is in effect at any time after delivery of that payment stop notice, the date on which that standstill period expires;
- the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Agreement (as applicable);
- the date on which the Senior Agent which delivered the relevant Senior Parent Payment Stop Notice delivers a notice to the Parent, the Security Agent, the Senior Parent Notes Trustee and the Senior Parent Creditor Representative cancelling the Senior Parent Payment Stop Notice;
- the Senior Discharge Date; and
- the date on which the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative take Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Parent Notes Trustee and any Senior Parent Creditor Representative waive this requirement, (i) a new Senior Parent Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Parent Payment Stop Notice; and (ii) no Senior Parent Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Event of Default more than 45 days after the date that Senior Agent received notice of that Senior Event of Default.

The Senior Agents may only serve one Senior Parent Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agents to issue a Senior Parent Payment Stop Notice in respect of any other event or set of circumstances. No Senior Parent Payment Stop Notice may be served by a Senior Agent in respect of a Senior Event of Default which had been notified to the Senior Agents at the time at which an earlier Senior Parent Payment Stop Notice was issued.

Any failure to make a payment due under any Senior Parent Notes Indenture and any Permitted Parent Financing Documents as a result of the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Senior Parent Notes Indenture or any Permitted Parent Financing Documents, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Parent Notes Indenture and any Permitted Parent Financing Documents; or (ii) the issue of a Senior Parent Enforcement Notice (as defined below) on behalf of the Senior Parent Creditors.

*Payment Obligations and Capitalization of Interest Continue*

Neither the relevant Senior Parent Debt Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Parent Notes Indenture and any Permitted Parent Financing Document by the operation of the provisions set out under each section above under the caption "—*Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with any Senior Parent Notes Indenture and any Permitted Parent Financing Document shall continue notwithstanding the issue of a Senior Parent Payment Stop Notice.

*Cure of Payment Stop*

If:

(i) at any time following the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default, that Senior Parent Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and

(ii) the relevant Senior Parent Debt Issuer or the relevant Debtor then promptly pays to the Senior Parent Creditors an amount equal to any payments which had accrued under any Senior Parent Notes Indenture and any Permitted Parent Financing Document and which would have been Permitted Senior Parent Payments but for that Senior Parent Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any Senior Parent Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Senior Parent Creditors or any other Creditor or Operating Facility Lender.

*Restrictions on Amendments and Waivers*

The Intercreditor Agreement provides that the Senior Parent Creditors, the Senior Parent Debt Issuers and other Debtors may amend or waive the terms of the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

*Restrictions on Enforcement by Senior Parent Creditors*

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Senior Parent Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of, any security; and/or

(ii) no Senior Parent Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of any member of the Group under the Senior Parent Notes finance documents and/or Permitted Parent Financing Documents, any Senior Parent Notes and/or any Permitted Parent Financing Debt (in each case other than in relation to a Structural Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Structural Debt Issuer is the issuer or, as the case may be, the borrower),

except as permitted under the provisions set out below under the caption "—*Permitted Senior Parent Enforcement*" below, *provided*, *however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

***Enforcement Action***

The term "Enforcement Action" comprises:

- in relation to any liabilities:
  - the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Secured Creditor or a Senior Parent Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);

- the making of any declaration that any liabilities are payable on demand;
- the making of a demand in relation to a liability that is payable on demand;
- the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;
- the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Senior Facilities Agreement (or any other similar or equivalent provision of any of the Secured Debt Documents) and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Senior Notes finance documents or the Senior Parent Notes finance documents (or any other similar or equivalent provision of any of the Secured Debt Documents);
- the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:
- as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;
- as payment netting by a Hedge Counterparty or by a hedging ancillary lender;
- as inter-hedging agreement netting by a Hedge Counterparty;
- as inter-hedging ancillary document netting by a hedging ancillary lender; and/or
- which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and
- the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;
- the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;
- the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security);
- the entry into any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the debt documents); or
- the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or
- a Senior Secured Creditor or Senior Parent Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or

- bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or
- to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or
- any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

***Permitted Senior Parent Enforcement***

The restrictions set out in the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*" above will not apply if:

(i) an Event of Default (as defined in any Senior Parent Notes Finance Document and any Permitted Parent Financing Agreement, as applicable, each a "*Senior Parent Event of Default*") (the "*Relevant Senior Parent Default*") is continuing;

(ii) each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (as the case may be);

(iii) a Senior Parent Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative, as the case may be, may by notice (a "*Senior Parent Enforcement Notice*") in writing notify the Senior Agents of the existence of such Senior Parent Event of Default.

*Senior Parent Standstill Period*

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period beginning on the date (the "*Senior Parent Standstill Start Date*") the relevant Senior Parent Creditor Representative serves a Senior Parent Enforcement Notice on each of the Senior Agents in respect of such Senior Parent Event of Default and ending on the earlier to occur of:

(i) the date falling 179 days after the Senior Parent Standstill Start Date;

(ii) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Parent Notes and/or any Permitted Parent Financing Debt (a "*Senior Parent Guarantor*") or the relevant Senior Parent Debt Issuer, provided, however, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Senior Parent Creditors may only take the same Enforcement Action in relation to the relevant Senior Parent Guarantor or Senior Parent Debt Issuer as the Enforcement Action taken by the Senior Secured Parties against such Senior Parent Guarantor or Senior Parent Debt Issuer and not against any other member of the Group (provided that, for the avoidance of doubt, nothing described in this paragraph (ii) prohibits the Senior Parent Finance Parties taking any Enforcement Action in relation to a Structural Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Structural Debt Issuer is the issuer or, as the case may be, the borrower);

(iii) the date of an Insolvency Event in relation to the relevant Senior Parent Debt Issuer or a particular Senior Parent Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Senior Parent Standstill Period outstanding at the date such first- mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each of the Senior Facility Agent (acting on the instructions of the Majority Senior Lenders), any Senior Notes Trustee (acting on behalf of the Senior Note holders) and any Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors) has been obtained; and

(vi) a failure to pay the principal amount outstanding on any Senior Parent Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on the Senior Parent Notes or on the Permitted Parent Financing Debt, as the case may be (provided that, unless the Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Senior Lenders and the Parent, such final stated maturity does not fall on a date prior to the date falling 73 months after the Issue Date,

the "Senior Parent Standstill Period."

*Subsequent Senior Parent Event of Default*

The Senior Parent Finance Parties may take Enforcement Action under the provisions set out in caption "*—Permitted Senior Parent Enforcement*" above in relation to a Relevant Senior Parent Default even if, at the end of any relevant Senior Parent Standstill Period or at any later time, a further Senior Parent Standstill Period has begun as a result of any other Senior Parent Event of Default.

*Enforcement on Behalf of Senior Parent Creditors*

If the Security Agent has notified the Senior Parent Agents that it is enforcing security created pursuant to any security document over shares of a Senior Parent Guarantor, no Senior Parent Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Senior Parent Enforcement*" above against that Senior Parent Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

*Option to Purchase: Senior Parent Creditors*

Subject to the following paragraphs, any of the Senior Parent Notes Trustee and any Senior Parent Creditor Representative (on behalf of the Senior Parent Creditors) may, after an acceleration event under any of the Senior Facilities Agreement, the Senior Notes or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Senior Parent Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities and the Operating Facility Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement (in the case of the Senior Lender Liabilities) and/or any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding, as applicable (in the case of the Senior Notes liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities) and any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of Operating Facility Liabilities) (as applicable);

(ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement (in the case of the Senior Lender Liabilities) and/or any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding, as applicable (in the case of the Senior Notes liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities) and any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of Operating Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the Senior Facility Agent (on behalf of the Senior Lenders), the Senior Notes Trustee (on behalf of the relevant Senior Note holders), the applicable Senior Creditor Representative (on behalf of the relevant Permitted Senior Financing Creditors) and the Operating Facility Lenders is paid the amounts required under the Intercreditor Agreement;

(iv) as a result of that transfer the Senior Lenders, the Senior Note holders, the Permitted Senior Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Parent or any other Debtor under the relevant Secured Debt Documents;

(v) an indemnity is provided from each Senior Parent Creditor (other than the Senior Parent Notes Trustee and any Senior Parent Creditor Representative) (or from another third party acceptable to all the Senior Lenders, the Senior Note holders, the Permitted Senior Financing Creditors and the Operating Facility Lenders) in a form reasonably satisfactory to each Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Senior Note holder, Permitted Senior Financing Creditor or

Operating Facility Lender in consequence of any sum received or recovered by any such party from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender, Senior Note holder, Permitted Senior Financing Creditor or Operating Facility Lender for any reason; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Senior Note holders, the Permitted Senior Financing Creditors or the Operating Facility Lenders, except that each of them shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the Intercreditor Agreement, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors), the Senior Facility Agent, the Senior Notes Trustee, any relevant Senior Creditor Representative and the Operating Facility Lenders shall notify the Senior Parent Notes Trustee and any Senior Parent Creditor Representative of the foregoing payable sums in connection with such transfer.

***Effect of Insolvency Event; Filing of Claims***

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall (with certain exceptions and if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "—*Application of Proceeds*" below.

Subject to certain exceptions, to the extent that any member of the Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any Creditor and any Operating Facility Lender which benefited from that set-off shall (with certain exceptions and, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" below and subject to certain exceptions.

Subject to the provisions set out under the caption "—*Application of Proceeds*" below, if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor (or, following an acceleration event which is continuing, any member of the Group), each Creditor and each Operating Facility Lender irrevocably authorizes the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(ii) demand, sue, prove and give receipt for any or all of that member of the Group's liabilities;

(iii) collect and receive all distributions on, or on account of, any or all of that member of the Group's liabilities; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of the Group's liabilities.

Each Creditor and Operating Facility Lender will (i) do all things that the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) reasonably requests in order to give effect to the matters referred to in this "*—Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "*—Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) requests that a Creditor or Operating Facility Lender take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) may reasonably require, although neither the Senior Notes Trustee nor the Senior Parent Notes Trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action.

***Turnover***

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor or Operating Facility Lender receives or recovers from any member of the Group:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is prohibited under the Intercreditor Agreement or, following the occurrence of a Senior Distress Event which is continuing, any Senior Lender Liabilities, Hedging Liabilities, Senior Notes liabilities, Permitted Senior Financing liabilities or Operating Facility liabilities;

(ii) other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*" any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) notwithstanding paragraphs (i) and (ii) above, other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*" any amount:

   (A) on account of, or in relation to, any of the liabilities after the occurrence of a distress event (including as a result of any litigation or proceedings against a member of the Group other than after the occurrence of an Insolvency Event in respect of that member of the Group); or

   (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event,

   other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "*—Application of Proceeds*;"

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "*—Application of Proceeds*;" or

(v) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group,

that Creditor or Operating Facility Lender will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information the Security Agent, promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

***Enforcement of Security***

*Enforcement Instructions*

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; or (ii) if required as set out under the third paragraph of this section, the Majority Senior Parent Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; or (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Senior Discharge Date as described under the provisions under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" above, the Majority Senior Parent Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Parent Creditors are then entitled to give to the Security Agent as described under the provisions under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" above.

Subject to certain provisions of the Intercreditor Agreement, no secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

*Manner of Enforcement*

If the security is being enforced as set forth above under the caption "*—Enforcement of Security—Enforcement Instructions*," the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor to be appointed by the Security Agent) as:

- an Instructing Group; or
- prior to the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption "*—Enforcement of Security*" above, given effect to instructions given by the Majority Senior *Parent* Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Parent Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit (and absent such instructions the Security Agent may elect to take no action).

*Exercise of Voting Rights*

To the fullest extent permitted under applicable law, each Creditor (other than the Senior Notes Trustee and the Senior Parent Notes Trustee) and each Operating Facility Lender shall agree with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre- insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other Creditor or Operating Facility Lender under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that Creditor or Operating Facility Lender.

*Waiver of Rights*

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

*Security Held by Other Creditors*

If any security is held by a Creditor or Operating Facility Lender other than the Security Agent, then that Creditor or Operating Facility Lender may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that Creditor or Operating Facility Lender).

***Consultation Period***

(a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action in lieu thereof, the creditor representative(s) of the creditors of the Group represented in the Instructing Group concerned (and,

if applicable, any relevant Hedge Counterparties) shall consult with each other creditor representative, each other Hedge Counterparty, each Operating Facility Lender and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than 30 days from the date on which details of the proposed instructions are received by such creditor representative(s), Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each creditor representative, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the "Consultation Period"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take any other Enforcement Action in lieu thereof.

(b) Subject to paragraph (c) below, in the event conflicting instructions are received from any other Instructing Group, the Security Agent shall enforce the security, refrain or cease from enforcing the security or, as the case may be, take the relevant other Enforcement Action in accordance with the instructions given by an Instructing Group referred to in paragraph (a)(i)(A) of the definition of Instructing Group as set out above (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Security Documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.

(c) Prior to the Senior Lender Discharge Date, if:

(i) the Senior Creditors have not been fully repaid within six months of the end of the first Consultation Period;

(ii) the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action within three months of the end of the first Consultation Period; or

(iii) an Insolvency Event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action at that time,

then the Security Agent shall follow the instructions given by the Majority Senior Creditors (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents).

(d) Subject to paragraph (c) above, no Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the security or take any other Enforcement Action prior to the end of a Consultation Period (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Security Documents) if:

(i) the security has become enforceable as a result of an Insolvency Event; or

(ii) the Instructing Group or any creditor representative of the Creditors represented in the Instructing Group determines in good faith (and notifies each other creditor representative, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the security would reasonably be expected to have a material adverse effect on:

(A) the Security Agent's ability to enforce any of the security; or

(B) the realization proceeds of any enforcement of the security, and, where this paragraph (d) applies:

(1) any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in sub-paragraphs (A) and (B) above; and

(2) the Security Agent shall act in accordance with the instructions first received.

(e) As soon as reasonably practicable following receipt of any instructions from an Instructing Group to enforce the security, refrain or cease from enforcing the security or, as the case may be, take any other Enforcement Action, the Security Agent shall provide a copy of such instructions to each Agent, Hedge Counterparty and Operating Facility Lender (unless it received those instructions from that person).

*Duties Owed*

Pursuant to the Intercreditor Agreement, each of the secured parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the Senior Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the Senior Parent Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall, subject to the section entitled Distressed Disposals below, be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

***Proceeds of Disposals***

*Non-Distressed Disposals*

The Security Agent is irrevocably authorized and instructed (at the request and cost of the relevant Debtor or the Parent) to promptly release (or procure that any other relevant person releases):

(i) any security (and/or any other claim relating to a debt document) over any asset which is the subject of:

(A) a disposal not prohibited by the terms of the Senior Facilities Agreement, the Senior Notes Indenture, any Permitted Senior Financing Agreement, the Senior Parent Notes Indenture and any Permitted Parent Financing Agreement (each a "*Debt Financing Agreement*") (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or

(B) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;

(ii) any security (and/or any other claim relating to a debt document) over any document or other agreement requested in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(iii) any security (and/or any other claim relating to a debt document) over any asset of any member of the Group which has ceased to be a Debtor (or will cease to be a Debtor simultaneously with such release); and

(iv) any security (and/or any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor (including in connection with the resignation of that Debtor or the Debtor being designated as an Unrestricted Subsidiary), the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Parent) promptly release (or procure the release of) that Debtor and its subsidiaries (and its and their assets) from all present and future liabilities under the Secured Debt Documents.

When making any request for a release pursuant to this "*—Non-Distressed Disposals*" section, the Parent shall confirm in writing to the Security Agent that:

(i) in the case of any release requested pursuant to paragraph (i) or (ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(ii) in the case of any release requested pursuant to paragraph (iv) above, the relevant release is in accordance with terms of the Debt Financing Agreements,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or the Parent but without the need for any further consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor) promptly enter into and deliver such documentation and/or take such other action as the Parent (acting reasonably) shall require to give effect to any release or other matter described above.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Parent in accordance with the terms of any of the Debt Financing Agreements (and provided that the requested action is not expressly prohibited by any of the other Debt Financing Agreements), the Security Agent and the other Creditors and Operating Facility Lenders shall (at the cost of the relevant Debtor, the relevant Additional Security Provider and/or the Parent) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Security Documents as contemplated by the terms of any of the Debt Financing Agreements (and the Security Agent is authorized to execute, and will promptly execute if requested by the Parent, without the need for any further consent, sanction, authority or further confirmation from any Creditor or Operating Facility Lender, any such release or document on behalf of the Creditors and the Operating Facility Lenders). When making any request pursuant to this paragraph (d) the Parent shall confirm in writing to the Security Agent that such request is in accordance with the terms of a Debt Financing Agreement (and the requested action is not expressly prohibited by way of any of the other Debt Financing Agreements) and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

Notwithstanding anything to the contrary in any Debt Document, nothing in any Security Document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of this Agreement or the Debt Financing Agreements (a "*Permitted Transaction*"). The Security Agent (on behalf of itself and the Secured Parties) hereby agrees (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any Party) that it shall (at the request and cost of the relevant Debtor or the Parent) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any Security Document) as is requested by the Parent in order to complete, implement or facilitate a Permitted Transaction.

If any member of the Group is required or permitted under the Senior Debt Documents to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of the Senior Liabilities then no such application of those proceeds shall require the consent of any other party or result in any breach of any Senior Parent Finance Documents and such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or other discharge or reduction of any Senior Parent Liabilities. This paragraph is without prejudice to any right of any member of the Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Parent Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or any other Senior Debt Document.

The Security Agent is irrevocably authorized by each Secured Party to (and will on the request and at the cost of the Parent):

(i) release the security; and

(ii) release each investor, each Debtor and each other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents,

(iii) on the Final Discharge Date (or at any time following such date on the request of the Parent).

*Distressed Disposals*

Generally, a "Distressed Disposal" is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where a security interest has become enforceable in accordance with the terms of the relevant security document(s), (b) being effected by enforcement of a security interest in accordance with the terms of the relevant security document(s) or (c) being disposed of to a third party subsequent to a distress event.

If a Distressed Disposal of any asset of a member of the Group is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, or the Parent and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender or Debtor):

(i) to release the security interest or any other claim over that asset and execute and deliver or enter into any release of that security interest or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

   (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

   (B) any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

   (C) any other claim of an investor, an intra-group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

   on behalf of the relevant Creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

   (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

   (B) any security interest granted by that holding company or any subsidiary of that holding company over any of its assets; and

(C) any other claim of any investor, any intra-group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company,

on behalf of the relevant Creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the "*Transferee*") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities, provided that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of: all (and not part only) of the liabilities owed to the Primary Creditors and Operating Facility Lenders and all or part of any other liabilities and the Debtor liabilities,

on behalf of, in each case, the relevant Creditors, Operating Facility Lenders and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "*Disposed Entity*") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "*Receiving Entity*") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "*—Application of Proceeds*" (to the extent that the asset disposed of constituted Collateral, as if those proceeds were the proceeds of an enforcement of the relevant security interest and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred).

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Where Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities would otherwise be released pursuant to the Intercreditor Agreement, the Creditor or Operating Facility Lender concerned may elect to have those Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities transferred to the Parent in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender or Debtor) to execute such documents as are required to so transfer those Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities.

Subject to the immediately following paragraph, in the case of a Distressed Disposal effected by or at the request of the Security Agent (acting in accordance with the Intercreditor Agreement), unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such

disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a public auction in respect of which the Primary Creditors are entitled to participate or where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the first date on which the discharge date for the Senior Parent Notes and any Permitted Parent Financing Debt has occurred, a Distressed Disposal is being effected such that, generally, the guarantees of the Senior Parent Notes and the guarantees of any Permitted Parent Financing Debt or any security over the assets of a Senior Parent Debt Issuer or any Senior Parent Guarantor will be released and/or the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities will be released, it is a further condition to the release that either:

- the Senior Parent Notes Trustee and any Senior Parent Creditor Representative has approved the release; or
- where shares or assets of a Senior Parent Guarantor or assets of the Senior Parent Debt Issuer are sold:

  (A) the proceeds of such sale or disposal are in cash (or substantially in cash);

  (B) all claims of the Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Agent (acting reasonably and in good faith):

    (I) determines that the Senior Secured Creditors will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

    (II) serves a written notice on the Security Agent confirming the same,

    the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

  (C) such sale or disposal is made:

    (I) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

    (II) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

***Application of Proceeds***

The Intercreditor Agreement provides that secured parties may only benefit from Recoveries (as defined below) to the extent that the liabilities of such secured parties has the benefit of the guarantees or security under which such Recoveries are received and provided that, in all cases, the rights of such secured parties shall in any event be subject to the priorities set out in this section. This shall not prevent a Senior Secured Creditor benefiting from such Recoveries where it was not legally possible for the Senior Secured Creditor to obtain the relevant guarantees or security interests.

*Order of Application*

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any debt document or in connection with the realization or enforcement of all or any part of the relevant security interests (for the purposes of this "*—Application of Proceeds*" section and the "*—Equalization of the Senior Secured Creditors*" section, the "Recoveries") shall be applied by the Security

Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "*—Application of Proceeds*" section), in the following order of priority:

(i) in discharging any sums owing to the Senior Facility Agent (in respect of the amounts due to the Senior Facility Agent), any Senior Creditor Representative (in respect of amounts due to the Senior Creditor Representative), any Senior Parent Creditor Representative (in respect of amounts due to the Senior Parent Creditor Representative) or certain amounts due to the Senior Notes Trustee or amounts due to the Senior Parent Notes Trustee, or any sums owing to the Security Agent, any receiver or any delegate on a pro rata and pari passu basis;

(ii) in payment of all costs and expenses incurred by any agent, Primary Creditor or Operating Facility Lender in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in respect of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in payment to:

  (A) the Senior Facility Agent on its own behalf and on behalf of the arrangers under the Revolving Credit Facility Agreement and the Senior Lenders;

  (B) the Hedge Counterparties; and

  (C) the Operating Facility Lenders;

  for application towards the discharge of:

    (I) the liabilities of the Debtors owing to the arrangers under or in connection with the Senior Facilities Finance Documents and the Senior Lender Liabilities (in accordance with the terms of the finance documents relating to the Senior Facilities);

    (II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty); and

    (III) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

  on a pro rata basis and pari passu between the immediately preceding paragraphs (I) to (III) above;

(iv) in payment to:

  (A) the Senior Facility Agent on its own behalf and on behalf of the arrangers under the Revolving Credit Facility Agreement and the Senior Lenders;

  (B) the Hedge Counterparties;

  (C) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

  (D) the Senior Notes Trustee on its own behalf and on behalf of the holders of the Senior Notes; and

  (E) each Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors; and

  for application towards the discharge of:

    (I) the liabilities of the Debtors owed to the arrangers under or in connection with the Revolving Credit Facility and the Senior Lender Liabilities (in accordance with the terms of the finance documents in relation to the Senior Facilities);

    (II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty); and

    (III) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

    (IV) the Senior Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Indenture and other finance documents for the Senior Notes);

    (V) the liabilities of the Debtors owing to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a pro rata basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement);

on a pro rata basis and pari passu between the immediately preceding paragraphs (I) to (V) above;

(v) in payment to:

(A) each Senior Parent Notes Trustee on its own behalf and on behalf of the Senior Parent Note holders; and

(B) each Senior Parent Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors,

for application towards the discharge of:

(I) the Senior Parent Notes liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Parent Notes finance documents); and

(II) the liabilities of the Debtors owed to the arrangers of the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the liabilities owing to a Senior Parent Creditor Representative) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a pro rata basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement),

on a pro rata basis and pari passu between the immediately preceding paragraphs (I) and (II) above;

(vi) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(vii) the balance, if any, in payment to the relevant Debtor.

The Security Agent is authorized under the Intercreditor Agreement to hold any non-cash consideration received or recovered in connection with the realization or enforcement of all or any part of the security until cash is received for any such non-cash consideration, provided that the Security Agent may distribute any such non-cash consideration to a Secured Party which has agreed, on terms satisfactory to the Security Agent, to receive such non-cash consideration and the liabilities owed to that Secured Party shall be reduced by an amount equal to the value of that non-cash consideration upon receipt by that Secured Party of that non-cash consideration.

*Liabilities of a Structural Parent Debt Issuer*

Generally, all amounts from time to time received or recovered by the Security Agent from or in respect of a Structural Debt Issuer pursuant to the terms of any debt document (other than in connection with the realization or enforcement of all or any part of the relevant security interests) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law in the following order of priority:

(i) in accordance with paragraph (i) of the section captioned "*—Application of Proceeds—Order of Application*";

(ii) in accordance with paragraph (ii) of the section captioned "*—Application of Proceeds—Order of Application*";

(iii) in accordance with paragraphs (iv) and (v) of the section captioned "*—Application of Proceeds—Order of Application,*" *provided* that payments will be made on a pro rata basis and *pari passu* between each of the payments referred to in paragraphs (iv) and (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where the relevant Structural Debt Issuer is the issuer or, as the case may be, the borrower) (v);

(iv) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(v) the balance, if any, in payment to the relevant Debtor.

***Equalization of the Senior Secured Creditors***

The Intercreditor Agreement generally provides that if, for any reason, any Senior Liabilities or any Operating Facility Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the Senior Secured Creditors and the Operating Facility Lenders in the proportions which their respective exposures at the relevant enforcement date bore to the aggregate exposures of all the Senior Secured Creditors and the Operating Facility Lenders at the enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in under the section "*—Application of Proceeds—Order of Application*"), the Senior

Secured Creditors and the Operating Facility Lenders will make such payments among themselves as the Security Agent shall require to put the Senior Secured Creditors and the Operating Facility Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated under the section "*—Application of Proceeds—Order of Application*").

***Group Pushdown***

The Intercreditor Agreement, generally, provides that on, in contemplation of, or after, a public equity offering (an "*IPO Event*") of any member of the Group (other than (x) a subsidiary of a borrower or issuer which is restricted from being designated as such by the relevant Debt Financing Agreement and is not replaced prior to such a public equity offering with another Group entity or (y) a subsidiary of Cognita Holdings) or any of its holding companies (the "*IPO Entity*"), at the Parent's option:

(i) the Group shall comprise only the IPO Entity and its restricted subsidiaries from time to time;

(ii) the IPO Entity shall take on the Parent's role under the Intercreditor Agreement;

(iii) none of the representations, warranties, undertakings or other provisions of the Intercreditor Agreement shall apply to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise);

(iv) no event, matter or circumstance relating to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term of the Intercreditor Agreement or a default or an event of default;

(v) each holding company of the IPO Entity shall be irrevocably and unconditionally released from all obligations under the Intercreditor Agreement and the security documents (including any security granted by any such holding company; and

(vi) unless otherwise notified by the Parent:

    (A) each person which is party to the Intercreditor Agreement as an investor shall be irrevocably and unconditionally released from the Intercreditor Agreement and all obligations and restrictions under the Intercreditor Agreement (and from the date specified by the Parent that person shall cease to be party to the Intercreditor Agreement as an investor and shall have no further rights or obligations under the Intercreditor Agreement as an investor); and

    (B) there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement as an investor, such amendments being a "Group Pushdown."

In the event that any person is released from or does not become party to the Intercreditor Agreement as an investor as a consequence of the above paragraph, any term of any debt document which requires or assumes that any person be an investor or that any liabilities or obligations to such person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply.

The Parent must provide written notice to the Security Agent in order to implement a Group Pushdown. Such a notice may be revoked prior to the IPO Event to which it relates provided that (where requested by an Instructing Group (acting reasonably) or if otherwise required pursuant to the terms of any Secured Debt Document) any security which was released is reinstated and any investor which was released from its obligations under the Intercreditor Agreement accedes again.

The parties to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of it and/or take such other action as is required by the Parent to facilitate or reflect any of the matters contemplated by the preceding paragraph and the Security Agent is irrevocably authorized to promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any security document) as is requested in order to complete, implement or facilitate such matters.

***Required Consents***

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

(i) if the relevant amendment or waiver (the "*Proposed Amendment*") is prohibited by the Senior Facilities Agreement, the Senior Facility Agent (acting on the instructions of the requisite Senior Lenders in accordance with the applicable provisions of the Senior Facilities Agreement);

(ii) if any Senior Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Notes Indenture, the Senior Notes Trustee;

(iii) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Financing Agreement, the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Senior Financing Creditors);

(iv) if any Senior Parent Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Parent Notes Indenture, the Senior Parent Notes Trustee;

(v) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);

(vi) if a Hedge Counterparty is providing hedging to a Debtor under a hedging agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable hedging agreement, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(vii) if an Operating Facility Lender is providing one or more facilities to a Debtor under an Operating Facility Document, that Operating Facility Lender (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Operating Facility Lender and is an amendment or waiver which is expressed to require the consent of that Operating Facility Lender under the applicable Operating Facility Document, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(viii) certain investors (as permitted under the Intercreditor Agreement); and

(ix) the Parent.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see "*—Intercreditor Agreement—Debt Refinancing*"), any incurrence of additional and/or refinancing debt (as referred to in "*—Ranking and Priority—Additional and/or Refinancing Debt*") or Non-Distressed Disposal (see "*—Proceeds of Disposals—Non-Distressed Disposals*") or in connection with any other provision of any Secured Debt Document (provided that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document) shall be binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended by the Parent and the Security Agent without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise for the benefit of the Secured Parties. Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the creditor representative in respect of that Debt Financing Agreement and the Parent.

*Amendments and Waivers: Security Documents*

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Parent consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned *"—Exceptions"* below, any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned *"—Required Consents."*

*Exceptions*

Subject to the following paragraph of this "*—Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption "—*Proceeds of Disposals*" above.

The first paragraph of this "—*Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

*Agreement to Override*

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

**Local Facilities**

***Brazil***

*Playpen Brazilian Local Facilities*

Escola Cidade Jardim—PlayPen Limitada entered into loan facilities with Itaú in August 2012 in an aggregate amount of BRL 30 million (the "*Playpen Brazilian Local Facilities*"), of which BRL 23.6 million was outstanding as of May 31, 2015. These facilities were drawn to finance the acquisition of our Playpen school. The Playpen Brazilian Local Facilities accrue interest on two-thirds of the outstanding principal amount of the loans at a fixed rate of 12.45%. The remainder of the principal is subject to a floating rate of Brazil CDI + 3%. The loans mature in August 2018. The primary security for the Playpen Brazilian Local Facilities is a mortgage over the PlayPen school property and a pledge over the shares of Escola Cidade Jardim—PlayPen Limitada and Cognita Brasil Locadora de Imoveis Ltda and certain bank accounts. Pursuant to the Playpen Brazilian Local Facilities, Escola Cidade Jardim—PlayPen Limitada and Cognita Brasil Locadora de Imoveis Ltda may not distribute dividends to the Group in excess of 25% of the net profit generated by Escola Cidade Jardim—PlayPen Limitada and Cognita Brasil Locadora de Imoveis Ltda without prior consent from the lenders.

*GayLussac Brazilian Local Facilities*

Gaylussac Empreendimentos Educacionais Ltda entered into loan facilities with Itaú and HSBC in June 2014 in an aggregate amount of BRL 40 million (the "*GayLussac Brazilian Local Facilities*"), of which the full amount was outstanding as of May 31, 2015. These facilities were drawn to finance the acquisition of our GayLussac school. The GayLussac Brazilian Local Facilities accrue interest at a rate of Taxa DI + 3.75%. The loans mature in June 2020. The primary security for the GayLussac Brazilian Local Facilities is a mortgage over the assets of the GayLussac school property and a pledge over the shares of certain of our Brazilian subsidiaries and certain bank accounts. Pursuant to the GayLussac Brazilian Local Facilities, Gaylussac Empreendimentos Educacionais Ltda, Cognita Brasil Locadora de Imoveis 2 Ltda and GRS2 SA may not distribute dividends to the Group in excess of 25% of the net profits generated by these entities without prior consent from the lenders.

In connection with the GayLussac Brazilian Local Facilities, Gaylussac Empreendimentos Educacionais Ltda entered into a guarantee agreement with Itaú pursuant to which Itaú agreed to issue a guarantee letter to guarantee some of the obligations of Gaylussac Empreendimentos Educacionais Ltda in respect of the GayLussac acquisition ("*Gaylussac Guarantee Agreement*"). Cognita Holdings entered into a Deed of Indemnity on November 28, 2014, whereby it agreed to indemnify Itaú against any loss or liability under or in connection with the Guarantee Agreement in an amount of BRL 24.0 million plus interest representing the value of the guarantee (the "*Indemnity Deed*"). The Gaylussac Guarantee Agreement and the Indemnity Deed will remain outstanding following the Refinancing Transactions.

In addition, we have entered into an interest rate swap in connection with the GayLussac Brazilian Local Facilities, which will remain outstanding following the Refinancing Transactions.

***Chile***

Our Chilean subsidiaries have entered into 15 loan facilities totaling CLP 26,919 million (the "*Chilean Local Facilities*") as of May 31, 2015. The Chilean Local Facilities all accrue interest at fixed rates between 4.2% and 5.8%. These loans mature between 2025 and 2028. The primary securities for each of the Chilean Local Facilities are first ranking security interests over the land and buildings of the relevant borrower.

The Group's Chilean subsidiaries also have CLP 1,350 million working capital facilities and a CLP 1,040 million overdraft facility which we expect will remain undrawn as of the Issue Date.

Pursuant to the loan facility with Corpbanca entered into by Sociedad Educacional Valle Lo Campino, S.A., which is one of the loans included in the Chilean Local Facilities, we are restricted from distributing dividends to the Group from Desarrollos Educacionales, S.A. without complying with certain financial covenants and obtaining the prior consent from the lenders.

# DESCRIPTION OF THE NOTES

The following is a description of the £280 million aggregate principal amount of 7.75% Senior Secured Notes due 2021 (the "*Notes*"). The Notes will be issued by Cognita Financing plc, a public limited company incorporated under the laws of England and Wales (the "*Issuer*"), and unconditionally guaranteed on a senior secured basis by its direct parent, Cognita Bondco Parent Limited (the "*Company*") and by certain subsidiaries of the Company (together with the Company, the "*Guarantors*"). The Issuer is a special purpose finance subsidiary incorporated to facilitate the offering of the Notes and it has no operations other than its rights under the loan lending the proceeds of the Notes to the Company under the Proceeds Loan described herein. In this "*Description of the Notes*," the "*Issuer*" refers only to Cognita Financing plc, and any successor obligor to Cognita Financing plc on the Notes, and not to any of its subsidiaries or to its parent, the Company. The Company has been incorporated as a public limited company under the laws of England and Wales.

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, to make the Proceeds Loan, which will in turn, together with cash on hand, allow the Company to repay, directly or indirectly, certain credit facilities, and to pay fees, costs and expenses incurred in connection with the Refinancing Transactions, as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

The Issuer will issue the Notes under an indenture to be dated as of the Issue Date (the "*Indenture*") among, *inter alios*, the Issuer, the Company and U.S. Bank Trustees Limited, as trustee (the "*Trustee*"). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See "*Transfer Restrictions*." The terms of the Notes include those stated in the Indenture. The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act. The Notes are subject to all such terms pursuant to the provisions of the Indenture, and Holders of the Notes are referred to the Indenture for a statement thereof.

The following description is a summary of the material provisions of the Indenture and the Security Documents and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture and the Security Documents, respectively. Because this is a summary, it may not contain all the information that is important to you. We urge you to read the Indenture, the Notes and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture and the Intercreditor Agreement are available as described under "*Where Prospective Investors Can Find More Information*." You can find the definitions of certain terms used in this description under "*—Certain Definitions*."

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

## Brief Description of the Notes and the Notes Guarantees

### *The Notes*

- will be secured by first priority liens over the Collateral, but pursuant to the Intercreditor Agreement will receive proceeds from enforcement of security over the Collateral only after certain obligations including lenders under the Revolving Credit Facility Agreement, the Operating Facilities and counterparties to certain Hedging Obligations have been paid in full, as described below under "*—Security—The Collateral*;"
- will be senior in right of payment to any Subordinated Indebtedness of the Issuer;
- will be effectively senior in right of payment to any existing and future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness; and
- will be unconditionally guaranteed on a senior secured basis by the Guarantors, subject to the guarantee limitations described herein and in "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

***The Notes Guarantees***

- will be the senior obligations of the relevant Guarantor will rank *pari passu* in right of payment with all of the Guarantors' existing and future senior indebtedness, including any indebtedness under the Revolving Credit Facility Agreement;
- will be secured by first priority liens over the Collateral, but pursuant to the Intercreditor Agreement will receive proceeds from enforcement of security over the Collateral only after certain obligations including those lenders under the Revolving Credit Facility Agreement, the Operating Facilities and counterparties to certain Hedging Obligations have been paid in full, as described below under "*—Security—The Collateral*;"
- will be senior in right of payment to any Subordinated Indebtedness of the relevant Guarantor;
- will be effectively senior in right of payment to any existing or future unsecured obligations of the relevant Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- will be effectively senior in right of payment to any existing or future obligations of the relevant Guarantor secured on a basis junior to the Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- will be effectively subordinated to any existing and future indebtedness of subsidiaries of the Company that do not guarantee the Notes; and
- will be subject to limitations described herein and in "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

**Principal and Maturity**

The Issuer will issue £280 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on August 15, 2021. The Notes will be issued in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

**Interest**

Interest on the Notes will accrue at the rate of 7.75% per annum and will be payable, in cash, semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2016, to holders of record on the immediately preceding February 1 and August 1, respectively. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

**Additional Notes**

From time to time, subject to the Issuer's compliance with the covenants described under the headings *"—Certain Covenants—Limitation on Indebtedness" and "—Certain Covenants—Limitation on Liens"* the Issuer is permitted to issue additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate delivered to the Trustee ("*Additional Notes*"):

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable (including any currency indemnity);

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in denominations of £100,000 and in integral multiples of £1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this *"Description of the Notes,"* references to "*Notes*" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may be designated to be of the same series as the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the initial Notes, and shall be deemed to form one series and references to the Notes shall be deemed to include the Notes initially issued on the Issue Date as well any such Additional Notes.

**Methods of Receiving Payments on the Notes**

Principal, premium, if any, interest and Additional Amounts (defined below), if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Note registered in the name of or held by a nominee of the common depositary for accounts of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to Euroclear or Clearstream, which will credit the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents (as defined below) maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "—*Paying Agent and Registrar for the Notes*."

**Paying Agent and Registrar for the Notes**

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes for so long as the Notes are held in registered form, including a Paying Agent in London, United Kingdom. The Issuer will also undertake, to the extent possible, to use reasonable efforts to maintain a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC regarding the taxation of savings income (the "*Directive*"), as amended or supplemented from time to time, including through European Union Council Directive 2014/48/EU or any other directive implementing the conclusions of ECOFIN Council Meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to such directive. The initial Paying Agent for the Notes will be Elavon Financial Services Limited, UK Branch.

The Issuer will also maintain one or more registrars (each, a "*Registrar*"). The Issuer will also maintain a transfer agent (the "*Transfer Agent*") in London, United Kingdom. The initial Registrar will be Elavon Financial Services Limited and the initial Transfer Agent will be Elavon Financial Services Limited, UK Branch. The Registrar and the Transfer Agent will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of the Notes. The Issuer, the Company or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

**Transfer and Exchange**

The Notes will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "*144A Global Notes*").
- The 144A Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and/or Clearstream.
- The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*").
- The Regulation S Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and/or Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions.*" In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Book-Entry Interests in Regulation S Global Notes will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of £100,000 aggregate principal amount and integral multiples of £1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of £100,000 in aggregate principal amount and integral multiples of £1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear

or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Registrar and the Paying Agent will be entitled to treat the Holder of a Note as the owner of it for all purposes.

**Restricted Subsidiaries and Unrestricted Subsidiaries**

Immediately after the issuance of the Notes and upon the Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Company will be permitted to designate Restricted Subsidiaries (other than the Issuer) as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

**Notes Guarantees**

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles) be guaranteed, jointly and severally on a senior basis, by the Guarantors (such guarantee, a "*Notes Guarantee*").

As of the Issue Date, the Notes will be guaranteed on a senior basis by the Company and Cognita Holdings Limited ("*Cognita Holdings*"). As soon as practicable but in any case within three business days of the Issue Date, the Notes will be guaranteed on a senior basis by the following guarantors (together, the "*Acceding English Subsidiary Guarantors*"):

| | |
|---|---|
| Cognita UK Holdings Limited | England & Wales |
| Cognita Limited | England & Wales |
| Cognita Schools Limited | England & Wales |
| Super Camps Limited | England & Wales |
| Cognita International Holdings Limited | England & Wales |
| Cognita Funding 1 Limited | England & Wales |
| Cognita UK Brazil Holdings Limited | England & Wales |
| Cognita UK Mexico Holdings Limited | England & Wales |

As soon as practicable but in any case within 10 business days of the Issue Date, the Notes will be guaranteed on a senior basis by the following guarantors (together, the "*Acceding Singapore Subsidiary Guarantors*"):

| | |
|---|---|
| Cognita Singapore Holdings Pte. Ltd. | Singapore |
| Cognita Asia Holdings Pte. Ltd. | Singapore |
| Australian International School Pte. Ltd. | Singapore |
| Stamford American International School Pte. Ltd. | Singapore |
| Camp Asia Cognita Pte. Ltd. | Singapore |

The Guarantors will grant a senior guarantee of the Revolving Credit Facility Agreement concurrently with the grant of the Notes Guarantees.

As of and for the twelve months ended May 31, 2015, the Guarantors represented 72% of our turnover, 75% of our total assets (excluding intercompany debtors, investments and goodwill). and generated 65% of our EBITDA. As of May 31, 2015, after giving effect to the Refinancing Transactions, including the Offering and the use of proceeds therefrom, on a consolidated basis, our subsidiaries that will not guarantee the Notes would have had £41.5 million in outstanding debt. Our subsidiaries organized in Brazil, Chile, Spain, Vietnam and Thailand will not guarantee the obligations under the Notes.

In addition, as described below under "*—Certain Covenants—Additional Notes Guarantees and Collateral*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary of the Company (other than the Issuer) that guarantees the Revolving Credit Facility Agreement, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters.

Each Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Our subsidiaries located in Spain, Chile, Brazil, Thailand and Vietnam will not guarantee the Notes, and the Notes and each of the Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.*"

The Notes Guarantee of a Guarantor will terminate and be released upon:

- except in the case of the Notes Guarantee by the Company, a sale, exchange, disposition, exchange or other transfer (including by way of consolidation, merger, amalgamation or combination) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary, including for the avoidance of doubt, the liquidation or dissolution of Cognita UK Holdings Limited, Cognita International Holdings Limited, Cognita UK Mexico Holdings Limited and Cognita Singapore Holdings Pte. Ltd., or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), in each case, otherwise permitted by, and in compliance with, the Indenture;
- except in the case of the Notes Guarantee by the Company, the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*;"
- except in the case of the Notes Guarantee by the Company, with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Revolving Credit Facility Agreement and (ii) does not guarantee any other Credit Facility or Public Debt;
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement; or
- as described under "*—Amendments and Waivers.*"

Substantially all the operations of the Company are conducted through its Subsidiaries. Claims of creditors of non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Notes Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Company. Although the Indenture will limit the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness.*"

### The Proceeds Loan

On or about the Issue Date, the Issuer will lend, pursuant to a proceeds loan (the "*Proceeds Loan*"), the proceeds of the issuance of the Notes to the Company. On the Issue Date, the Company will use the amounts received under the Proceeds Loan, together with cash on hand, to fund the repayment of certain credit facilities. The Proceeds Loan will be subordinated in right of payment to the Notes and the Notes Guarantees pursuant to the Intercreditor Agreement. The Issuer will grant a first-priority security interest in respect of the receivables under the Proceeds Loans to secure the Notes and the Revolving Credit Facility Agreement. See "*—Security*."

It is anticipated that funds received by the Issuer as payments of interest under the Proceeds Loan will be used to service a portion of the interest payments under the Notes. The principal on the Proceeds Loan may be repaid in order to service interest payments on the Notes. In addition, subsidiaries of the Issuer may upstream further funds as needed by means of dividends or loans.

### Security

#### *The Collateral*

Pursuant to the Security Documents, the Issuer, the Company and each of the Guarantors will grant in favor of the Security Agent, fixed and floating charges on an equal and ratable first-ranking basis, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, over substantially all the assets of the Issuer and the Guarantors, including: shares of capital stock of each of the Issuer and the Guarantors (other than the Company); certain bank accounts; the rights of the Issuer under the Proceeds Loan and certain real property in England; and separate mortgages over certain properties in Singapore, each in accordance with the Agreed Security Principles, the Security Documents and the Intercreditor Agreement (together, the "*Initial Collateral*"). The Initial Collateral will be granted by (i) the Company, Cognita Holdings and the Issuer on the Issue Date, (ii) the Acceding English Subsidiary Guarantors as soon as practicable but in any case within three business days of the Issue Date and (iii) the Acceding Singapore Subsidiary Guarantors as soon as practicable but in any case within 80 days of the Issue Date.

In addition, subject to the Intercreditor Agreement and subject to the Agreed Security Principles, each Subsidiary of the Company (other than the Issuer) that accedes to the Revolving Credit Facility Agreement as a guarantor after the Issue Date (other than any Subsidiary incorporated in Brazil, Chile, Spain, Vietnam and Thailand) and grants security in connection with such accession shall also enter into a supplemental indenture as a Guarantor with respect to the Notes and accede to the Intercreditor Agreement, and security will be granted over the ownership interests in such Guarantor and its material operating bank accounts and intercompany receivables (together with the Initial Collateral, the "*Collateral*"). All Collateral shall be subject to the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing, certain assets will not be pledged (or the Liens not perfected), in accordance with the Agreed Security Principles, including:

- if providing such security would be prohibited by general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, "earnings stripping," "controlled foreign corporation," "thin capitalization" rules, tax restrictions, retention of title claims and similar matters or providing security would be outside the applicable pledgor's capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after the use of reasonable endeavors to overcome such obstacle;
- if the cost of providing security is not proportionate to the benefit accruing to the Holders;
- if there is material incremental cost involved in creating security over all assets of a Guarantor in a particular category of assets, only the material assets in that category will be subject to security;
- if certain security may be provided by the relevant Guarantor granting a promise to pledge coupled with an irrevocable power of attorney as opposed to a definitive legal mortgage or pledge over the relevant asset;
- if it is expressly acknowledged that it may be either impossible or impractical to create security over certain categories of assets, security will not be taken over such assets;
- if providing such security requires consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Issuer, the Company or any of its Subsidiaries in respect of those assets or require any of

them to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of reasonable endeavors;

- if providing such security would have a material adverse effect (as reasonably determined in good faith by such Subsidiary) on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this principle;
- if the aggregate of notarial costs and all registration and like taxes relating to the provision of security exceeds an agreed amount;
- if the assets are located outside the security jurisdictions, which are initially England and Wales and Singapore;
- in the case of security from or over, or over assets of, any joint venture or similar arrangement, any minority interest or any entity (other than the Company) that is not wholly owned; and
- in the case of assets subject to security in favor of a third party.

The security jurisdictions may in certain circumstances be expanded if required by the requisite majority of lenders under the Revolving Credit Facility Agreement, see "*Description of Other Indebtedness—Revolving Credit Facility—Guarantees*." The Collateral will also secure the liabilities under the Revolving Credit Facility Agreement, any Operating Facilities, certain Hedging Obligations and any Additional Notes; *provided* that lenders under the Revolving Credit Facility Agreement, such Operating Facilities and counterparties to certain Hedging Obligations will receive proceeds from the enforcement of the Collateral in priority to holders of the Notes. Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility Agreement, Operating Facilities and any Hedging Obligations permitted to be incurred under the covenant "*—Certain Covenants—Limitation on Indebtedness*" and permitted to be secured on the Collateral on a super priority basis (see "*—Certain Definitions—Permitted Collateral Liens*") will receive priority over the Holders with respect to any proceeds received upon any enforcement action over any Collateral. Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*," the Company is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture and the Intercreditor Agreement. Any proceeds received upon any enforcement over any Collateral, after all liabilities in respect of obligations under the Revolving Credit Facility Agreement, Operating Facilities and certain Hedging Obligations that are secured have been discharged from such recoveries, will be applied *pro rata* in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other Indebtedness of the Company or its Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement.

***Administration of Security and Enforcement of Liens***

The Security Documents and the Collateral will be administered by the Security Agent, in each case pursuant to the Intercreditor Agreement for the benefit of all holders of secured obligations. The enforcement of the Security Documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement*."

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's or a Guarantor's bankruptcy. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Insolvency laws and other limitations on the Guarantees and the security may adversely affect their validity and enforceability*." In addition, the enforcement of the Collateral will be limited to the maximum amount required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. Pursuant to the Agreed Security Principles, the terms of the Security Documents themselves provide for assets to cease to become subject to security in certain circumstances without need for a formal release, such as the sale of assets which are subject to a charge, or the exclusion of certain assets from a debenture if such assets may not be subject to security (such as, for example, assets that may not be validly pledged, or assets that are subject to a Permitted Lien).

As a result of these limitations, the enforceable amounts of the Issuer's obligation under the Notes and a Guarantor's obligation under its Notes Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*."

Subject to the terms of the Security Documents, the Issuer, the Guarantors and any other Collateral provider will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the holders of the Notes, the payment of obligations under the Revolving Credit Facility Agreement, any Operating Facilities and any Hedging Obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement and the Security Documents place limitations on the ability of the Security Agent to cause the sale of some of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The Trustee for the Notes has, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below) and each Holder will also be deemed to have authorized the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

***Priority***

The relative priority with regard to the Collateral as between (a) the lenders under the Revolving Credit Facility Agreement and the Operating Facilities (b) the counterparties to certain Hedging Obligations, and (c) the Trustee and the Holders under the Indenture, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Notes, the Revolving Credit Facility Agreement, the Operating Facilities and such Hedging Obligations will receive proceeds of enforcement of security over the Collateral equally and ratably on a first priority basis, *provided* that obligations under the Revolving Credit Facility Agreement, the Operating Facilities and such Hedging Obligations will be repaid in enforcement prior to the Notes. See "*Description of Other Indebtedness—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. Under certain circumstances, the creditors under such Indebtedness will receive proceeds from an enforcement of the Collateral in priority to the Trustee and the Holders under the Indenture. See "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

***Release of Liens***

The Security Agent will, in addition to the circumstances described above, take any action required to effectuate any release of Collateral required by a Security Document:

(1) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or discharge or defeasance thereof in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Notes Guarantee in accordance with the Indenture, the release of the property, assets and Capital Stock of such Guarantor;

(3) in connection with any disposition of Collateral, directly or indirectly, to (a) any Person other than the Company or any of its Restricted Subsidiaries (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation—The Issuer and the Company*") that is permitted by the Indenture (with respect to the Lien on such Collateral) or (b) the Company or any Restricted Subsidiary consistent with the Intercreditor Agreement;

(4) as described under "*—Amendments and Waivers*;"

(5) automatically without any action by the Trustee, if the Lien granted in favor of the Revolving Credit Facility Agreement, Public Debt or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by another clause above;

(6) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under "*—Certain Covenants—Merger and Consolidation*;" and

(7) as otherwise provided in the Intercreditor Agreement.

Each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee without the consent of the Holders.

The Issuer, the Company and its Restricted Subsidiaries and any other Collateral provider may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring or otherwise disposing of current assets in the ordinary course of business; and (iii) any other action permitted by the Security Documents or the Intercreditor Agreement.

**Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements**

In connection with the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries that is permitted to share the Collateral, the Trustee and the Security Agent shall, at the request of the Company, enter into with the Company, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the Holders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, the Company shall furnish to the Trustee such documentation in relation thereto as it may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described herein under "*—Certain Covenants—Limitation on Restricted Payments*."

The Indenture will also provide that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision to implement any other Permitted Collateral Liens in accordance with the terms of the Indenture, or (6) make any other change to any such agreement that does not adversely affect the Holders of Notes in any material respect.

The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*" or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement, any amendments referenced above and any Additional Intercreditor Agreement on each Holder's behalf.

A copy of the Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available to the Holders upon request and will be made available for inspection during normal business hours on any Business Day upon prior written request at the office of the Issuer and, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market, at the offices of the Registrar in Luxembourg.

**Optional Redemption**

Except as set forth herein and under "*—Redemption for Taxation Reasons*,*"* the Notes are not redeemable at the option of the Issuer.

At any time prior to August 15, 2017, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time prior to August 15, 2017, upon not less than 10 nor more than 60 days' prior notice, the Issuer may, during each twelve-month period commencing on the Issue Date, redeem up to 10% of the aggregate principal amount of the Notes (calculated after giving effect to the issuance of any Additional Notes of the same series) at a redemption price equal to 103% of the principal amount redeemed plus accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time on or after August 15, 2017, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

| Twelve month period commencing August 15 in | Percentage |
|---|---|
| 2017 | 103.8750% |
| 2018 | 101.9375% |
| 2019 and thereafter | 100.0000% |

At any time and from time to time prior to August 15, 2017, upon not less than 10 nor more than 60 days' prior notice, the Issuer may redeem up to 40% of the original aggregate principal amount of the Notes (including Additional Notes) at a redemption price equal to (i) 107.75% of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds received by the Company from one or more Equity Offerings, plus (ii) accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date; *provided* that:

(1) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering; and

(2) not less than 60% of the original principal amount of the Notes being redeemed (including the principal amount of any Additional Notes of the same series) remains outstanding immediately thereafter.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

***General***

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

**Sinking Fund**

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

### Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar, as applicable, will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee, the Paying Agent and the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribe no method of selection, on a *pro rata* basis or by use of a pool factor; *provided*, *however*, that no Note of £100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of £1,000 will be redeemed. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, any such notice to the Holders of the relevant Notes shall to the extent and in the manner permitted by such rules be posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) and in addition to such release, not less than 10 days nor more than 60 days prior to the redemption date, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. For the Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

### Redemption for Taxation Reasons

The Issuer or Successor Company may redeem, and a Guarantor may cause the Issuer or Successor Company to redeem, the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, the application, administration or official interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Issuer or Successor Company under or with respect to the Notes or Guarantor is, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding or deduction as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective after the date of this Offering Memorandum and must not have been publically or formally announced in substantially the form as enacted prior to the date of this Offering Memorandum. In the case of redemption due to withholding or deduction as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective after the date the jurisdiction becomes a Relevant Taxing Jurisdiction and must not have been publically or formally announced in substantially the form as enacted prior to such date, unless the Change in Tax Law would have applied to the predecessor of a Successor

Company or the predecessor of a successor of a Guarantor. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or Guarantor, or a successor to either, where applicable, will deliver to the Trustee (a) an Officer's Certificate stating that the Issuer or Guarantor, or a successor to either, where applicable, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied, including confirmation that it cannot avoid its or a Guarantor's obligation to pay Additional Amounts by taking reasonable measures, and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer or Guarantor, or a successor to either, where applicable, has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to the Payor (as defined below) is incorporated or organized or otherwise considered to be a resident for tax purposes, or any jurisdiction from or through which a payment on the Notes or any Notes Guarantees is made by or on behalf of any successor to the Payor, and any political subdivision or taxing authority or agency thereof or therein.

**Withholding Taxes**

All payments made by or on behalf of the Issuer or a Guarantor (a "*Payor*") on or with respect to the Notes or the Notes Guarantees, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) England and Wales or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Notes Guarantee is made by or on behalf of the Payor or its agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is incorporated or organized, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law from any payments made by or on behalf of a Payor on or with respect to any Note or Notes Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holders after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, but not limited to, being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed, withheld or deducted by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any certification, identification, information or other reporting requirement relating to such matters, which is required by

applicable law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment under or with respect to the Notes or any Notes Guarantee;

(4) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Taxes, assessment or other governmental charge, or excise Taxes on a transfer or exchange of the Notes;

(5) any Taxes that are required to be deducted or withheld on a payment to a Holder or beneficial owner and that are required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to any such directives;

(6) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent;

(7) any Taxes that are imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), any regulations promulgated thereunder, any official interpretations thereof or any similar law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(8) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder (except to the extent that the beneficiary would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period).

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Registrar in Luxembourg if the Notes are then admitted for trading on the Euro MTF market of the Luxembourg Stock Exchange.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture, the Notes Guarantees or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, issue, transfer, registration, court or documentary Taxes, or any other property or similar taxes, charges or levies (including penalties or interest related thereto) that arise in any jurisdiction from the execution, delivery, issuance, registration, enforcement of or receipt of payments with respect to any Notes, the Indenture, the Notes Guarantees, the Security Documents or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes after the consummation of this offering), and the Payor agrees to indemnify the Holders for any such Taxes paid by such Holders; provided, the Payor will not be obligated, except in the case of enforcement following a default (or event of default), to pay any such Taxes, charges or levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction provided further, in the case of taxes, charges or levies attributable to any payments with respect to any Notes, the Indenture, the Notes Guarantees, the Security Documents or any other document or instrument in relation thereto, the Payor's obligations under this paragraph shall be limited to any such taxes, charges or levies that are not excluded under clauses (1), (2) and (4)–(7) above. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply mutatis mutandis to any jurisdiction in which any successor to the Payor is incorporated or organized or otherwise considered to be a resident for tax purposes, or any jurisdiction from or through which a payment on the Notes or any Notes Guarantees is made by or on behalf of any successor to the Payor, and any political subdivision or taxing authority or agency thereof or therein.

### Change of Control

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all or part (equal to £100,000 aggregate principal amount, and integral multiples of £ 1,000 in excess thereof), as the case may be, of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase Notes as described under this "*—Change of Control*" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the relevant Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate (or cause to be authenticated) and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Note equal in aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least £100,000 and integral multiples of £1,000 in excess thereof.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or require a repurchase of the Notes, under the Change of Control provisions of the Indenture by virtue of the conflict.

Under the Revolving Credit Facility Agreement, the occurrence of a change of control would require the repayment of such debt in certain circumstances. See "*Description of Other Indebtedness—Revolving Credit Facility*." Future debt of the Company or its Subsidiaries may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or requires repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of a change of control as required by each Indenture and the change of control provision contained in each Indenture may not necessarily afford you protection in the event of certain important corporate events.*"

The definition of "*Change of Control*" includes a disposition of all or substantially all of the property and assets of the Issuer, the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is limited case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

**Certain Covenants**

***Limitation on Indebtedness***

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Company and any Restricted Subsidiary may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness, in a maximum aggregate principal amount of Indebtedness at any time outstanding not exceeding (i) the greater of (a) £60.0 million plus the Accordion Amount and (b) 100% of Consolidated EBITDA minus any Indebtedness incurred under clause (14) of this paragraph, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(b) without limiting the covenant described under "—*Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary, in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided*, *however*, that:

(a) if any Guarantor or the Issuer is the obligor on any such Indebtedness and the obligee is not a Guarantor or the Issuer, it is unsecured and expressly subordinated in right of payment to prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Indenture to the extent required by the Intercreditor Agreement;

(b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any Additional Notes), (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) of the Company or any Restricted Subsidiary outstanding on the Issue Date, and the Guarantees of and security granted with respect to the Notes, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

(5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or another Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) of the Company or any Restricted Subsidiary Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary; *provided, however*, with respect to each of clause (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Company would have been permitted to Incur £1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to the relevant acquisition and Incurrence of such Indebtedness

pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or Senior Management of the Company);

(7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (A) £10.0 million and (B) 20% of Consolidated EBITDA;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;

(b) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of £20.0 million and 40% of Consolidated EBITDA;

(12) Indebtedness of the Issuer, the Company or another Guarantor in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution)

of the Company, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6), (10), (13) and (14) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6), (10), (13) and (14) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;

(13) Indebtedness under daylight borrowing facilities incurred in connection with the Refinancing Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred; and

(14) Indebtedness consisting of local lines of credit, bilateral facilities, working capital facilities and/or other operating facilities ("*Operating Facilities*") not exceeding £10.0 million outstanding at one time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Issue Date under the Revolving Credit Facility Agreement shall be deemed initially Incurred under clause (1) of the second paragraph of the description of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and any such Indebtedness may not be reclassified pursuant to clause (1) of this paragraph;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness shall be calculated as described under the definition of "*Indebtedness.*"

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, including a change of IFRS to UK GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date.

For purposes of determining compliance with any sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than sterling, and such refinancing would cause the applicable sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in

effect on the date of such refinancing, such sterling-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced; (b) the Sterling Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in sterling, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

***Limitation on Restricted Payments***

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

    (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

    (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent Holding Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within six months of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Company is not able to Incur an additional £1.00 of Indebtedness pursuant to the first paragraph under the "*—Limitation on Indebtedness*" covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5),

(6), (10), (11), (12) and (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company and its Restricted Subsidiaries are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph, (y) Excluded Contributions and (z) the Permitted Reorganization);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange);

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

  (A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

  (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "*Investment*") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *provided*, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

  (A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

  (B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate (other than a Restricted Subsidiary) to the Company or a Restricted Subsidiary;

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (v); *provided further*, however, that such amount under this clause (v) shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c). Upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset to zero and all references to the Issue Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Board of Directors of the Company.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange for or out of the proceeds of the substantially concurrent sale of (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary), Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or the Permitted Reorganization) of the Company; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or such Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness, directly or indirectly:

    (a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Company shall have first complied with the provisions of the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

    (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "*change of control*"), but only (i) if the Issuer shall have first complied with the terms of the covenant described under "*—Change of Control,*" if required, and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

    (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Parent Holding Company and loans, advances, dividends or distributions by the Company to any Parent Holding Company to permit any Parent Holding Company to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent Holding Company, or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent Holding Company (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (i) £2.0 million plus (ii) £2.0 million multiplied by the number of calendar years that have commenced since the Issue Date plus (iii) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Holding Company) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares and other than the Permitted Reorganization) of the Company from, the issuance or sale to Management Investors of Capital Stock of any Parent Holding Company, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the preceding paragraph;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent Holding Company or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

    (a) the amounts required for any Parent Holding Company to pay any Parent Holding Company Expenses or any Related Taxes; or

    (b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (5), (7), (11) and (12) of the second paragraph under "*—Limitation on Affiliate Transactions*;"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent Holding Company to pay, dividends on the common stock or common equity interests of the Company or any Parent Holding Company following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or loaned as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that, in the case of clause (A) or (B), after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.5 to 1.00;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed £10.0 million or, if greater, 1.6% of Total Assets;

(12) payments by the Company, or loans, advances, dividends or distributions to any Parent Holding Company to make payments, to holders of Capital Stock of the Company or any Parent Holding Company in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Company);

(13) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any

Parent Holding Company or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Holding Company issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or through an Excluded Contribution or, in the case of Designated Preference Shares by Parent Holding Company or an Affiliate, the issuance of Designated Preference Shares and other than the Permitted Reorganization) of the Company or loaned as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries;

(16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing; and

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment; *provided* that the Consolidated Leverage Ratio on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 3.5 to 1.0.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

***Limitation on Liens***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Notes Guarantee in the case of Liens of a Guarantor) are secured equally and ratably with (or prior to, in the case of Liens with respect to Subordinated Indebtedness) such Indebtedness for so long as such Indebtedness is so secured (*provided* that a Lien to secure Indebtedness pursuant to clauses (1), (6) or (14) of the second paragraph of the "*Limitation on Indebtedness*" covenant may have priority not materially less favorable to the Holders than that accorded to the Revolving Credit Facility Agreement pursuant to the Intercreditor Agreement), and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*."

***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or the Company;

(B) make any loans or advances to the Issuer or the Company; or

(C) sell, lease or transfer any of its property or assets to the Issuer or the Company,

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances

and restrictions contained in the Revolving Credit Facility Agreement and the Intercreditor Agreement, together with the Security Documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Company) or where the Company determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes;

(12) any encumbrance or restriction existing by reason of any Lien permitted under "—*Limitation on Liens*;" or

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect such Qualified Receivables Financing.

***Limitation on Sales of Assets and Subsidiary Stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

   (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) or Indebtedness under the Revolving Credit Facility Agreement (or any Refinancing Indebtedness in respect thereof) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness including, but not limited to, the revolving credit facility made available under the Revolving Credit Facility Agreement) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or (ii) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; or

   (b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or a Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day,

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "*Excess Proceeds*" under the Indenture. On the 366th day after an Asset Disposition, or at such earlier date that the Company elects, if the aggregate amount of Excess Proceeds under the Indenture exceeds £10.0 million and has not been committed in accordance with clause (3)(b) of the first paragraph of this covenant, the Company will be required to make an offer ("*Asset Disposition Offer*") to all Holders of Notes issued under the Indenture and, to the extent the Company elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, at an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, and, in the case of the Notes, in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof.

To the extent that the aggregate principal amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in sterling, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Sterling Equivalent determined as of a date selected by the Company that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Company upon converting such portion into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Company will purchase (or procure the purchase of) the aggregate principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Company will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof. The Company will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this covenant. The Company or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Company for purchase, and the Company will promptly issue a new Note (or amend the Global Note), and the Trustee (or its authenticating agent), upon delivery of an Officer's Certificate from the Company, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of £100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Company to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company and the Restricted Subsidiaries from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of £12.5 million and 2.0% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

***Limitation on Affiliate Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "*Affiliate Transaction*") involving aggregate value in excess of £1.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of £10.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments described in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance or sale of Capital Stock, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent Holding Company restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary of the Company or any Parent Holding Company (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Refinancing Transactions and the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) the execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the Senior Management of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Holding Company) of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed, in each 12 month period that has commenced since the Issue Date, beginning on the Issue Date, the greater of £1.5 million and 3.0% of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Holding Company) for financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Company in good faith;

(12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries;

(13) any transaction effected as part of a Qualified Receivables Financing; and

(14) any Permitted Reorganization.

***Reports***

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days (or, in the case of the fiscal year ending August 31, 2015, 150 days) after the end of the fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the

extent applicable, the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies, with a similar scope to that included in this Offering Memorandum; (d) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 60 days (or, in the case of the fiscal quarter ending November 30, 2015, 90 days) following the end of the first three fiscal quarters of the Company beginning with the quarter ending after the Issue Date, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet of the Company as of the end of such quarter and unaudited condensed statements of income and cash flow of the Company for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period of the Company or its predecessor, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) a year-to-date operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Company or a change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statement and *pro forma* financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, (x) in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods and (y) to the extent comparable prior period financial information of the Company does not exist, the comparable prior period financial information of Cognita Holdings may be provided in lieu thereof. Except as provided for in this covenant, no report need include separate financial statements for any Subsidiaries of the Company. The filing of an Annual Report on Form 20-F within the time period specified in (1) will satisfy such provision. At the Company's election it may also include financial statements of Cognita Midco Limited in lieu of those for the Company; *provided* that if the financial statements of Cognita Midco Limited are included in such report, a reasonably detailed description of material differences between the financial statements of the Company, on one hand, and Cognita Midco Limited, on the other, shall be included for any period after the Issue Date.

Following an Initial Public Offering on the Capital Stock of the Company or any parent thereof and/or the listing of such Capital Stock on a recognized European stock exchange, the requirements of paragraphs (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the

Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: turnover, net sales, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports or statement specified in clauses (1), (2) and (3) of the first paragraph or the second paragraph of this covenant, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports or statement on such website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports or statement available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports or statement to the Holders and, upon request, prospective purchasers of the Notes. The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, at the offices of the Registrar in Luxembourg or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

***Merger and Consolidation***

*The Issuer and the Company*

Neither the Issuer nor the Company will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer or the Company, as the case may be) will expressly assume (in each case subject to any limitations contemplated by the Agreed Security Principles) (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer or the Company, as the case may be, under the Notes or the Notes Guarantee and (b) all obligations of the Issuer or the Company, as the case may be, under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) in the case of a transaction involving the Company, immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer or the Company, as the case may be, shall have delivered to the Trustee an Officer's Certificate to the effect that such consolidation, merger or transfer comply with the Indenture and that all conditions precedent in the Indenture relating to such consolidation, merger or transfer have been satisfied and that the Indenture, the Notes, the Intercreditor Agreement and the Security Documents constitute legal, valid and binding obligations of the Issuer or the Company enforceable in accordance with their terms. The Trustee shall be entitled to rely conclusively on such Officer's Certificate without independent verification.

Any Indebtedness that becomes an obligation of the Issuer, the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer or the Company, as the case may be, which properties and assets, if held by the Issuer or the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer or the Company, as the case may be.

The foregoing provisions (other than the requirements of clauses (1)(b) and (2) of the first paragraph of this covenant) will not apply to the creation of a new Subsidiary of the Company that is a Restricted Subsidiary that becomes a parent of one or more of the Company's Restricted Subsidiaries.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Company, as the case may be, under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described below under "*—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence) and, other than with respect to the third preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or the Company, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Issuer, the Company and its Restricted Subsidiaries may undertake the Refinancing Transactions. Notwithstanding the preceding clauses (2), (3) and (4) (which do not apply to the transactions referred to in this sentence), the Issuer or the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer or the Company, reincorporating the Issuer or the Company in another jurisdiction, or changing the legal form of the Issuer or the Company.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new Subsidiary as a Restricted Subsidiary of the Company.

The Issuer will at all times remain a Wholly Owned Subsidiary of the Company.

*Subsidiary Guarantors*

No Guarantor that is a Subsidiary of the Company (a "*Subsidiary Guarantor*") may:

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into such Guarantor,

unless

(A) the other Person is the Company or any Restricted Subsidiary that is a Guarantor (or becomes a Guarantor concurrently with the transaction); or

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes (in each case subject to any limitations contemplated by the Agreed Security Principles) all of the obligations of the Guarantor under its Notes Guarantee and the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement); and

(2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (3)(B)(2) and the provisions described above under "*—The Issuer and the Company*" (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a

Subsidiary Guarantor, (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor and (c) the Subsidiary Guarantors may undertake the Refinancing Transactions. Notwithstanding the preceding clause (3)(B)(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor reincorporating the Subsidiary Guarantor in another jurisdiction, or changing the legal form of the Subsidiary Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: "*—Limitation on Restricted Payments*," "*—Limitation on Indebtedness*," "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," "*—Limitation on Affiliate Transactions*," "*—Limitation on Sales of Assets and Subsidiary Stock*," "*—Additional Notes Guarantees and Collateral*," "*—Lines of Business*," and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer and the Company*," and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of such Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." The Company shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify Holders of such event.

***Additional Notes Guarantees and Collateral***

The Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors or the Issuer, directly or indirectly, to Guarantee any Indebtedness under the Revolving Credit Facility Agreement (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"), any Public Debt and any refinancing thereof or any other Indebtedness of the Issuer, the Company or a Guarantor exceeding £10.0 million in principal amount, in whole or in part unless, in each case, such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee.

Following the provision of any additional Notes Guarantees as described above, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Guarantor will provide security over

certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Notes Guarantee on a first priority basis consistent with the Collateral.

Each additional Notes Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause any Restricted Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the Incurrence of such Notes Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Notes Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Company or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement or the Agreed Security Principles.

***Impairment of Security Interest***

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled "*—Limitation on Liens;*" *provided*, that the Company and its Restricted Subsidiaries may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled "*—Limitation on Liens*,*"* including Permitted Collateral Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture, the Intercreditor Agreement or the applicable Security Documents.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture and the Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided, however*, that, (except where permitted by the Indenture or the Intercreditor Agreement or to effect or facilitate the creation of Permitted Collateral Liens for the benefit of the Security Agent and holders of other Indebtedness Incurred in accordance with the Indenture), no Security Document may be amended, extended, renewed, restated, otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting any such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security

Document, so amended, extended, renewed, restated, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, modification or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the Holders.

***Lines of Business***

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries, taken as a whole.

**Events of Default**

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with any of the Company's obligations under the covenants described under "*—Change of Control*" above or under the covenants described under "*—Certain Covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*");

    and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £5.0 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(7) failure by the Company, the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of £5.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and due (the "*judgment default provision*");

(8) any security interest under the Security Documents on any Collateral having a fair market value in excess of £5.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of

the relevant Security Document, the Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*"); and

(9) any Notes Guarantee of the Company or a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days (the "*guarantee provisions*").

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes notify the Company of the default and, with respect to clauses (3), (4), (5) and (7), the Company does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Company and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to

the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default or Event of Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Company, the Trustee must give notice of the Default or Event of Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default or Event of Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

**Amendments and Waivers**

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that, if any amendment, waiver or other modification will only amend, waive or modify one series of the Notes, only the consent of a majority in aggregate principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Notes affected, or if any amendment, waiver or other modification will only amend, waive or modify one series of the Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Notes of such series amended, waived or modified, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*—Optional Redemption*;"

(5) make any such Note payable in money other than that stated in such Note;

(6) impair the right of any Holder to receive payment of principal of and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release (i) the security interest granted for the benefit of the Holders over all or substantially all of the Collateral or (ii) any Notes Guarantee, in each case, other than pursuant to the terms of the Security Document or the Indenture, as applicable, except as permitted by the Intercreditor Agreement;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(10) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Company, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision of any Note Documents to this "*Description of the Notes*," or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Company, the Issuer or any Guarantor under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code);

(4) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;

(5) make any change that does not adversely affect the rights of any Holder in any material respect;

(6) make such provisions as necessary (as determined in good faith by the Company) for the issuance of Additional Notes;

(7) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the Covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Additional Notes Guarantees and Collateral*," to add Notes Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Intercreditor Agreement or the Security Documents;

(8) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Revolving Credit Facility Agreement, in any property which is required by the Revolving Credit Facility Agreement to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with.

In formulating its decisions on such matters, the Trustee shall be entitled to rely on such evidence as it deems appropriate including an Officer's Certificate and Opinion of Counsel.

For purposes of determining whether holders of the requisite aggregate principal amount of Notes of a series have taken any action under the Indenture, the aggregate principal amount of any series of Notes will be deemed to be the Sterling Equivalent of the aggregate principal amount of such Notes as of (i) such date (if a record date has been set with respect to the taking of such action) or (ii) the date the taking of such action by holders of the requisite aggregate principal amount of such Notes has been certified to the Trustee by the Issuer (if no such record date has been set).

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

**Acts by Holders**

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Company or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Company will be disregarded and deemed not to be outstanding.

**Defeasance**

The Issuer at any time may terminate all its and each Guarantor's obligations under Notes of a series and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes of such series, registration of Notes of such series, mutilated, destroyed, lost or stolen Notes of such series and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantor's obligations under the covenants described under "*—Certain Covenants*" (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer and the Company*" and the covenant described under "*—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*") and "*—Change of Control*" and default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Company and its Significant Subsidiaries (other than the Issuer), the judgment default provision, the guarantee provision or the security default provision described under "*—Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option with respect to a series of Notes, payment of such Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to a series of Notes, payment of such Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer and the Company*" and the covenant described under "*—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*"), (4), (5), (6) (with respect only to the Company and Significant Subsidiaries (other than the Issuer)), (7), (8) or (9) under "*—Events of Default*" above.

In order to exercise either defeasance option with respect to a series of Notes, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose) cash in sterling or sterling-denominated UK Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be; *provided*, that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the "*Applicable Premium Deficit*") only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption.

In addition, the Issuer must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of such Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the issuance of the Notes);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

The Issuer shall set forth the applicable currency or currencies which shall apply under this "*—Defeasance*" provision in the Officer's Certificate to be delivered to the Trustee as set forth under "*—Additional Notes*."

### Satisfaction and Discharge

The Indenture and the rights of the Trustee and the Holders under the Security Document will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose), cash in sterling or sterling-denominated UK Government Obligations or a combination thereof (or, in the case of a series of Notes issued in a currency other than sterling, cash or government obligations in such other currency), as applicable in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions under the Indenture to apply the deposited money towards payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*—Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

The Issuer shall set forth the applicable currency or currencies which shall apply under this "*—Satisfaction and Discharge*" provision in the Officer's Certificate to be delivered to the Trustee as set forth under "*—Additional Notes*."

### No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Company or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Company or any of its Subsidiaries under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

### Concerning the Trustee and Certain Agents

U.S. Bank Trustees Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in aggregate principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated within 60 days (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

### Notices

All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of the Notes, if any, maintained by the Registrar. In addition, for so long as the Notes are listed on

the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes will be published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. For the Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail, cause to be delivered or send a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

**Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed three years after the applicable due date for payment of interest.

**Currency Indemnity and Calculation of Sterling-Denominated Restrictions**

Sterling is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the relevant Notes Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than sterling, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the sterling amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that sterling amount is less than the sterling amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Notes Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any sterling-denominated restriction herein, the Sterling Equivalent amount for purposes hereof that is denominated in a non-sterling currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-sterling amount is Incurred or made, as the case may be.

The Issuer shall set forth the applicable currency or currencies which shall apply under this "*—Currency Indemnity and Calculation of Sterling Denominated Restrictions*" provision in the Officer's Certificate to be delivered to the Trustee as set forth under "*—Additional Notes*."

**Maintenance of Listing**

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Euro MTF Market of the Luxembourg Stock Exchange for so long as such Notes are outstanding; provided that if the Issuer is unable to obtain admission to the listing of the Notes on the Euro MTF Market of the Luxembourg Stock Exchange or if at any time the Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

### Enforceability of Judgments

Since, as of the Issue Date, substantially all the assets of the Issuer and the Guarantors are held by Subsidiaries located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Notes Guarantees, may not be collectable within the United States.

### Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Notes Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

### Governing Law

The Indenture and the Notes, including any Notes Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York.

### Certain Definitions

"*Accordion Amount*" means Indebtedness and other obligations incurred under a Credit Facility; *provided* that the principal amount of Indebtedness so Incurred does not exceed £40.0 million.

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the Agreed Security Principles as set out in an annex to the Revolving Credit Facility Agreement as in effect on the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Company.

"*Applicable Premium*" means, with respect to any Note, the greater of:

(A) 1% of the principal amount of such Note; and

(B) on any redemption date, the excess (to the extent positive) of:

  (a) the present value at such redemption date of (i) the redemption price of such Note at August 15, 2017 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "*—Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest

payments due on such Note to and including such date set forth in clause (i) (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Gilt Rate at such redemption date plus 50 basis points; over

(b) the outstanding principal amount of such Note,

as calculated by the Company or on behalf of the Company by such Person as the Company shall designate. Calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory or other assets in the ordinary course of business;

(4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation—The Issuer and the Company*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Company) of less than £5.0 million or, if greater, 0.8% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with the granting of Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person;

(18) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and

(19) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

"*Board of Directors*" means (1) with respect to the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bregal Capital*" means Bregal Capital LLP and its Affiliates, and any fund, partnership and/or other entities represented, managed, advised, owned or controlled by it or any of them.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Singapore, London, United Kingdom, Luxembourg or New York, New York, United States are authorized or required by law to close; *provided*, *however*, that for any payments to be made under the Indenture, such day shall also be a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("TARGET") payment system is open for the settlement of payments.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, time deposit accounts, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB–" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means:

(1) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, *provided* that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Company becoming a Subsidiary of a Successor Parent Holding Company and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock than any other Permitted Holder; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

*provided that*, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking, *société anonyme* as currently in effect or any successor securities clearing agency.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

*"Company"* means Cognita Bondco Parent Limited.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful)(including any such fees or charges related to the Refinancing Transactions) in each case, as determined in good faith by an Officer of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*;" and

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Company as extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

For the purposes of determining "Consolidated EBITDA" as specified in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness,*" *pro forma* effect shall be given to the calculation of Consolidated EBITDA consistently with the calculation of the Consolidated Leverage Ratio.

For the purposes of determining "Consolidated EBITDA" under clauses (1), (7), or (11) of the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*," or the last proviso of clause (C) of the definition of Permitted Collateral Liens, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date upon which Indebtedness is incurred (in the case of term facilities) and under clause (11) of the second paragraph under "*—Certain Covenants—Limitation on Affiliate Transactions,*" Consolidated EBITDA shall be measured on the date upon which the payment is made, in each case for the period of the most recent four consecutive fiscal quarters ending prior to such date for which internal consolidated financial statements of the Company are available.

"*Consolidated Financial Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the sum of:

(1) consolidated net interest income/expense of the Company and its Restricted Subsidiaries related to Indebtedness (including (a) amortization of debt discount, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any pension liability interest cost, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));

(2) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company; and

(3) any interest on Indebtedness of another Person that is guaranteed by the Company or any of its Restricted Subsidiaries or secured by a Lien on assets of the Company or any of its Restricted Subsidiaries.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes), trade taxes and franchise taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Company and its Restricted Subsidiaries, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, debt issuance cost and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) costs associated with Hedging Obligations;

(6) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a Subsidiary of the Company;

(7) the consolidated interest expense that was capitalized during such period; and

(8) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

Notwithstanding the foregoing, for the purposes of the definition of Consolidated Interest Expense in clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," Consolidated Interest Expense shall not include (a) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (b) any commissions, discounts, yield and other fees and charges related to Receivables Financings, (c) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (d) any foreign currency gains or losses, (e) any pension liability cost and (f) any interest, costs and charges contained in clauses (2), (4), (5) or (6) of this definition.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in clause (c) of the penultimate paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*").

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company and its Restricted Subsidiaries are available; *provided, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or site (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or site (any such Investment or acquisition, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings as if such Purchase occurred on the first day of such period;

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings as if such Sale or Purchase occurred on the first day of such period; and

(4) since the beginning of such period, a transfer of Capital Stock of, or other transaction has occurred or is contractually committed with respect to, the Company or any Restricted Subsidiary, that constitutes an event that is contemplated by the definition of "Specified Change of Control Event" (any such transaction, a "Specified Change of Control Transaction"), and solely for the purposes of making the determination pursuant to "Specified Change of Control Event," Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto (including anticipated synergies and cost savings expected to be obtained from cooperation and other arrangements associated with the Specified Change of Control Transaction) as determined in good faith by a responsible accounting or financial officer of the Company as if such Specified Change of Control Transaction (including such synergies and cost savings associated with the Specified Change of Control Transaction as determined in good faith by a responsible accounting or financial officer of the Company) had occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible accounting or financial officer of the Company (including in respect of cost savings and

synergies) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible accounting or financial officer of the Company) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

For the purpose of calculating pro forma effect pursuant to clause (2) above, the definition of Fixed Charge Coverage Ratio and for the first paragraph and clause (5) of the second paragraph of the covenant described under "'*—Certain Covenants—Limitation on Indebtedness,*" as well as clause (3) of the first paragraph of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer and the Company*," pro forma effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part, which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or that could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, and (c) restrictions not prohibited by the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause));

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including for the avoidance of doubt, any tax referable to any payments, dividends or other distributions made or declared intra-group) or any charges or reserves in respect of any restructuring, redundancy or severance expense or other costs related to the Refinancing Transactions, in each case, as determined in good faith by the Company;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness, and any provisions in respect of working capital;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any goodwill or other intangible asset impairment charge, amortization or write-off;

(13) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes;

(14) consolidated depreciation expense, to the extent in excess of capital expenditure related to tangible assets for the relevant period; and

(15) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Secured Leverage Ratio*" means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness other than Secured Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Revolving Credit Facility Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding

Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Company or any Parent Holding Company, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or purchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided*, *however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Equity Offering*" means (x) a sale of Capital Stock of the Company (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of, or as Subordinated Shareholder Funding to, the Company, in each of (x) and (y), other than to the Company or a Restricted Subsidiary.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euroclear*" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"*European Union*" means all members of the European Union as of January 1, 2004.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares and other than the Permitted Reorganization) of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company.

"*fair market value*" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, for any period, the ratio of:

(a) Consolidated EBITDA to

(b) Consolidated Financial Interest Expense;

*provided* that in calculating the Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Company (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or are reasonably expected to occur within the next twelve months following the date of such calculation, including, without limitation, as a result of, or that would result from any actions taken by the Company or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the chief executive officer, chief operating officer, chief financial officer or any person performing a similarly senior accounting role of the Company (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared)); *provided, further*, without limiting the application of the previous proviso, that for the purposes of calculating Consolidated EBITDA or Consolidated Financial Interest Expense for such period, if, as of such date of determination:

(1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or site (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is such a Sale, (a) Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period; and (b) the Consolidated Financial Interest Expense for such period shall be reduced by an amount equal to the Consolidated Financial Interest Expense directly attributable to any Indebtedness of the Company or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and the continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Financial Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);

(2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or site (any such Investment or acquisition, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such

period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA Consolidated Financial Interest Expense for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings as if such Sale or Purchase occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies, and as though the full effect of synergies and cost savings were realized on the first day of the relevant period) and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period (but not giving effect to (i) any Indebtedness Incurred on such date of determination pursuant to the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purpose of the calculation of the Fixed Charge Coverage Ratio under clause (5) of such second paragraph) or (ii) the repayment, repurchase, redemption, defeasance or other discharge of any Indebtedness on such date of determination, to the extent that such repayment, repurchase, redemption, defeasance or other discharge is made with the proceeds of Indebtedness Incurred pursuant to the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*").

"*Gilt Rate*" means, with respect to any redemption date, the yield to maturity as of such redemption date of UK Government Obligations with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to August 15, 2017; *provided, however*, that if the period from such redemption date to August 15, 2017 is less than one year, the weekly average yield on actually traded UK Government Obligations denominated in sterling adjusted to a fixed maturity of one year shall be used; and *provided further*, that in no case shall the Gilt Rate be less than zero.

"*Governmental Authority*" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

*provided*, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means the Company and any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a "*Hedging Agreement*").

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Clearstream and Euroclear.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("IFRS") endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is

on or prior to the date of such election. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS. At any time after the Issue Date, the Company may elect to apply UK GAAP accounting principles in lieu of IFRS and, upon any such election, references herein to IFRS shall thereafter be construed to mean UK GAAP (except as otherwise provided in the Indenture), including as to the ability of the Company to make an election pursuant to the previous sentence; *provided* that any such election, once made, shall be irrevocable; *provided, further*, that any calculation or determination in the Indenture that require the application of IFRS for periods that include fiscal quarters ended prior to the Company's election to apply UK GAAP shall remain as previously calculated or determined in accordance with IFRS; *provided, further* again, that the Company may only make such election if it also elects to report any subsequent financial reports required to be made by the Company, including pursuant to the covenants set forth under "*—Certain Covenants—Reports*," in UK GAAP.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "*Incurred*" and "*Incurrence*" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "*Incurred*" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "*Indebtedness*" shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date or any deposit made in relation thereto, any asset retirement obligations, any prepayments of deposits received from clients or customers in the ordinary course of business, any income tax or other payables, any social security, tax or pension obligations or bonds in relation thereto, or obligations under any Tax Sharing Agreement, or any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financings;

(ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Company.

"*Initial Investors*" means Bregal Capital and any funds or partnerships managed or advised, directly or indirectly, by Bregal Capital or an Affiliate thereof, and, solely in their capacity as such, any limited partner of any such partnership or fund and KKR and any funds or partnerships managed or advised, directly or indirectly, by KKR or an Affiliate thereof, and, solely in their capacity as such, any limited partner of any such partnership or fund.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Company or any Parent Holding Company or any successor of the Company or any Parent Holding Company (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated July 31, 2015, among, *inter alios*, the Issuer, the Guarantors, the lenders and agent under the Revolving Credit Facility Agreement, the Trustee as well as certain hedging counterparties, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*:"

(1) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction or Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A–" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means August 7, 2015.

"*KKR*" means Kohlberg, Kravis, Roberts & Co. L.P. and its Affiliates, and any fund, partnership and/or other entities represented, managed, advised, owned or controlled by it or any of them.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to Management Investors:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business, (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company, its Subsidiaries or any Parent Holding Company with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Company or (c) discounts with respect to tuition fees and other educational services offered by the Company or its Restricted Subsidiaries;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding £0.5 million in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, employees and other members of the management of or consultants to any Parent Holding Company, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent Holding Company.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant

dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing arrangements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by its terms or by applicable law are required to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Holding Company, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Note Documents*" means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement and the Security Documents.

"*Officer*" means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"*Parent Holding Company*" means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Holding Company.

"*Parent Holding Company Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent Holding Company in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Holding Company owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent Holding Company in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent Holding Company in connection with the Refinancing Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Holding Company related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Refinancing Transactions or the ownership, directly or indirectly, by any Parent Holding Company;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries or any Parent Holding Company or any other Person established for purposes of or in connection with the Refinancing Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Company, in an amount not to exceed £2.0 million in any fiscal year; and

(7) expenses Incurred by any Parent Holding Company in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

    (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;

    (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

    (z) otherwise on an interim basis prior to completion of such offering so long as any Parent Holding Company shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means any Indebtedness of the Company or any Guarantor if such Indebtedness or Guarantee ranks equally in right of payment to the Notes or the Notes Guarantees, as the case may be, and, in each case, is secured by a Lien on the Collateral.

"*Paying Agent*" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Note on behalf of the Company.

"*Permissible Jurisdiction*" means any member state of the European Union.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Permitted Collateral Liens*" means (A) Liens on the Collateral (i) that are "*Permitted Liens*" described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (17), (18), (19), (20) or (24) of the definition thereof or (ii) that are Liens on bank accounts equally and ratably granted to cash management banks securing cash management obligations, (B) Liens securing Additional Notes (to the extent permitted under clause (C) or (D) of this definition), (C) Liens on the Collateral to secure Indebtedness or other obligations of the Company or a Restricted Subsidiary that are permitted to be Incurred under clauses (1), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii) (but only if after giving pro forma effect to such transaction and the use of proceeds therefrom, the Consolidated Secured Leverage Ratio is either (a) less than (x) 5.15 to 1.0 if the date of such Incurrence is prior to the 24 month anniversary of the Issue Date or (y) 4.75 to 1.0 if the date of such Incurrence is on or after the 24 month anniversary of the Issue Date or (b) not greater than prior to such Incurrence), (6), (7), (11), (12) or (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") and any Refinancing Indebtedness in respect of such Indebtedness; *provided*, *however*, that such Lien will not give an entitlement to be repaid with proceeds of enforcement of the Collateral in a manner which is inconsistent with the Intercreditor Agreement and any Additional Intercreditor

Agreement; *provided further* that only Liens securing Indebtedness Incurred pursuant to (x) clause (1) or clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness,*" not exceeding an aggregate principal amount at the time of incurrence of 150% or more of Consolidated EBITDA, and (y) obligations under clause (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*,*"* may secure obligations on a basis having priority to the Notes and the Guarantors under the Intercreditor Agreement or Additional Intercreditor Agreement, as the case may be; (D) Liens on the Collateral securing Indebtedness incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;" *provided* that, in the case of this clause (D), after giving pro forma effect to such Incurrence and the use of proceeds therefrom, the Consolidated Secured Leverage Ratio is less than (x) 5.15 to 1.0 if the date of such Incurrence is prior to the 24 month anniversary of the Issue Date or (y) 4.75 to 1.0 if the date of such Incurrence is on or after the 24 month anniversary of the Issue Date and (E) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes; *provided* that the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement. To the extent that Indebtedness relating to an instrument or agreement is permitted to be secured by a Permitted Collateral Lien, other associated obligations under such instrument or agreement not themselves constituting Indebtedness may also be secured by such Permitted Collateral Lien.

"*Permitted Holders*" means, collectively, (1) the Initial Investors and any Affiliate thereof, (2) Senior Management and Related Persons, (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Holding Company or the Company, acting in such capacity and (4) any "group" (as such term is defined under Section 13(d)(3) of the Exchange Act) of which a Permitted Holder (without giving effect to this clause (4)) is a "*Permitted Holder*" and where such Permitted Holder is the beneficial owner of more than 50% of the Capital Stock beneficially owned by such group. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (ii) a Change of Control which is also a Specified Change of Control Event, will, in the case of clauses (i) and (ii), thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;"

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*;"

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of £31.2 million and 5.0% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*;"

(13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent Holding Company as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9), (12) and (14) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;

(16) guarantees, keepwells and similar arrangements not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;" and

(17) Investments in the Notes.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of the issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of such Person in the ordinary course of its business, *provided* that such letters of credit do not constitute Indebtedness;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture, or over assets or property of any Restricted Subsidiary which is not required to provide a Notes Guarantee pursuant to the Agreed Security Principles and which Lien is in favor of obligations under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) (a) Liens existing on the Issue Date, excluding Liens securing the Revolving Credit Facility Agreement, the Hedging Obligations and the Notes; and (b) Liens with respect to Credit Facilities incurred pursuant to clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;"

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, *further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor owing to the Company or another Restricted Subsidiary, or Liens by such Restricted Subsidiary in favor of the Company or any Restricted Subsidiary;

(16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on cash accounts securing Indebtedness incurred under clause (10) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" with local financial institutions;

(22) Liens on (a) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) and (b) on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens Incurred with respect to obligations which do not exceed £5.0 million at any one time outstanding;

(26) Permitted Collateral Liens;

(27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(28) (a) Liens directly or indirectly securing the Notes; and (b) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to the Intercreditor Agreement or an Additional Intercreditor Agreement, or otherwise is subject to loss-sharing as among the Holders of the Notes and the creditors of such Indebtedness;

(29) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(30) Liens securing Indebtedness permitted to be Incurred pursuant to clauses (1) and (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;" and

(31) any cash collateral arrangement securing the obligations of an ancillary lender in respect of ancillary facilities of the Company or its Restricted Subsidiaries.

"*Permitted Reorganization*" means any issuance, exchange or other grant of Capital Stock by the Company to Cognita Midco Limited with respect to the elimination of the Deeply Discounted Bonds issued by Cognita Limited to Cognita Topco Limited in December 2014.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the IPO Entity has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Company as of the Issue Date.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Company), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any other Restricted Subsidiary of the Company, (iii) is recourse to or obligates the Company or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any other Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(3) to which neither the Company nor any other Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, six months after the Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Notes Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Notes Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided*, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and *provided, further,* that the provisions of clause (3) above shall not operate to preclude the refinancing of Indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the Indenture.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Refinancing Transactions*" means the issuance of the Notes, the entry into the Indenture and the Revolving Credit Facility Agreement, any repayment or discharge of existing indebtedness under certain credit facilities, the closing out or replacement of Hedging Obligations pursuant to the foregoing, all other associated transactions taken in relation to any of the foregoing, and the payment or incurrence of any fees, expense or charges associated with any of the foregoing.

"*Related Person*," with respect to any Permitted Holder, means:

(1) any controlling equity holder or Subsidiary of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) in the case of the Initial Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy,

intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (provided such Taxes are in fact paid) by any Parent Holding Company by virtue of its:

(a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a Parent Holding Company, directly or indirectly, of the Company or any of the Company's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

(e) having made any payment in respect of any of the items for which the Company is permitted to make payments to any Parent Holding Company pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent Holding Company or party to a Tax Sharing Agreement, any Taxes measured by income attributable to the Company or its Subsidiaries for which such Parent Holding Company is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries.

"*Revolving Credit Facility Agreement*" means the revolving credit facility agreement dated July 31, 2015, among, *inter alios*, Cognita Holdings, Elavon Financial Services Limited as facility agent, U.S. Bank Trustees Limited as Security Agent and Morgan Stanley Bank International Limited, Barclays Bank PLC, Commerzbank AG, London Branch and HSBC Bank plc as arrangers, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*Reversion Date*" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission or any successor thereto.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien on the Collateral on a basis *pari passu* with or senior to the security in favor of the Notes.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

*"Security Agent"* means U.S. Bank Trustees Limited.

"*Security Documents*" means the Intercreditor Agreement and each debenture, share charge, security assignment agreement or other document under which Collateral is pledged to secure the Notes.

"*Senior Management*" means the officers, directors, and other current or former members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent Holding Company and with an equity investment in excess of £250,000.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date, (b) the operation of schools, nursery schools, colleges, vocational training institutions, camps and related education and recreational services and (c) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that the Consolidated Leverage Ratio would have been less than (x) 4.75 to 1.0 if the date of such occurrence is prior to the 18 month anniversary of the Issue Date or (y) 4.25 to 1.0, if the date of such occurrence is on or after the 18 month anniversary of the Issue Date, immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Sterling Equivalent*" means, with respect to any monetary amount in a currency other than sterling, at any time of determination thereof by the Company or the Trustee, the amount of sterling obtained by converting such currency other than sterling involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable currency other than sterling as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Company) on the date of such determination.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or its Notes Guarantees pursuant to a written agreement (and for the avoidance of doubt, for the purposes of the Indenture, Indebtedness shall not be considered subordinated in right of payment solely because it is unsecured, or secured on a junior basis to or entitled to proceeds from security enforcement after, other Indebtedness).

"*Subordinated Shareholder Funding*" means, collectively, (i) any funds provided to the Company by a Parent Holding Company in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent Holding Company or a Permitted Holder, or (ii) any investment by a Management Investor pursuant to a management equity plan, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding in each case:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

  (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

  (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent Holding Company*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "*beneficially owned*" (as defined below) by one or more Persons that "*beneficially owned*" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "*beneficial owner*," as such term is defined in Rules 13d-3 and 13d- 5 under the Exchange Act (as in effect on the Issue Date).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"*Tax Sharing Agreement*" means any fiscal unity arising under relevant tax laws, and any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent Holding Company or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

  (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

  (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

  (a) any lender under the Revolving Credit Facility Agreement;

  (b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

  (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Total Assets*" means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent consolidated balance sheet of the Company or calculated based on the most recent consolidated balance sheet of the Company.

"*Trustee*" means U.S. Bank Trustees Limited.

"*Trust Indenture Act*" means the U.S. Trust Indenture Act of 1939, as amended.

"*UK GAAP*'' means generally accepted accounting principles in the United Kingdom as in effect on the date of any calculation or determination required hereunder.

"*UK Government Obligations*" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein but not including the Company or the Issuer) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least £1.00 of additional Indebtedness pursuant to the first paragraph of the "*Limitation on Indebtedness*" covenant or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of the Company, all of the Voting Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

## BOOK-ENTRY, DELIVERY AND FORM

### General

*Certain defined terms used but not defined in this section have the meanings assigned to them in the Indenture, as described in "Description of the Notes."*

Notes sold within the United States to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("*Rule 144A*")) in reliance on Rule 144A who are also qualified purchasers under the U.S. Investment Company Act will be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). Notes sold to persons other than "U.S. persons" (as defined in Regulation S. under the U.S. Securities Act ("*Regulation S*")) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S will be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*").

The Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("*Euroclear*"), and Clearstream Banking, société anonyme ("*Clearstream*") and registered in the name of the nominee of the common depositary. The Global Notes will not be eligible for clearance with The Depository Trust Company.

Ownership of beneficial interests in the 144A Global Notes (the "*Restricted Book-Entry Interests*") and the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*" and, together with the Restricted Book-Entry Interests, the "*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants or otherwise, and will be required to be effected in accordance with applicable transfer restrictions set out in the Notes, the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "*Transfer Restrictions*."

The Book-Entry Interests will be held by Euroclear and Clearstream on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive definitive Notes in registered form (the "*Definitive Registered Notes*"). The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of Notes take physical possession of such Notes in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest in Book-Entry Interests.

So long as the Global Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes for any purpose. So long as the Global Notes are held in global form, the common depositary for Euroclear and/or Clearstream, or its respective nominee, will be considered the sole holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests to transfer their interests in or to exercise any rights of holders under the Indenture. You can find information about certain other restrictions on the transferability of the Notes under "*—Definitive Registered Notes*."

Neither we nor the Trustee nor our or the Trustee's respective agents will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Under the terms of the Indenture, we, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will treat the registered holder of the Global Notes (*e.g.*, the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the us, the Trustee, the Registrar, the Transfer Agent, the Paying Agent and any of their respective agents have and will not have any responsibility or liability:

(1) for any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests, or for payments made by Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests; or

(2) for Euroclear, Clearstream or any participant or indirect participant.

The Notes will be in registered form and will initially be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof and will only be transferable in minimum principal amounts of £100,000 and integral multiples of £1,000 in excess thereof.

**Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Note for Rule 144A Book-Entry Interests will have a legend to the effect set out under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A and also a qualified purchaser within the meaning of the U.S. Investment Company Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

**Definitive Registered Notes**

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes only in the following circumstances:

(1) if either Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream following an Event of Default which results in action by the Trustee pursuant to the enforcement provisions under the Indenture.

Euroclear has advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), its current procedure is to request that Definitive Registered Notes be issued to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In any such events described in clause (1) or (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and certain certification requirements and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests). The Definitive Registered Note will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture or by applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee

in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable in respect of the balance of the holding not transferred or redeemed, provided that a Definitive Registered Notes will only be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, we will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We, the Trustee or the Registrar may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee, the Registrar and us to protect us, the Trustee, the Registrar or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent.

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

We will not impose any fees or other charges in respect of the Notes; however, holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

**Redemption of Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will distribute the amount received by them in respect of the Global Note so redeemed to the holders of the Book-Entry Interests from the amount received by it in respect of the redemption of such Global Note. The aggregate price payable to the holders of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note, or any portion thereof. We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of £100,000 may be redeemed in part.

**Payments on Global Notes**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) will be made by the Issuer in pounds sterling to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and/or Clearstream. The common depositary or its nominee will in turn distribute such payments to participants in accordance with its procedures. We will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law and as described under "*Description of the Notes—Withholding Taxes*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Withholding Taxes,*" we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction.

We expect that payments by participants to owners of Book-Entry Interests held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for

the accounts of customers registered in "street name." Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

In order to tender Book-Entry Interests in a change of control offer or asset sale offer, the holder of the applicable Global Note must, within the time period specified in such offer, give notice of such tender to the Paying Agent and specify the principal amount of Book-Entry Interests to be tendered.

**Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder (including the presentation of Notes for exchange as described above) only at the direction of the participant to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion to the aggregate principal amount of Notes as to which such participant has given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Indenture, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to its participants, as described in the subsection "*—Definitive Registered Notes*."

**Global Clearance, Settlement and Trading under the Book-Entry System**

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

**Initial Settlement**

Initial settlement for the Notes will be made in pounds sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear or Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

**Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

**Special Timing Considerations**

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels if Euroclear is used, or Luxembourg if Clearstream is used.

**Clearing Information**

We expect that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under "*Listing and General Information*."

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

# CERTAIN TAX CONSIDERATIONS

## Certain United Kingdom Income Tax Consequences

The following is a summary of certain United Kingdom tax consequences as of the date of this Offering Memorandum of payments made in respect of the Notes and is included herein solely for information purposes. It does not purport to be a comprehensive description of all tax considerations and does not deal with any other United Kingdom tax consequences of acquiring, holding or disposing of the Notes. Except where expressly stated, the summary relates only to the position of those persons who are the absolute beneficial owners of the Notes and who hold those Notes as an investment. It may not apply to certain situations, such as those of brokers, dealers or traders in securities or any person who is connected with the Issuer. The summary is based on the tax laws presently in force in the United Kingdom and current published HM Revenue & Customs ("*HMRC*") practice as at the date of this Offering Memorandum, and is subject to any change in law or practice that may take effect after the date of this Offering Memorandum (possibly with retrospective effect). Prospective holders who are in any doubt about their tax position should seek their own professional advice.

### *Payment of Interest*

The Notes will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "*2007 Act*"), as long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the 2007 Act. The Luxembourg Stock Exchange is a recognised stock exchange. Securities that have been admitted to the Official List by the Société de la Bourse de Luxembourg and are admitted to trading on the Euro MTF Market will meet the requirement to be listed on a recognised stock exchange for these purposes. Provided, therefore, that the Notes are and remain so listed, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom tax.

In the event that the Notes fail to be, or cease to be, "quoted Eurobonds," payments of interest must be made under deduction of United Kingdom income tax at the basic rate, currently 20%, subject to any direction to the contrary by HMRC under an applicable double taxation treaty or unless payments are made to some categories of recipients, including companies who the Issuer reasonably believes are subject to United Kingdom corporation tax in respect of such interest (provided HMRC has not given a direction that interest should be paid under deduction of tax). If, in such circumstances, the beneficial owner is not within the charge to United Kingdom corporation tax as regards the payment of interest, the right to pay without deduction for United Kingdom tax is treated as never having applied to any such payment.

If interest were to be paid under deduction of United Kingdom income tax, holders of the Notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

### *Tax by Direct Assessment*

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without deduction or withholding for or on account of United Kingdom income tax. Holders of Notes who are not subject to United Kingdom corporation tax but who are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable will generally be subject to income tax on interest arising in respect of the Notes on a receipts basis. Interest on the Notes received without deduction or withholding for or on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a holder of Notes who is not resident for tax purposes in the United Kingdom unless that holder of Notes carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency, or for holders of Notes who are companies through a United Kingdom permanent establishment, in connection with which the interest is received or to which the Notes are attributable. In such a case, United Kingdom income or corporation tax may be levied on the branch, agency or permanent establishment. The provisions of any applicable double tax treaty may also be relevant to such a holder of Notes.

### *Sale, Exchange and Redemption of Notes*

*United Kingdom Corporation Taxpayers*

In general, a holder of Notes which is subject to United Kingdom corporation tax will be treated for United Kingdom tax purposes as realizing profits, gains or losses in respect of the Notes under the "loan relationship" rules in Part 5 of the Corporation Tax Act 2009 on a basis reflecting the treatment in its statutory accounts, calculated in accordance with generally accepted accounting practice. These profits, gains or losses will be taken into account in computing income for United Kingdom corporation tax purposes. Exchange gains

and losses on the Notes will be treated for United Kingdom tax purposes as included within the profits, gains and losses realized in respect of the Notes and thereby taxable under the loan relationship rules referred to above.

Where the Notes are taxed under the loan relationships regime, they will constitute "qualifying corporate bonds." In that event, no chargeable gain or allowable loss should arise for United Kingdom chargeable gains tax purposes on a disposal (including on a redemption of a Note).

*Other United Kingdom Taxpayers*

The Notes may constitute "qualifying corporate bonds." In that event, no capital gain or allowable loss should arise for United Kingdom capital gains tax purposes on a disposal (including on a redemption of a Note) to individual holders of Notes who are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable.

***Accrued Income Scheme***

On a disposal of Notes by a holder of Notes, any interest which has accrued since the last interest payment date may be chargeable to United Kingdom tax as income under the rules of the accrued income scheme as set out in Part 12 of the 2007 Act, if that holder of Notes is resident for tax purposes in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable. These provisions will not apply if the Notes are deemed to be "deeply discounted securities" (as to which, see "—*Taxation of Discount*" below).

***Taxation of Discount***

Dependent, among other things, on the discount (if any) at which the Notes are issued, or, in certain cases, the premium (if any) payable on redemption, the Notes may be deemed to constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. If the Notes are deemed to constitute deeply discounted securities, individual holders of the Notes who are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable generally will be liable to United Kingdom income tax on any gain realized on the sale or other disposal (including redemption) of the Notes. Holders of Notes are advised to consult their own professional advisers if they require any advice or further information relating to "deeply discounted securities."

***Stamp Duty and Stamp Duty Reserve Tax***

No United Kingdom stamp duty or stamp duty reserve tax should be payable on the issue of the Notes or on a transfer of, or agreement to transfer, the Notes.

***Provision of Information to HMRC***

Where any interest on Notes is paid to a holder of Notes (or to any person acting on its behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "*paying agent*"), or is received by any person in the United Kingdom acting on behalf of the relevant holder (a "*collecting agent*"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the holder (including the holder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the holder is not so resident, the details provided to HMRC may, in certain cases, be passed by HMRC to the tax authorities of the jurisdiction in which the holder is resident for taxation purposes. The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes that constitute "deeply discounted securities" (as defined in the Income Tax (Trading and Other Income) Act 2005).

***EU Savings Directive***

Under the EU Savings Directive, each Member State is required to provide to the competent authority of another Member State details of payments of interest or other similar income paid or secured by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted the Amending Directive on March 24, 2014. The Amending Directive broadens the scope of the requirements described in the first paragraph above. Member States have until January 1, 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply these new requirements from January 1, 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements and to establish procedures to look through entities to prevent the circumvention of the EU Savings Directive by the use of intermediaries. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the EU Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, EU member states will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

**Certain U.S. Federal Income Tax Consequences**

The following is a summary of certain U.S. federal income tax consequences of the ownership and disposition of the Notes as of the date of this Offering Memorandum. Unless otherwise stated, this summary deals only with Notes held as capital assets (generally, property held for investment) by a U.S. holder (as defined below) who purchased the Notes for cash upon original issuance at their "issue price," which will be the first price at which a substantial amount of the Notes are sold to the investors (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agent or wholesaler).

As used herein, a "U.S. holder" means a beneficial owner of the notes that is for U.S. federal income tax purposes any of the following:

- an individual who is a citizen or resident of the U.S.;
- a corporation organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If any entity classified as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner in a partnership considering an investment in the Notes, you should consult your own tax advisors.

This summary does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are a person subject to special tax treatment under the U.S. federal income tax laws, including, without limitation:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt entity;

- an insurance company;
- a person holding the notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a partnership or other pass-through entity for U.S. federal income tax purposes (or an investor in such an entity);
- a U.S. holder whose "functional currency" is not the U.S. dollar;
- a "controlled foreign corporation";
- a "passive foreign investment company"; or
- a U.S. expatriate.

This summary is based on the Internal Revenue Code of 1986, as amended (the "*Code*"), U.S. Treasury regulations, administrative rulings and judicial decisions as of the date hereof. Those authorities may be changed, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those summarized below. We have not sought and do not expect to seek any rulings from the U.S. Internal Revenue Service ("*IRS*") regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the ownership or disposition of the notes that are different from those discussed below.

This summary does not represent a detailed description of the U.S. federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on certain investment income or the effects of any state, local or non-U.S. tax laws. It is not intended to be, and should not be construed to be, legal or tax advice to any particular purchaser of Notes. If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the ownership of the Notes, as well as the consequences to you arising under other U.S. federal tax laws (including the gift tax) and under the laws of any other taxing jurisdiction.

***Payments of Interest***

Stated interest on a Note generally will be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for U.S. federal income tax purposes. In addition to interest on the Notes (which includes any foreign tax withheld from the interest payments you receive), you will be required to include in income any additional amounts paid in respect of such tax withheld. You may be entitled to deduct or credit such taxes, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. You generally will be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

If you use the cash basis method of accounting for U.S. federal income tax purposes, you will be required to include in income (as ordinary income) the U.S. dollar value of the interest received, determined by translating the pounds sterling received at the spot rate on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting for U.S. federal income tax purposes, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued or, in the case of an accrual period that spans two taxable years of a U.S. holder, the part of the period within the taxable year. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period (or the date the interest payment is received if such date is within five business days of the end of the accrual period), or

- in the case of the portion of an accrual period that straddles your taxable year, the last day of the taxable year on which such portion ends.

This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the IRS. You should consult your own tax advisors as to the advisability of making the above election.

In addition, if you use the accrual method of accounting for U.S. federal income tax purposes, upon receipt of an interest payment on a Note (including, upon the sale of a Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize exchange gain or loss in an amount equal to the difference, if any, between the U.S. dollar value of such payment (determined by translating the pounds sterling received at the spot rate on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment. Any such exchange gain or loss will generally constitute ordinary income or loss and be treated as U.S. source income or loss.

***Sale, Exchange, Retirement and Other Taxable Disposition of Notes***

Upon the sale, exchange, retirement or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other taxable disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the Note. Your adjusted tax basis in a Note, in general, will be your U.S. dollar cost for that Note. If you purchased your Note with pounds sterling, your cost generally will be the U.S. dollar value of the pounds sterling paid for such Note determined at the spot rate on the date of such purchase. If your Note is sold, exchanged, retired or otherwise disposed of in a taxable transaction for pounds sterling, the amount realized generally will be the U.S. dollar value of the pounds sterling received on the date of the sale, exchange, retirement or other taxable disposition. If, however, you are a cash method taxpayer and the Notes are traded on an established securities market, pounds sterling paid or received will be translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of Notes traded on an established securities market. Such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. If the Notes are not traded on an established securities market (or the relevant holder is an accrual method taxpayer that does not make the election described above), a U.S. holder will recognize foreign currency exchange gain or loss (taxable as ordinary income or loss) upon the sale, exchange, retirement or other taxable disposition of the Note to the extent that the U.S. dollar value of the pounds sterling received (based on the spot rate on the settlement date) differs from the U.S. dollar value of the amount realized.

Subject to the foreign currency rules discussed below, any gain or loss recognized generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, retirement or other taxable disposition, you have held the Note for more than one year. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, retirement or other taxable disposition of a Note generally would be treated as U.S. source gain or loss.

A portion of your gain or loss with respect to the principal amount of a Note may be treated as foreign currency exchange gain or loss. Such foreign currency exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. For these purposes, the principal amount of the Note is your purchase price for the Note calculated in pounds sterling on the date of purchase, and the amount of foreign currency exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date of the sale, exchange, retirement or other taxable disposition of the Note and (ii) the U.S. dollar value of the principal amount determined on the date you purchased the Note. The amount of foreign currency exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the Note.

***Exchange Gain or Loss with Respect to Pounds Sterling***

Your tax basis in the pounds sterling received as interest on a Note or on the sale, exchange, retirement or other taxable disposition of a Note will be the U.S. dollar value thereof at the spot rate in effect on the date the pounds sterling are received. Any gain or loss recognized by you on a sale, exchange or other taxable disposition of the pounds sterling will be ordinary income or loss and generally will be U.S. source gain or loss.

***Reportable Transactions***

U.S. Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the U.S. Treasury regulations, certain transactions are required to be reported to the

IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or pounds sterling received in respect of a Note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. You should consult with your own tax advisor to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

***Backup Withholding and Information Reporting***

Generally, information reporting requirements may apply to payments of principal and interest on a Note or the proceeds from the sale, exchange, retirement or other taxable disposition of a Note, unless you are an exempt recipient. Additionally, if you fail to provide your accurate taxpayer identification number, or in the case of interest payments fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS. You are urged to consult your own tax advisors regarding backup withholding and information reporting requirements relating to your ownership and disposition of the Notes.

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the Notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the Notes.

## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*") or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, "*Similar Laws*"), and entities whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement (each, a "*Plan*").

### General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "*ERISA Plan*") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

### Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of Notes by an ERISA Plan with respect to which an Issuer, a Guarantor or an Initial Purchaser is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. Fiduciaries of Plans considering acquiring and/or holdings the Notes in reliance of these or any other exemption should carefully review the exemption to assure it is applicable. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

### Representation

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or (ii) the purchase and holding of the Notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

## CERTAIN INSOLVENCY LAW AND LOCAL LAW LIMITATIONS

*Set out below is a summary of certain limitations on the enforceability of the Guarantees and the security interests relating to the Notes, and of certain insolvency law considerations in each of the jurisdictions in which the Issuer, the Guarantors and the providers of security (as at the date hereof) are organized or incorporated. It is a summary only. Bankruptcy or insolvency proceedings or a similar event could be initiated in any of these jurisdictions and/or in the jurisdiction of organization or incorporation of a future guarantor under the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and any security securing the Notes.*

### European Union

The Issuer and the English Guarantors are organized or incorporated under the laws of EU Member States. Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "*EU Insolvency Regulation*"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU Member State (other than Denmark) where the company concerned has its "center of main interest" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interest" is a question of fact on which the courts of the different EU Member States may have differing and even conflicting views.

The term "center of main interest" is not a static concept. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "center of main interests" in the EU Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the perception of the company's creditors as regards to the center of the company's business operations may all be relevant in the determination of the place where the company has its "center of main interests."

If the "center of main interest" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation with these proceedings being governed by the *lex fori concursus*, i.e., the local laws of the court opening such main insolvency proceedings. Insolvency proceedings opened in one EU Member State under the EU Insolvency Regulation are to be recognized automatically in the other EU Member States (other than Denmark). If the "center of main interests" of a debtor is in one EU Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another EU Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other EU Member State. If the main insolvency proceedings have been opened by the court of the EU Member State where the center of main interest of the debtor is situated, and are outstanding, then the territorial proceedings (entitled "secondary" proceedings) can only be winding-up proceedings. If no such main insolvency proceedings are outstanding, the territorial proceedings could still be opened in another EU Member State (except Denmark) under certain circumstances as set forth in Article 3(4) of the EU Insolvency Regulation. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other EU Member State. If the company does not have an establishment in any other EU Member State, no court of any other EU Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

In the event that any one or more of the Issuer, the Guarantors or any of their subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the English Guarantors.

### England and Wales

The Issuer and the English Guarantors are companies incorporated under the laws of England and Wales. Therefore, any main insolvency proceedings in respect of an English obligor would likely be commenced in England and conducted in accordance with the requirements of English insolvency laws. However, pursuant to the EU Insolvency Regulation, where an English company conducts business in another member state of the European Union, the jurisdiction of the English courts may be limited if the company's "center of main interests" is found to be in another Member State (see "*—European Union*"). There are a number of factors that are taken

into account to ascertain the center of main interests. The center of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The place of the registered office of the company is presumed to be the center of main interests in the absence of proof to the contrary. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened.

***Fixed and Floating Charges***

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets (provided the fixed charge holder has no notice of any restrictions); (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law (see "*—Administration and Floating Charges—Grant of Floating Charge*"); and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees) and to ring-fencing (see "*—Administration and Floating Charges*").

Under English law there is a possibility that a court could recharacterize fixed security interests purported to be created by a security document as floating charges; the description given to security interests by the parties is not determinative. Whether security interests labeled as fixed will be upheld as fixed security interests rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents.

***Administration and Floating Charges***

The relevant English insolvency statute empowers English courts to make an administration order in respect of an English company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointor. During the administration, in general no proceedings or other legal process may be commenced or continued against the company in administration, or security enforced over that company's property, except with leave of the court or the consent of the administrator. Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the administration moratorium in relation to a "security financial collateral agreement" (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended). If an English obligor were to enter into administration, it is likely that the security granted by it or the Guarantee granted by it may not be enforced while it is in administration. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed receiver must resign if requested to do so by the administrator. Where the company is already in administration no other receiver may be appointed.

In order to empower the Security Agent to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English obligor must constitute a "qualifying floating charge" for the purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre-dates September 15, 2003, fall within one of the exceptions in the United Kingdom Insolvency Act 1986 (as amended) to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the United Kingdom Insolvency Act 1986 (as amended). The Security Agent will be the holder of a qualifying floating charge if such floating charge

security, together (if necessary) with the fixed charge security interests, relate to the whole or substantially the whole of the relevant English obligor's property and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the United Kingdom Insolvency Act 1986, as amended), which will apply if an English obligor creates a debt of at least £50,000,000 for the relevant company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the United Kingdom Insolvency Act 1986, as amended, but is generally a rated, listed or traded debt instrument).

An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security (after making full provision for preferential creditors and expenses (floating charge realizations)) for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English obligor's assets at the time that the floating charges are enforced will be a question of fact at that time.

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases this will only arise if the company is placed into administration or liquidation within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, he may challenge the validity of the guarantee or security given by such company.

The following potential grounds for challenge may apply under English law to guarantees and security interests:

*Transaction at an Undervalue*

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. There will only be a transaction at an undervalue, if at the time of the transaction or as a consequence of the transaction, the English company was or becomes unable to pay its debts (as defined in the United Kingdom Insolvency Act 1986, as amended) and if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court will not make an order if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the United Kingdom Insolvency Act 1986, as amended), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

*Preference*

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or such guarantee constituted a preference. There will only be a preference if, at the time the transaction was entered into, the English company was unable to pay its debts (as defined in the United Kingdom Insolvency Act 1986 (as amended)) or the English company becomes unable to pay its debts (as defined in the United Kingdom Insolvency Act 1986 (as amended)) as a consequence of its entry into the transaction and if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company takes the decision to grant the security interest or the guarantee. A transaction will constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could, in this case, include reducing payments under the Notes

and the Guarantees. However, for the court to do so, it must be shown that in deciding to give the preference the English company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption of insolvency and that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

*Transaction Defrauding Creditors*

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. An application to the court for an order to set aside the transaction may be made by an administrator, a liquidator and, subject to certain conditions, the United Kingdom Financial Conduct Authority (which has, as of April 1, 2013, assumed the corporate identity of the United Kingdom Financial Services Authority) and the United Kingdom Pensions Regulator. In addition, any person who is, or who is capable of being, prejudiced by the transaction may (with the leave of the court in the case of a company in administration or liquidation) also bring an application to set aside such transaction. There is no time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

*Grant of Floating Charge*

Under English insolvency law, if an English obligor is unable to pay its debts at the time of (or as a result of) granting the floating charge, and the floating charge was granted within the specified period referred to below, then such floating charge can be avoided except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English obligor at the same time as or after the creation of the floating charge (plus certain interest).

The requirement for the English obligor to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person, and the floating charge was granted within the specified period referred to below, then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English obligor at the same time as or after the creation of the floating charge (plus certain interest), whether the relevant English obligor is solvent or insolvent at the time of grant.

The granting of the floating charge can be challenged only if the relevant English obligor enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English obligor grants the floating charge. However, if the floating charge qualifies as a "security financial collateral agreement" under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended), the floating charge will not be subject to challenge as described in this paragraph.

**Singapore**

The Acceding Singapore Subsidiary Guarantors are companies incorporated under the laws of Singapore. The general impediments to enforcement of security in Singapore include the following (a) bankruptcy, insolvency, liquidation, reorganization and other laws affecting the rights of the creditors, including the appointment of a judicial manager over the company's assets under Part VIIIA of the Singapore Companies Act (Cap. 50) (the "*Singapore Companies Act*") and the avoidance of vulnerable or fraudulent transactions; and (b) general principles of equity which may dictate that equitable remedies may not always be given if for instance damages are adequate or there are illegality or public policy reasons. Any insolvency proceedings applicable to Singapore incorporated companies will be likely to be governed by Singapore insolvency laws. If a scheme of arrangement

or compromise is proposed pursuant to Section 210 of the Singapore Companies Act, the court may on the application of the Singapore company or of any member or creditor of such Singapore company, restrain further proceedings in any action or proceeding against that Singapore company except by leave of the Court. If a judicial manager is appointed under Part VIIIA of the Singapore Companies Act, all creditors of that Singapore company would be prevented from enforcing any security over that Singapore company's assets, except with the consent of the judicial manager or with leave of the Court and (where the Court gives leave) subject to such terms as the Court may impose.

***Transactions at Undervalue or Unfair Preference***

Under Singapore insolvency law, if a Singapore company goes into liquidation, and has entered into certain transactions at an undervalue within the last five years, or has entered into a transaction by way of unfair preference in the past six months (note that a two year period applies in the case of a transaction with a connected party), those transactions may be liable to be made void or voidable.

***Disclaimer of Onerous Contracts***

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable, or not readily saleable, by reason of its binding the company to any onerous act or payment, the liquidator may apply to disclaim such property within twelve months of (i) commencement of winding-up or (ii) such time as the liquidator becomes aware of such property or such extended period as is allowed by the court.

***Extortionate Credit Transactions***

Extortionate credit transactions may be set aside or varied if they are entered into within a period of three years before the commencement of winding up or judicial management of the company. Credit transactions are extortionate if, having regard to the risk accepted by the creditor, either the terms are such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it is harsh and unconscionable or substantially unfair. In determining whether such a transaction ought to be set aside, the Court will consider, among other things, whether the transaction was oppressive and reflective of an imbalance in bargaining power of which the creditor took improper advantage.

***Floating Charges***

A floating charge created within six months of the commencement of the winding up of a company shall, unless it is proved that the company was solvent immediately after the creation of the charge, be invalid except to the amount of any cash paid to the company at the time of or subsequently to the creation of and in consideration for the charge.

***Priority of Secured Creditors***

Singapore insolvency laws generally recognize the priority of secured creditors over unsecured creditors.

***Preferential Creditors***

Under Section 328 of the Singapore Companies Act (Cap. 50), in a winding-up of a Singapore company, preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (1) to (3) and (5) to (6) below) if the assets of the chargor company are insufficient to satisfy such preferential debts. The preferential debts covered by Section 328 of the Singapore Companies Act (Cap. 50) are described briefly below:

(1) costs and expenses of the winding up;

(2) employees' wages and salaries;

(3) retrenchment benefits under employment contracts;

(4) work injury compensation under the Work Injury Compensation Act (Cap. 354) of Singapore;

(5) certain amounts due under employee's superannuation or provident funds or under any scheme of superannuation which is an approved scheme under the Income Tax Act (Cap. 134) of Singapore;

(6) other remuneration payable to employees such as vacation leave and death benefits;

(7) taxes assessed and goods and services tax; and

(8) gratuity or other sum of money due and owing to an employee on his retirement or on termination of his services pursuant to a collective agreement or an award.

## PLAN OF DISTRIBUTION

We intend to offer the Notes through the Initial Purchasers. Morgan Stanley & Co. International plc, KKR Capital Markets Limited, Barclays Bank PLC, Commerzbank Aktiengesellschaft and HSBC Bank plc are the Initial Purchasers.

Subject to the terms and conditions contained in the purchase agreement among, *inter alios*, the Issuer and the Initial Purchasers dated the date of this Offering Memorandum, the Issuer has agreed to sell to the Initial Purchasers and the Initial Purchasers severally have agreed to purchase from the Issuer, all the Notes offered hereby. The purchase agreement provides that the Initial Purchasers are obligated, severally and not jointly, to purchase all the Notes, if any are purchased. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the purchase agreement provides that the purchase commitments of the other Initial Purchasers may be increased or that the purchase agreement may be terminated.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and customary legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers have advised us that they propose to offer the Notes initially at the offering price listed on the cover page of this Offering Memorandum and may also offer the Notes to selling group members at the offering price less a selling concession. After the initial offering, the offering price and other selling terms of the Notes may be varied at any time without notice.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses. The Group has also agreed to indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

### Notes are not Being Registered under the U.S. Securities Act

The Notes have not been registered under the U.S. Securities Act and may not be offered or sold in the U.S. or to U.S. persons unless the Notes are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. Accordingly, each of the Initial Purchasers, severally and not jointly, has agreed that it will not offer or sell the Notes except (i) to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("*Rule 144A*")) ("*QIBs*") who are also qualified purchasers under the U.S. Investment Company Act in reliance on Rule 144A and (ii) to persons other than "U.S. persons" (as defined in Regulation S under the U.S. Securities Act ("*Regulation S*")) outside the U.S. in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of the Offering, an offer or sale of the Notes within the U.S. by a broker/dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act or pursuant to another exemption from registration under the U.S. Securities Act. Resales of the Notes are restricted as described under "*Transfer Restrictions*."

Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "*Transfer Restrictions*."

### United Kingdom

Each of the Initial Purchasers, severally and not jointly, represented and warranted to us that:

(1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or instrument to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer; and

(2) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

**No Sale of Similar Securities**

During the period from the date of this Offering Memorandum through and including the date that is 90 days thereafter, neither the Company nor any of its subsidiaries or other controlled affiliates will, without the prior written consent of Morgan Stanley & Co. International plc, offer, sell, contract to sell, issue or otherwise dispose of any debt securities, issued or guaranteed by any of the Issuer or the Guarantors and having a tenor of more than one year (other than the Notes and the Guarantees).

**New Issue of Notes**

The Notes are a new issue of securities with no established trading market. We will be making an application for the listing and quotation of the Notes on the Euro MTF, though we cannot assure you that the Notes will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised us that they presently intend to make a market in the Notes after completion of the Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market-making activities at any time without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, or that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

**Price Stabilization and Short Positions**

In connection with the Offering, Morgan Stanley & Co. International plc (the "*Stabilizing Manager*") (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over-allotment, stabilizing transactions, covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short position. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. None of the Initial Purchasers, the Issuer or we make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and none of the Initial Purchasers, the Issuer or we make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

**Initial Settlement**

We expect that delivery of the Notes will be made against payment therefor on or about the date specified in the last paragraph of the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle being referred to as "T+5").

Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next two business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

**Other Relationships**

The Initial Purchasers or their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us and our affiliates. They have received, and expect to receive, customary fees and commissions for these transactions.

The Initial Purchasers and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments. The Initial Purchasers or their respective affiliates that have a lending relationship with us may hedge their credit exposure to us consistent with their customary risk management policies.

In addition, certain of the Initial Purchasers or their respective affiliates are acting as lead arrangers under, and certain of the Initial Purchasers or their respective affiliates are lenders under, the Revolving Credit Facility. Each has received and may receive customary fees for their services in such capacities. HSBC Bank plc is also a lender under one of the GayLussac Brazilian Local Facilities. In addition, KKR Capital Markets Limited, one of the initial purchasers, is an affiliate of KKR and therefore our affiliate.

## TRANSFER RESTRICTIONS

*You are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.*

The Notes have not been registered under the U.S. Securities Act and may not be offered or sold in the U.S. or to U.S. persons unless the Notes are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. Accordingly, the Notes are being offered and sold only (i) to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("*Rule 144A*")) ("*QIBs*") in reliance on Rule 144A who are also qualified purchasers under the U.S. Investment Company Act and (ii) to persons other than "U.S. persons" (as defined in Regulation S under the U.S. Securities Act ("*Regulation S*")) outside the U.S. in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

Each purchaser of the Notes hereunder (other than each of the Initial Purchasers) will be deemed to have acknowledged, represented and agreed with us and the Initial Purchasers as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

(1) it understands and acknowledges that the Notes have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act and to persons who are also qualified purchasers under the U.S. Investment Company Act and any other applicable securities laws or pursuant to an exemption therefrom and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;

(2) it is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Guarantors or the Issuer or acting on the Guarantors' or the Issuer's behalf and it is either (a) a QIB which is also a qualified purchaser and is aware that any sale of these Notes to it will be made in reliance on Rule 144A under the U.S. Securities Act, and such acquisition will be for its own account or for the account of another QIB which is also a qualified purchaser; or (b) it is not a U.S. person purchasing the Notes outside the U.S. in an offshore transaction in accordance with Regulation S under the U.S. Securities Act;

(3) it acknowledges that none of the Initial Purchasers, us, nor any person representing the Initial Purchasers, or us has made any representation to it with respect to us, or the offer or sale of any Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us, and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Initial Purchasers and us. It acknowledges that none of us, the Initial Purchasers, the Guarantors or any person representing any such person make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. It acknowledges that we, and not the Initial Purchasers, have ultimate authority over the statements contained in this Offering Memorandum, including the content of those statements and whether and how to communicate them;

(4) it is purchasing the Notes for its own account, or for an account with respect to which it exercises sole investment discretion and for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A or Regulation S;

(5) it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any Notes or any beneficial interests in any Notes it will do so only (i) to the Issuer, (ii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB and which is also qualified purchaser under the U.S. Investment Company Act that purchases for its own account or for the account of a QIB and which is also qualified purchaser under the U.S. Investment Company Act to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act and (iii) to persons other than U.S. persons, outside the U.S. in an offshore transaction in reliance on Regulation S under the U.S. Securities Act and in the case of (ii) and (iii) the purchaser will, and each subsequent holder is required to, notify the subsequent purchaser of the Notes from it of the resale restrictions applicable to the Notes;

(6) it understands that the Notes will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE THAT IS, IN THE CASE OF NOTES ISSUED IN RELIANCE ON RULE 144A, ONE YEAR, AND IN THE CASE OF NOTES ISSUED UNDER REGULATION S, 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE COMPANY OR ANY OF ITS AFFILIATES WAS THE OWNER OF THIS SECURITY, OFFER, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE COMPANY OR ANY SUBSIDIARY BUYER THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "U.S.," AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

(7) it agrees that it will give to each person to whom it transfers the Notes, notice of any restrictions on the transfer of such Notes;

(8) it acknowledges that until the expiration of 40 days after the commencement of the Offering, any offer or sale of the Notes within the U.S. by a broker/dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act or pursuant to another exemption from registration under the U.S. Securities Act;

(9) it acknowledges that the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with;

(10) it represents and covenants that:

(a) it is not a plan (which term includes (i) employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "*Internal Revenue Code*"), or to provisions under applicable Federal, state,

local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Internal Revenue Code ("*Similar Laws*") and (iii) entities the underlying assets of which are considered to include "plan assets" of such plans, accounts and arrangements) and it is not purchasing the Notes on behalf of, or with the "plan assets" of, any Plan; and

(b) it will not transfer the Notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representations and covenants;

(11) it acknowledges that the Initial Purchasers, we and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes (as a fiduciary or agent for one or more investor accounts), it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account; and

(12) it understands that no action has been taken in any jurisdiction (including the U.S.) by the Initial Purchasers, or us that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required.

## LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Simpson Thacher & Bartlett LLP, London, United Kingdom, as to matters of U.S. federal, New York state and English law, and by Norton Rose Fulbright (Asia) LLP, as to matters of Singapore law and Norton Rose Fulbright (LLP) as to matters of English tax law. Certain legal matters in connection with the Offering of the Notes will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of U.S. federal and New York state law and English law, and Latham & Watkins LLP as to matters of Singapore law.

An investment vehicle comprised of several partners of Simpson Thacher & Bartlett LLP, members of their families, related persons and others own interests representing less than 1% of the capital commitments of the KKR European Fund III, L.P. In addition, Simpson Thacher & Bartlett LLP has in the past provided, and may continue to provide, legal services to KKR and its affiliates, including the Fund.

## INDEPENDENT AUDITORS

The financial statements for each of the fiscal years ended August 31, 2012, 2013 and 2014 included in this Offering Memorandum have been audited by Grant Thornton UK LLP, independent auditors, as stated in their reports appearing herein. Cognita Holdings appointed KPMG LLP as statutory auditor on March 17, 2015.

## WHERE PROSPECTIVE INVESTORS CAN FIND MORE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Initial Purchasers or us.

Copies of our organizational documents, the Indenture (which includes the form of the Notes) and our most recent consolidated financial statements published by us, may be obtained by request to the Company.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(A)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request to the Issuer of any such holder or beneficial owner.

# LISTING AND GENERAL INFORMATION

## Listing of the Notes

Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF of the Luxembourg Stock Exchange (the "*Euro MTF*").

### *Luxembourg Listing Information*

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF of that exchange and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or by any other means considered equivalent by the Luxembourg Stock Exchange.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, copies of the following documents may be obtained from the Luxembourg listing agent at listing@lucid-is.com and the registered office of the Issuer during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded):

- the organizational documents of the Issuer and the Guarantors;
- the financial statements included in this Offering Memorandum;
- our most recent audited consolidated financial information, any interim financial information published by us and the most recent audited unconsolidated financial information published by the Company;
- the Indenture (which include the Guarantees and the form of the Notes);
- the Intercreditor Agreement; and
- the Security Documents, which create the security interests as will be contemplated by the Indenture.

The Issuer has appointed Lucid Issuer Services Limited as Luxembourg listing agent, Elavon Financial Services Limited, UK Branch as paying agent and transfer agent, and Elavon Financial Services Limited as registrar, inter alia, to make payments on, when applicable, and register transfers of the Notes. The Issuer reserves the right to change these appointments in accordance with the terms of the Indenture. Application may also be made to the Euro MTF to have the Notes removed from listing on the Euro MTF, including if necessary to avoid any new withholding taxes in connection with the listing.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer declares that, having taken all reasonable care to ensure that such is the case, to the best of its knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect its import. This Offering Memorandum may only be used for the purposes for which it has been published.

### *Clearing Information*

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under the common codes 127232962 and 127233012, respectively. The ISIN for the Notes sold pursuant to Regulation S is XS1272329621 and the ISIN for the Notes sold pursuant to Rule 144A is XS1272330124.

## General Information

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in our prospects since May 31, 2015, the date of our last unaudited consolidated financial information;
- there has been no material adverse change in our financial position since our respective dates of incorporation; and
- none of the Issuer, the Guarantors, or any of their direct or indirect subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

For the avoidance of doubt, any website referred to in this Offering Memorandum and the information on the referenced website does not form part of this Offering Memorandum prepared in connection with the proposed offering of the Notes.

**Material Contracts**

Contracts not entered into in the ordinary course of our business that could result in any member of the Group being under an obligation or entitlement that is material to our ability to meet our obligations to holders in respect of the Notes are summarized in "*Certain Relationships and Related Party Transactions*" and "*Description of the Notes*."

**Legal Information**

***Issuer***

Cognita Financing plc was incorporated on July 3, 2015 as a public limited company under the laws of England and Wales. The registered office of Cognita Financing plc in the United Kingdom is Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

***Guarantors***

Cognita Bondco Parent Limited was incorporated on July 3, 2015 as a private limited company under the laws of England and Wales. The registered office of Cognita Bondco Parent Limited in the United Kingdom is Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita Holdings Limited was incorporated on November 9, 2004 as a private limited company under the laws of England and Wales. The registered office of Cognita Holdings Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita UK Holdings Limited was incorporated on September 23, 2008 as a private limited company under the laws of England and Wales. The registered office of Cognita UK Holdings Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita Limited was incorporated on November 9, 2004 as a private limited company under the laws of England and Wales. The registered office of Cognita Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita Schools Limited was incorporated on November 4, 1988 as a private limited company under the laws of England and Wales. The registered office of Cognita Schools Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Super Camps Limited was incorporated on October 24, 1996 as a private limited company under the laws of England and Wales. The registered office of Super Camps Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita International Holdings Limited was incorporated on May 10, 2007 as a private limited company under the laws of England and Wales. The registered office of Cognita International Holdings Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita Funding 1 Limited was incorporated on January 21, 2009 as a private limited company under the laws of England and Wales. The registered office of Cognita Funding 1 Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita UK Brazil Holdings Limited was incorporated on June 12, 2012 as a private limited company under the laws of England and Wales. The registered office of Cognita UK Brazil Holdings Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita UK Mexico Holdings Limited was incorporated on July 12, 2010 as a private limited company under the laws of England and Wales. The registered office of Cognita UK Mexico Holdings Limited in the United Kingdom is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR, United Kingdom.

Cognita Singapore Holdings Pte. Ltd. was incorporated on September 3, 2007 as a private limited company under the laws of Singapore. The registered office of Cognita Singapore Holdings Pte. Ltd. in Singapore is 60, Anson Road, #18-04 Mapletree Anson, Singapore 079914.

Cognita Asia Holdings Pte. Ltd. was incorporated on December 23, 2008 as a private limited company under the laws of Singapore. The registered office of Cognita Asia Holdings Pte. Ltd. in Singapore is 60, Anson Road, #18-04 Mapletree Anson, Singapore 079914.

Australian International School Pte. Ltd. was incorporated on August 18, 1992 as a private limited company under the laws of Singapore. The registered office of Australian International School Pte. Ltd. in Singapore is 1 Lorong Chuan, Singapore 556818.

Stamford American International School Pte. Ltd. was incorporated on December 23, 2008 as a private limited company under the laws of Singapore. The registered office of Stamford American International School Pte. Ltd. in Singapore is 1, Woodleigh Lane, Singapore 357684.

Camp Asia Cognita Pte. Ltd. was incorporated on April 26, 2012 as a private limited company under the laws of Singapore. The registered office of Camp Asia Cognita Pte. Ltd. in Singapore is 60, Anson Road, #18-04 Mapletree Anson, Singapore 079914.

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**Cognita Financing Plc**
**Balance sheet position**

**Balance sheet as at July 10, 2015**

| | Note | 10 July 2015 £ |
|---|---|---|
| **Current assets** | | |
| Debtors | | 12,500 |
| Cash at bank and in hand | | 1 |
| **Total current assets** | | 12,501 |
| **Total assets less total liabilities** | | 12,501 |
| **Capital and reserves** | | |
| Called-up equity share capital | **1** | 12,501 |
| **Total shareholders' funds** | | 12,501 |

**1 Called-up equity share capital**

| | 2015 £ |
|---|---|
| Allotted and issued share capital: | |
| 2015: 50,000 ordinary shares of £1 each | 50,000 |
| Allotted, issued, called up and fully paid: | |
| 2015: 1 ordinary share of £1 each | 1 |
| Allotted, issued, called up and partly paid: | |
| 2015: undertaking to pay 25% of 49,999 ordinary share of £1 each | 12,500 |

# Interim Financial Statements
# Cognita Holdings Limited

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**For the Nine Month Period ended 31 May 2015**

**Cognita Holdings Limited**
**Interim financial statements for the nine month period ended 31 May 2015**

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## Cognita Holdings Limited
## Interim financial statements for the nine month period ended 31 May 2015

### Interim consolidated profit and loss account

| | Note | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m Restated* | 9 months ended 31 May 2014 £m |
|---|---|---|---|---|
| Turnover | 3&4 | | | |
| Group and share of joint ventures | | **220.8** | 265.5 | 196.7 |
| Share of joint ventures | | **(1.8)** | (2.1) | (1.6) |
| **Group turnover** | | **219.0** | 263.4 | 195.1 |
| Operating costs | 5 | | | |
| —recurring | | **(206.4)** | (254.1) | (185.5) |
| —exceptional costs | 6 | **(16.1)** | (8.1) | (5.2) |
| | | **(222.5)** | (262.2) | (190.7) |
| Group operating (loss)/profit | 7 | **(3.5)** | 1.2 | 4.4 |
| Share of operating profit in respect of joint venture | | **0.5** | 0.3 | 0.3 |
| *Earnings before interest, depreciation, amortisation, tax and exceptional costs* | | ***41.1*** | *43.4* | *34.9* |
| *Exceptional costs including impairment charges* | *6* | ***(16.1)*** | *(8.1)* | *(5.2)* |
| *Depreciation and amortisation* | | ***(28.0)*** | *(33.8)* | *(25.0)* |
| **(Loss) /profit before interest and tax** | | **(3.0)** | 1.5 | 4.7 |
| Loss on disposal of fixed assets | | **(0.2)** | (0.7) | (0.7) |
| Net interest | 8 | **(51.1)** | (71.0) | (53.3) |
| **Loss on ordinary activities before taxation** | | **(54.3)** | (70.2) | (49.3) |
| Tax charge on loss on ordinary activities | 9 | **(3.5)** | (2.4) | (1.8) |
| **Loss on ordinary activities after taxation** | | **(57.8)** | (72.6) | (51.1) |
| Minority interest | | **(1.1)** | (0.7) | (0.6) |
| **Loss for the financial period** | 19 | **(58.9)** | (73.3) | (51.7) |

* As described in note 2

### Interim consolidated statement of total recognised gains and losses

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m Restated* | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| **Loss for the financial period** | **(58.9)** | (73.3) | (51.7) |
| Currency translation difference on foreign currency net investments | **3.9** | 0.4 | 0.3 |
| Total recognised losses relating to the financial period | **(55.0)** | (72.9) | (51.4) |
| Prior period adjustment (as explained in note 2) | **(5.8)** | | |
| **Total losses recognised since last annual report** | **(60.8)** | | |

* As described in note 2

## Cognita Holdings Limited
## Interim financial statements for the nine month period ended 31 May 2015

### Interim consolidated balance sheet

| | Note | **31 May 2015 £m** | 31 August 2014 £m | 31 May 2014 £m |
|---|---|---|---|---|
| | | | Restated* | |
| **Fixed assets** | | | | |
| Intangible assets | 10 | **63.4** | 55.8 | 58.6 |
| Tangible fixed assets | 11 | **379.5** | 370.6 | 357.4 |
| Investments | | | | |
| Joint ventures: | | | | |
| Share of gross assets | | **3.9** | 3.4 | 3.1 |
| Share of gross liabilities | | **(1.8)** | (1.7) | (1.4) |
| | | **2.1** | 1.7 | 1.7 |
| | | **445.0** | 428.1 | 417.7 |
| **Current assets** | | | | |
| Stocks | | **0.7** | 0.8 | 0.7 |
| Debtors | 12 | **58.2** | 66.8 | 58.5 |
| Cash at bank and in hand | | **116.1** | 83.8 | 95.6 |
| | | **175.0** | 151.4 | 154.8 |
| **Creditors: amounts falling due within one year** | 13 | **(181.8)** | (333.3) | (319.6) |
| **Net current liabilities** | | **(6.8)** | (181.9) | (164.8) |
| **Total assets less current liabilities** | | **438.2** | 246.2 | 252.9 |
| **Creditors: amounts falling due after more than one year** | 14 | **518.3** | 534.7 | 529.8 |
| **Provisions for liabilities** | 15 | **6.0** | 5.1 | 4.7 |
| **Capital and reserves** | | | | |
| Called-up equity share capital | | **3.1** | 0.5 | 0.4 |
| Share premium account | 19 | **303.5** | 46.1 | 37.5 |
| Other reserves | 19 | **4.2** | 3.0 | 2.5 |
| Profit and loss account | 19 | **(403.8)** | (348.8) | (327.3) |
| **Total shareholders' deficit** | 20 | **(93.0)** | (299.2) | (286.9) |
| | | **431.3** | 240.6 | 247.6 |
| Minority interest | | **6.9** | 5.6 | 5.3 |
| **Capital employed** | | **438.2** | 246.2 | 252.9 |

* As described in note 2

## Cognita Holdings Limited
## Interim financial statements for the nine month period ended 31 May 2015

### Interim consolidated cash flow statement

| | Note | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|---|
| **Net cash inflow from operating activities** | 21 | **57.8** | 45.4 | 45.0 |
| **Returns on investments and servicing of Finance** | | | | |
| Interest received | | **0.9** | 1.0 | 0.7 |
| Interest paid | | **(14.6)** | (18.5) | (14.5) |
| **Net cash outflow from returns on investments and servicing of finance** | | **(13.7)** | (17.5) | (13.8) |
| **Taxation paid** | | **(3.0)** | (2.3) | (1.9) |
| **Capital expenditure** | | | | |
| Payments to acquire tangible fixed assets | | **(35.0)** | (58.4) | (44.8) |
| Sale of tangible fixed assets | | **—** | — | — |
| **Net cash outflow from capital expenditure** | | **(35.0)** | (58.4) | (44.8) |
| **Acquisitions** | | | | |
| Acquisitions | | **(19.1)** | (4.9) | (1.2) |
| Net cash acquired | | **0.9** | — | — |
| **Net cash outflow from acquisitions** | | **(18.2)** | (4.9) | (1.2) |
| **Cash outflow before financing** | | **(12.1)** | (37.7) | (16.7) |
| **Financing** | | | | |
| Repayment of loans | | **(64.2)** | (14.4) | (11.8) |
| New bank loans drawn net of finance costs | | **82.4** | 2.5 | 2.2 |
| Other loans drawn | | **0.6** | 28.9 | 25.4 |
| Issue of shares | | **26.1** | 26.8 | 18.2 |
| **Net cash inflow from financing** | | **44.9** | 43.8 | 34.0 |
| **Increase in cash** | | **32.8** | 6.1 | 17.3 |

**Notes to the financial statements**

## 1 Accounting Policies

### Basis of accounting

Cognita Holdings Limited ('the Company') is a company domiciled in the UK. These condensed consolidated interim financial statements ('interim financial statements') as at and for the nine month period ended 31 May 2015 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group's principal activity during the periods reported was the operation of private schools and related education activities.

These interim financial statements have been prepared in accordance with the recognition and measurement principles of UK Generally Accepted Accounting Practise (UK GAAP) and under historical cost accounting rules. They do not include all the information required for a complete set of UK GAAP financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to gain an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 August 2014.

The comparative figures for the financial year ended 31 August 2014 are not the group's statutory accounts for that financial year and have been amended for a change in accounting approach outlined in note 2. Those accounts before the restatement have been reported on by the company's previous auditor, Grant Thornton UK LLP, and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

### Going concern

The directors have performed a review of the group and have a reasonable expectation that the business has adequate resources to continue into the foreseeable future and will be able to support the repayment of its debt facilities. During the period the deep discount bonds held by Topco Limited (the ultimate parent of the group) have been renewed to March 2023, the group has also refinanced the debt held by the Australian International School Singapore which will also provide additional funding for an expansion project within Singapore over the next two years. All facilities have in excess of one year to maturity and the directors are confident existing debt facilities can be refinanced in advance of the maturity dates. The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

### Basis of consolidation

Cognita Holdings Limited is a company incorporated and domiciled in the UK.

The consolidated accounts incorporate the condensed financial statements of the company and all subsidiary undertakings, together with the group's share of the net assets and results of its joint venture. These are adjusted to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the profit and loss account from, or up to, the date that control passes, respectively.

Merger accounting has been applied in respect of the acquisition of Cognita Quinton Holdings Limited via a share for share exchange on 29 November 2004 as part of a group reconstruction.

### Turnover

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

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

**Notes to the financial statements (continued)**

**1 Accounting Policies (continued)**

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

- **Tuition fees**

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

- **Application/enrolment fees**

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

- **Development/facility fees**

  These fees are charged by a number of schools once a place has been offered to a child. The fee is non-refundable and provides access to the school. All development / facility fees are recognised over the expected average tenure of the student within the school. The expected average tenure is considered on a school by school basis and is reconsidered on an annual basis.

- **Holiday camp revenue**

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

- **Other revenue**

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

All revenue is presented net of discounts.

**Tangible fixed assets**

Freehold interests in land and buildings are stated at deemed cost. The cost of other fixed assets is their purchase cost, together with any incidental costs of acquisition.

Assets in the course of construction are carried at cost which includes all directly attributable professional fees but excludes finance costs which are written off to the profit and loss account in line with the group accounting policy.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on all tangible fixed assets other than freehold land as follows:

| | | |
|---|---|---|
| Freehold buildings | – | 2% straight line |
| Short leasehold land and buildings | – | over the life of the lease on a straight line basis |
| Fixtures, fittings and equipment | – | 10% to 33% straight line |
| Motor vehicles | – | 25% straight line |

Freehold land is not depreciated.

Depreciation only commences once an asset is ready for its intended use.

**Notes to the financial statements (continued)**

**1 Accounting Policies (continued)**

**Goodwill**

Positive purchased goodwill, representing the excess of fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life of 10 years. The useful life is reviewed annually. Goodwill on foreign acquisitions is translated at the rate ruling at the date of acquisition.

**Impairments**

Goodwill and other assets are assessed for impairment at the end of the first full financial year after acquisition and subsequently if events or changes in circumstances indicate that the carrying amount of the goodwill or other assets may not be recoverable. The recoverable amount is deemed to be the higher of net realisable value and value in use.

Where the recoverable amount is lower than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit.

**Minority Interests**

Minority interests included in the consolidated balance sheet represent the total amount of capital and reserves attributed to shares held by members outside the Cognita group. The minority interests included in the consolidated profit and loss account represent the third parties' pro-rated share of annual group profit.

**Other fixed asset investments**

Investments are included at cost less amounts written off.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Foreign currencies**

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit except for exchange gains and losses on intercompany loans which are taken to finance costs.

**Foreign subsidiaries**

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date for the balance sheet and at the average exchange rate for the period for the profit and loss account. Exchange differences arising from the retranslation of subsidiaries net assets and the differences arising on retranslation of the profit and loss account between the period end exchange rate and the average exchange rate are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### 1 Accounting Policies (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Financial Instruments

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

#### Financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account over the term of the loan. Finance costs are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

The carrying amount of financial liabilities are increased by the finance cost and reduced by payments made in respect of that liability. Debt costs are deducted against the financial instruments to which they relate. The costs are then charged to the profit and loss account at a constant rate over the life of the instrument to maturity.

#### Deep discount bonds and loan notes

Deep discount bonds and loan notes are recorded at nominal value at date of issue, net of direct issue costs.

#### Bank borrowings and other loans

Interest-bearing bank and other loans are recorded at proceeds received, net of direct issue costs.

Direct issue costs are deducted against the financial instruments to which they relate. The costs are then charged to the profit and loss account at a constant rate over the life of the instrument to maturity.

#### Equity instruments

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### 2 Prior period adjustment

The comparative figures have been restated to reflect a change in approach to revenue recognition. On the 1 September 2014 the company changed its approach in relation to facility fees to recognise revenue over the average tenure of a pupil within the school. Previously, facility fees were recognised when the pupil joined the school. The directors consider that this new approach gives a better presentation of group's results for each accounting period.

**Notes to the financial statements (continued)**

## 2 Prior period adjustment (continued)

As a result, comparative figures have been have been impacted (including tax) as follows:

| | Year ended 31 August 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Turnover £m | Deferred tax charge £m | Loss for the financial period £m | Accruals & deferred income £m | Deferred tax asset £m | Net Liabilities* £m |
| As reported previously | 266.8 | (0.6) | (72.2) | (104.9) | 6.4 | (287.8) |
| Impact of change in facility fee revenue recognition | (1.3) | 0.2 | (1.1) | (6.8) | 1.0 | (5.8) |
| As reported under current accounting policy | 265.5 | (0.4) | (73.3) | (111.7) | 7.4 | (293.6) |

| | 9 months ended 31 May 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Turnover £m | Deferred tax charge £m | Loss for the financial period £m | Accruals & deferred income £m | Deferred tax asset £m | Net Liabilities* £m |
| As presented under previous approach | 196.3 | (0.6) | (52.0) | (97.6) | 6.8 | (277.2) |
| Impact of change in facility fee revenue recognition | 0.4 | (0.1) | 0.3 | (5.0) | 0.6 | (4.4) |
| As reported under current accounting policy | 196.7 | (0.7) | (51.7) | (102.6) | 7.4 | (281.6) |

At 1 September 2013 the change in approach to revenue recognition led to a change in net liabilities of £4.9m (comprising an increase in deferred income of £5.8m and an increase in deferred tax asset of £0.9m, with an equivalent reduction in equity of which £4.9m in retained earnings).

* Net liabilities represent shareholders deficit net of minority interest.

## 3 Turnover

Turnover is attributable to the principal activity of the group.

## 4 Segmental reporting

During the period the group generated revenue in the following geographical locations.

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| | | Restated | |
| United Kingdom (including group's share of joint venture turnover) | **99.3** | 126.7 | 93.3 |
| Spain | **16.5** | 22.1 | 16.7 |
| Asia | **81.2** | 91.1 | 67.5 |
| Latin America | **23.8** | 25.6 | 19.2 |
| | **220.8** | 265.5 | 196.7 |

**Notes to the financial statements (continued)**

### 4 Segmental reporting (continued)

The turnover analysis presented above includes the following amounts in respect of operations acquired during the period:

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| Asia | **—** | 0.9 | 0.5 |
| Latin America | **3.9** | — | — |
| | **3.9** | 0.9 | 0.5 |

### 5 Operating costs

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| Other external charges | **75.4** | 80.9 | 56.6 |
| Staff costs | **118.3** | 145.6 | 107.6 |
| Depreciation and amortisation | **27.9** | 33.5 | 24.9 |
| Other operating charges | **0.9** | 2.2 | 1.6 |
| | **222.5** | 262.2 | 190.7 |

### 6 Exceptional costs including impairment charges

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| Abortive acquisition costs | **2.1** | 2.5 | 0.8 |
| Business exploration costs | **0.7** | 2.6 | 2.1 |
| Restructuring costs | **3.2** | 1.4 | 1.3 |
| Exceptional advisory costs | **0.5** | 0.6 | — |
| Impairment charges | **9.6** | 1.0 | 1.0 |
| | **16.1** | 8.1 | 5.2 |

Exceptional costs include abortive acquisitions costs, business exploration costs, restructuring costs and impairment charges.

Abortive acquisition costs relate to legal and due diligence fees written off when potential acquisitions are unlikely to occur. Business exploration costs are costs incurred during the period on future business development into new regions and countries. Restructuring costs mainly relate to exceptional employment cessation costs and associated legal costs. Impairment charges relate to the write down of goodwill and other assets identified as being impaired. Exceptional advisor costs relate to advisor fees with respect to the review and assessment of our schools' child safeguarding policies and procedures.

**Notes to the financial statements (continued)**

## 7 Operating (loss) / profit

Operating (loss) / profit is after charging:

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| Amortisation | **10.2** | 14.2 | 10.7 |
| Depreciation of owned fixed assets | **17.7** | 19.3 | 14.2 |
| Operating lease costs: | | | |
| Land and buildings | **5.3** | 8.3 | 6.5 |
| Other | **0.1** | 0.7 | 0.7 |

## 8 Net interest

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| Interest receivable | **0.9** | 1.0 | 0.8 |
| Interest payable on bank borrowing | **(11.2)** | (12.9) | (9.5) |
| Interest payable on other loans | **(4.5)** | (5.6) | (4.6) |
| Exchange losses on intragroup balances | **(0.3)** | (3.7) | (3.1) |
| Loan note interest | **(3.5)** | (5.3) | (3.9) |
| Unwinding of discount on bonds | **(31.0)** | (43.7) | (32.3) |
| Unwinding of debt costs | **(1.5)** | (0.8) | (0.7) |
| Net interest | **(51.1)** | (71.0) | (53.3) |

## 9 Tax charge on loss on ordinary activities

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| | | Restated | |
| Current tax | **3.6** | 2.0 | 1.1 |
| Deferred tax | **(0.1)** | 0.4 | 0.7 |
| Total tax charge | **3.5** | 2.4 | 1.8 |

The tax assessed on the loss on ordinary activities for the nine month period is higher than the standard rate of corporation tax in the UK of 20.78% (2014: 22.55%) due to the impact of expenses not deductible for tax purposes and the amortisation of goodwill.

In the Budget on 8 July 2015, the Chancellor announced planned reductions in the rate of UK Corporation tax to 18% by 2020. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 May 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

## 10 Intangible fixed assets

### Goodwill

| | **31 May 2015 £m** | 3 months to 31 August 2014 £m | 31 May 2014 £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 September 2014/1 June 2014/1 September 2013 | **143.3** | 142.6 | 139.7 |
| Adjustment on prior year acquisition | **—** | — | 0.5 |
| On acquisitions | **18.6** | 0.7 | 2.4 |
| At 31 May 2015/31 August 2014/31 May 2014 | **161.9** | 143.3 | 142.6 |
| **Amortisation** | | | |
| At 1 September 2014/1 June 2014/1 September 2013 | **87.5** | 84.0 | 73.3 |
| Provided during the period | **10.2** | 3.5 | 10.7 |
| Impairment | **0.8** | — | — |
| At 31 May 2015/31 August 2014/31 May 2014 | **98.5** | 87.5 | 84.0 |
| **Net book amount** | | | |
| At 31 May 2015/31 August 2014/31 May 2014 | **63.4** | 55.8 | 58.6 |
| **Net book amount** | | | |
| At 31 August 2014/31 May 2014/31 August 2013 | **55.8** | 58.6 | 66.4 |

## 11 Tangible fixed assets

| | **31 May 2015 £m** | 3 months to 31 August 2014 £m | 31 May 2014 £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 September 2014/1 June 2014/1 September 2013 | **467.6** | 453.0 | 434.7 |
| Additions | **29.0** | 19.6 | 38.8 |
| On acquisition | **7.3** | — | 0.2 |
| Disposals | **(0.5)** | (4.0) | (1.2) |
| Exchange movements | **0.3** | (1.0) | (19.5) |
| At 31 May 2015/31 August 2014/31 May 2014 | **503.7** | 467.6 | 453.0 |
| **Depreciation** | | | |
| At 1 September 2014/1 June 2014/1 September 2013 | **97.0** | 95.6 | 83.7 |
| Charge for the period | **17.7** | 5.1 | 14.2 |
| Disposals | **(0.3)** | (4.0) | (0.5) |
| Impairment charge | **8.8** | — | 1.0 |
| Exchange movements | **1.0** | 0.3 | (2.8) |
| At 31 May 2015/31 August 2014/31 May 2014 | **124.2** | 97.0 | 95.6 |
| **Net book value** | | | |
| At 31 May 2015/31 August 2014/31 May 2014 | **379.5** | 370.6 | 357.4 |
| **Net book value** | | | |
| At 31 August 2014/31 May 2014/31 August 2013 | **370.6** | 357.4 | 351.0 |

**Notes to the financial statements (continued)**

## 11 Tangible fixed assets (continued)

The additions during the period are as follows

| | **9 months ended 31 May 2015 £m** | 3 months ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| Freehold land and buildings | **0.4** | 0.2 | 0.4 |
| Short leasehold land and buildings | **14.8** | 0.5 | — |
| Fixtures, fittings and equipment | **7.4** | 6.4 | 5.6 |
| Motor vehicles | **0.1** | 0.1 | 0.2 |
| Assets in course of construction | **6.3** | 12.4 | 32.6 |
| Total additions in the period | **29.0** | 19.6 | 38.8 |

## 12 Debtors

| | **31 May 2015 £m** | 31 August 2014 £m restated | 31 May 2014 £m |
|---|---|---|---|
| Trade debtors | **32.3** | 40.8 | 34.8 |
| Other debtors | **5.0** | 6.2 | 5.2 |
| Corporation tax recoverable | **0.4** | 0.2 | 0.2 |
| Deferred tax | **7.9** | 7.4 | 7.4 |
| Prepayments and accrued income | **12.6** | 12.0 | 10.7 |
| Amounts owed by joint venture | **—** | 0.2 | 0.2 |
| | **58.2** | 66.8 | 58.5 |

## 13 Creditors: amounts falling due within one year

| | **31 May 2015 £m** | 31 August 2014 £m restated | 31 May 2014 £m |
|---|---|---|---|
| Bank loans | **10.2** | 13.9 | 12.5 |
| Other Loans | **3.9** | — | — |
| Bank overdrafts | **0.1** | 0.6 | 1.1 |
| Deep discount bonds | **—** | 161.6 | 155.9 |
| Trade creditors | **5.8** | 8.8 | 6.0 |
| Corporation tax | **2.5** | 1.8 | 1.4 |
| Other taxes and social security | **5.0** | 3.3 | 2.7 |
| Fees paid in advance and deposits | **42.8** | 25.7 | 31.0 |
| Deferred consideration | **—** | 1.0 | 3.4 |
| Other creditors | **3.3** | 4.9 | 3.0 |
| Accruals and deferred income | **108.2** | 111.7 | 102.6 |
| | **181.8** | 333.3 | 319.6 |

## 14 Creditors: amounts falling due after more than one year

| | **31 May 2015 £m** | 31 August 2014 £m | 31 May 2014 £m |
|---|---|---|---|
| Bank loans | **234.1** | 216.2 | 220.8 |
| Deep discount bonds | **179.7** | 177.3 | 171.7 |
| Loan notes | **—** | 40.2 | 38.8 |
| Other loans | **93.1** | 95.8 | 91.0 |
| Fees paid in advance and deposits | **1.1** | 0.5 | 0.4 |
| Deferred consideration | **8.6** | 3.1 | 3.0 |
| Other creditors | **1.7** | 1.6 | 4.1 |
| | **518.3** | 534.7 | 529.8 |

### 15 Provisions for liabilities

| | **Other provisions £m** | **Deferred taxation £m** | **Total £m** |
|---|---|---|---|
| At 1 September 2014 | **1.4** | **3.7** | **5.1** |
| Movement arising during the period | **0.6** | **0.3** | **0.9** |
| At 31 May 2015 | **2.0** | **4.0** | **6.0** |

| | Other provisions £m | Deferred taxation £m | Total £m |
|---|---|---|---|
| At 1 June 2014 | 0.8 | 3.9 | 4.7 |
| Exchange loss arising in the period | — | (0.3) | (0.3) |
| Movement arising during the period | 0.6 | 0.1 | 0.7 |
| At 31 August 2014 | 1.4 | 3.7 | 5.1 |

| | Other provisions £m | Deferred taxation £m | Total £m |
|---|---|---|---|
| At 1 September 2013 | 0.8 | 3.8 | 4.6 |
| Exchange loss arising in the period | — | (0.3) | (0.3) |
| Movement arising during the period | — | 0.4 | 0.4 |
| At 31 May 2014 | 0.8 | 3.9 | 4.7 |

### 16 Commitments under operating leases

At 31 May 2015 the group had annual commitments under non-cancellable operating leases as set out below.

| | **31 May 2015** | | 31 August 2014 | | 31 May 2014 | |
|---|---|---|---|---|---|---|
| | **Land and buildings £m** | **Other items £m** | Land and buildings £m | Other items £m | Land and buildings £m | Other items £m |
| Operating leases which expire: | | | | | | |
| Within one year | **0.7** | **0.3** | 0.6 | 0.1 | 0.7 | — |
| Within two to five years | **0.1** | **1.0** | 0.7 | 0.8 | 3.5 | 0.8 |
| After more than five years | **6.3** | **—** | 6.2 | — | 1.3 | — |
| | **7.1** | **1.3** | 7.5 | 0.9 | 5.5 | 0.8 |

### 17 Capital commitments

The group entered into a development contract for an early years facility in Singapore, which is due to open in August 2017. As at 31 May 2015 a commitment of £77.8 million remains.

In December 2014, the group entered into a promise to purchase agreement with a real estate developer under which the developer has agreed to construct a school in Chile by January 2016 which will be operated by the group. 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 is £5.7 million.

### 18 Contingent Liabilities

The group received claims in respect of a potential litigation associated with the criminal conduct of a former teacher at Southbank International School. The group is unable to assess the likely outcome associated with such claims. It is however noted that the group maintains insurance coverage and believe such insurance coverage will be adequate to cover the full amount of any potential claims.

### 18 Contingent Liabilities (continued)

The group have received assessments from HMRC in the aggregate amount of £0.5 million with respect to PAYE in connection the operation of a former management securities plan in the tax years 2009/2010 and 2010/2011. The group have challenged these assessments and no provision has been made.

### 19 Reserves

| | **Share premium account £m** | **Merger reserve £m** | **Equity reserve £m** | **Profit and loss account £m** |
|---|---|---|---|---|
| At 1 September 2014 | **46.1** | **1.0** | **2.0** | **(348.8)** |
| Loss for the financial period | **—** | **—** | **—** | **(58.9)** |
| Exchange gains for the financial period | **—** | **—** | **—** | **3.9** |
| Issue of shares | **257.4** | **—** | **—** | **—** |
| Equity settled share based payment | **—** | **—** | **1.2** | **—** |
| At 31 May 2015 | **303.5** | **1.0** | **3.2** | **(403.8)** |

| | Share premium account £m | Merger reserve £m | Equity reserve £m | Profit and loss account £m* |
|---|---|---|---|---|
| At 1 June 2014 | 37.5 | 1.0 | 1.5 | (327.3) |
| Loss for the financial period | — | — | — | (21.6) |
| Exchange gains for the financial period | — | — | — | 0.1 |
| Issue of shares | 8.6 | — | — | — |
| Equity settled share based payment | — | — | 0.5 | — |
| At 31 August 2014 | 46.1 | 1.0 | 2.0 | (348.8) |

| | Share premium account £m | Merger reserve £m | Equity reserve £m | Profit and loss account £m* |
|---|---|---|---|---|
| At 1 September 2013 | 19.6 | — | — | (275.9) |
| Loss for the financial period | — | — | — | (51.7) |
| Exchange gains for the financial period | — | — | — | 0.3 |
| Issue of shares | 17.9 | — | — | — |
| Equity settled share based payment | — | 1.0 | 1.5 | — |
| At 31 May 2014 | 37.5 | 1.0 | 1.5 | (327.3) |

* These figures have been restated as has been discussed further in note 2.

### 20 Reconciliation of movement in shareholders' deficit

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| Loss for the financial period | **(58.9)** | (73.3) | (51.7) |
| Exchange gains for the financial period | **3.9** | 0.5 | 0.3 |
| Issue of shares | **260.0** | 26.8 | 18.2 |
| Equity settled share based payment | **1.2** | 2.0 | 1.5 |
| Movement in shareholders' deficit | **206.2** | (44.0) | (31.7) |
| Opening shareholders' deficit as originally stated | **(299.2)** | (250.3) | (250.3) |
| Prior period adjustment (as explained in note 2) | **—** | (4.9) | (4.9) |
| Closing shareholders' deficit as restated | **(93.0)** | (299.2) | (286.9) |

## 20 Reconciliation of movement in shareholders' deficit (continued)

The company allotted 260,004,234 ordinary shares of £0.01 each during the period ended 31 May 2015 with a total nominal value of £2.6m. These shares were issued at a premium of £0.99 each, representing a total increase in the share premium account of £257.4m during the period (note 19).

The purpose of the issue of shares was to waive the principal and interest accrued of £234m on Deep Discount Bonds and Payment in Kind Notes payable by the group to Cognita Topco Limited. The remaining £26m raised was used to fund acquisition costs including those relating to the acquisition of Gaylussac Empreendimentos Educacionais Limitada and GRS2 Empreendimentos Imobiliarios S/A in Brazil and the funding of significant capital development projects taking place within the group.

## 21 Reconciliation of operating profit to net cash inflow from operating activities

| | **9 months ended 31 May 2015 £m** | Year ended 31 August 2014 £m | 9 months ended 31 May 2014 £m |
|---|---|---|---|
| Operating (loss)/ profit | **(3.5)** | 1.2 | 4.4 |
| Amortisation and depreciation | **27.9** | 33.5 | 24.9 |
| Impairment charge | **9.6** | 1.0 | 1.0 |
| Decrease / (increase) in stocks | **0.1** | (0.3) | (0.2) |
| Decrease in debtors | **9.3** | (4.0) | 3.8 |
| Increase in creditors | **10.2** | 8.2 | 7.2 |
| Increase in other provisions | **0.6** | 0.6 | — |
| Share based payment | **1.2** | 2.0 | 1.5 |
| Exchange movements | **2.4** | 3.2 | 2.4 |
| Net cash inflow from operating activities | **57.8** | 45.4 | 45.0 |

## 22 Acquisition

During the period the group made share acquisitions as detailed below. Goodwill arising on the acquisitions has been capitalised. All purchases have been accounted for under the acquisition method of accounting. All fair values are provisional as further time is required to assimilate all information relating to property matters.

### Share purchases

On 1 December 2014, the group acquired 100% of the issued share capital of Gaylussac Empreendimentos Educacionais Limitada and GRS2 Empreendimentos Imobiliarios S/A in Brazil.

| | Book value at acquisition £m | Fair value adjustment at acquisition £m | Total fair value at acquisition £m |
|---|---|---|---|
| Fixed assets | 1.5 | 5.8 | 7.3 |
| Current assets | 1.4 | — | 1.4 |
| Total assets | 2.9 | 5.8 | 8.7 |
| Trade creditors | — | — | — |
| Other creditors | 2.1 | — | 2.1 |
| Total liabilities | 2.1 | — | 2.1 |
| Net assets | | | 6.6 |
| Goodwill on consolidation | | | 18.6 |
| | | | 25.2 |
| Satisfied by : | | | |
| Cash | | | 18.4 |
| Deferred cash consideration | | | 6.8 |
| | | | 25.2 |

### 22 Acquisition (continued)

The fair value adjustment represents the uplift in fixed assets from the net book value to the provisional fair value on acquisition.

During the period the group acquired the remaining 20% of share capital of the British Education Management Systems Company Limited in Thailand. These amounts are reflected in the cash and goodwill numbers include in the table above. Cash also includes the transaction costs incurred associated with the acquisition.

During the period the consideration paid for the above acquisitions and deferred consideration from prior period acquisitions was £19.1 million.

### 23 Subsequent events

In July 2015 the group entered into an agreement to lease additional property in Thailand. The total commitment of the lease at the date of signing was £11.3m and expires in 31 July 2028.

### 24 Ultimate controlling party

The immediate and ultimate parent undertaking of the company is Cognita Topco Limited, a company registered in Jersey. The parent undertaking is jointly controlled by The Bregal Fund III LP and KKR European Fund III LP.

# Financial Statements
# Cognita Holdings Limited

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**For the Year Ended 31 August 2014**

Grant Thornton

## Independent auditor's report to the members of Cognita Holdings Limited

We have audited the financial statements of Cognita Holdings Limited for the year ended 31 August 2014 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

### Opinion on financial statements

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 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

**Independent auditor's report to the members of Cognita Holdings Limited (continued)**

**Matters on which we are required to report by exception (continued)**

Philip Crooks
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

21 November 2014

## Principal accounting policies

### Basis of accounting

The group financial statements have been prepared under the provision of the Large and Medium sized Companies and Group (Accounts and Reports) Regulations 2008 (SI2008/410) and applicable United Kingdom accounting standards under the historical cost convention.

### Going concern

The group has continued to expand both organically and through acquisitions during the year. The growth has been funded from operating cash flow and short and long term borrowings (see note 20). Future growth will be funded from suitable financing arrangements as well as future operating cash flow.

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

The directors have performed a review of the group and have a reasonable expectation that the business has adequate resources to continue into the foreseeable future. This assessment has been made with confirmation of support from the joint controlling parties. The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Deep discount bonds due to mature within one year of the balance sheet date are in the process of being renewed with new DDB instruments with the same terms and a maturity date of March 2023. This exercise is expected to be complete before the first bond matures on 29 November 2014. Confirmation has been received from Cognita Topco Limited that there is no intention for DDBs maturing within the year to be repaid in cash.

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

### Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of its joint venture. These are adjusted to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the profit and loss account from, or up to, the date that control passes, respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006.

Merger accounting has been applied in respect of the acquisition of Cognita Quinton Holdings Limited via a share for share exchange on 29 November 2004 as part of a group reconstruction. The investment has been recorded in the Company's balance sheet at the nominal value of the shares issued.

### Turnover

Turnover represents the total amount receivable by the group for tuition and other services provided and is recognised on a straight line basis over the period of provision. Where fees are invoiced in advance they are deferred on the balance sheet and recognised as turnover over the period of the service provision.

### Tangible fixed assets

Freehold interests in land and buildings are stated at deemed cost. The cost of other fixed assets is their purchase cost, together with any incidental costs of acquisition.

Assets in the course of construction are carried at cost which includes all directly attributable professional fees but excludes finance costs which are written off to the profit and loss account in line with the group accounting policy.

**Principal accounting policies (continued)**

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on all tangible fixed assets other than freehold land (which is not depreciated) as follows:

| | | |
|---|---|---|
| Freehold buildings | – | 2% straight line |
| Short leasehold land and buildings | – | over the life of the lease on a straight line basis |
| Fixtures, fittings and equipment | – | 10% to 33% straight line |
| Motor vehicles | – | 25% straight line |

Depreciation only commences once an asset is ready for its intended use.

### Goodwill

Positive purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life of 10 years. The useful life is reviewed annually. Goodwill on foreign acquisitions is translated at the rate ruling at the date of acquisition.

### Impairments

Goodwill is assessed for impairment at the end of the first full financial year after acquisition and subsequently events if or changes in circumstances may indicate that the carrying amount of the goodwill may not be recoverable. The recoverable amount is deemed to be the higher of net realisable value and value in use.

Value in use calculations are performed using cash flow projections formally approved by management, in respect of the relevant income generating unit, for up to five years, discounted at a rate appropriate to the asset. Country specific discount rates in respect of the relevant income generating unit are obtained based on the calculation of a relevant WACC and considered on an annual basis. The growth rate assumption for year 6 onwards cash flow is 2.25%. This assumption is reviewed annually on a country by country basis.

Where the recoverable amount is lower than the carrying amount of goodwill, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, such as tangible fixed assets.

### Joint ventures

The group financial statements incorporate joint ventures under the equity method of accounting, supplemented by additional disclosures.

### Minority Interests

Minority interests included in the consolidated balance sheet represent the total amount of capital and reserves attributed to shares held by members outside the Cognita group. The minority interests included in the consolidated profit and loss account represent the third parties' pro-rated share of annual group profit.

### Other fixed asset investments

Investments are included at cost less amounts written off.

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Principal accounting policies (continued)**

**Foreign currencies**

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit except for exchange gains and losses on intercompany loans which are taken to finance costs.

**Foreign subsidiaries**

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date for the balance sheet and at the average exchange rate for the period for the profit and loss account. Exchange differences arising from the retranslation of subsidiaries net assets and the differences arising on retranslation of the profit and loss account between the year end exchange rate and the average exchange rate are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

**Pension costs**

**Defined contribution pension scheme**

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

**Defined benefit pension scheme**

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 scheme and Cognita is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly no provision can be made for any under or over provision of funding within the scheme as required under Financial Reporting Standard No. 17 "Retirement Benefits".

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Financial Instruments**

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

**Principal accounting policies (continued)**

**Financial Instruments (continued)**

**Financial liabilities**

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account over the term of the loan. Finance costs are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

The carrying amount of financial liabilities are increased by the finance cost and reduced by payments made in respect of that liability. Debt costs are deducted against the financial instruments to which they relate. The costs are then charged to the profit and loss account at a constant rate over the life of the instrument to maturity.

**Deep discount bonds and loan notes**

Deep discount bonds and loan notes are recorded at the amounts of the proceeds at date of issue, net of direct issue costs.

**Bank borrowings and other loans**

Interest-bearing bank and other loans are recorded at proceeds received, net of direct issue costs.

Direct issue costs are deducted against the financial instruments to which they relate. The costs are then charged to the profit and loss account at a constant rate over the life of the instrument to maturity.

**Equity instruments**

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

**Hedging instruments**

The group uses interest rate swaps to hedge its exposure to fluctuations in interest rates of bank borrowings. Amounts payable or receivable in respect of these derivatives are recognised in the profit and loss account as interest expense.

**Investment in own shares**

The group operates an employee benefit trust which facilitates the transfer of shares at the discretion of the trustees. The assets and liabilities of the trust are recognised in these accounts to reflect the fact that the group has de facto control over the assets. The costs of shares purchased by the trust are debited to the own share reserve.

**Share based payments**

The group issues equity settled and cash settled share-based payments to certain employees and has applied the requirements of FRS20 'Share-based Payment'. Equity settled share-based payments are measured at fair value at the date of 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 that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The fair value is measured based on a Monte Carlo valuation methodology, assumptions have been made in the model based on management's best estimate at the time of grant.

**Cognita Holdings Limited**
**Financial statements for the year ended 31 August 2014**

## Consolidated profit and loss account

| | Note | 2014 £000 | 2014 £000 | 2013 £000 | 2013 £000 |
|---|---|---|---|---|---|
| Turnover | 1&2 | | | | |
| Group and share of joint ventures | | | **266,847** | | 234,633 |
| Share of joint ventures | | | **(2,122)** | | (2,078) |
| **Group turnover** | | | **264,725** | | 232,555 |
| Operating costs | 3 | | | | |
| —recurring | | **(254,076)** | | (223,421) | |
| —exceptional costs | 4 | **(8,094)** | | (21,274) | |
| | | | **(262,170)** | | (244,695) |
| Group operating profit/(loss) | 9 | | **2,555** | | (12,140) |
| Share of operating profit in respect of joint venture | 5 | | **259** | | 334 |
| **Profit/(Loss) before interest and tax** | | | | | |
| *Earnings before interest, depreciation, amortisation, tax and exceptional costs* | | | ***44,683*** | | *41,081* |
| *Exceptional costs* | | | ***(8,094)*** | | *(21,274)* |
| *Depreciation and amortisation* | | | ***(33,775)*** | | *(31,613)* |
| | | | **2,814** | | (11,806) |
| Loss on disposal of fixed assets | | | **(743)** | | (57) |
| Net interest | 10 | | **(71,001)** | | (62,402) |
| **Loss on ordinary activities before taxation** | | | **(68,930)** | | (74,265) |
| Tax charge on loss on ordinary activities | 11 | | **(2,526)** | | (1,336) |
| **Loss on ordinary activities after taxation** | | | **(71,456)** | | (75,601) |
| Minority interest | | | **(736)** | | 153 |
| **Loss for the financial year** | 27 | | **(72,192)** | | (75,448) |

Acquisitions in the period contributed £932,000 (2013: £10,467,000) to group turnover.

All of the activities of the company are classed as continuing.

## Consolidated statement of total recognised gains and losses

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Loss for the financial year** | **(72,192)** | (75,448) |
| Currency translation difference on foreign currency net investments | **315** | (1,730) |
| Total recognised losses for the year | **(71,877)** | (77,178) |

The accompanying notes and accounting policies form part of these financial statements.

**Cognita Holdings Limited**
**Financial statements for the year ended 31 August 2014**

## Consolidated balance sheet

| | Note | 2014 £000 | 2014 £000 | 2013 £000 | 2013 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 13 | | **55,788** | | 66,362 |
| Tangible assets | 14 | | **370,624** | | 351,088 |
| Investments | | | | | |
| Joint ventures: | | | | | |
| Goodwill in joint venture | | **40** | | 195 | |
| Share of gross assets | | **3,381** | | 2,812 | |
| Share of gross liabilities | | **(1,697)** | | (1,461) | |
| | 15(a) | | **1,724** | | 1,546 |
| | | | **428,136** | | 418,996 |
| **Current assets** | | | | | |
| Stocks | 16 | **847** | | 554 | |
| Debtors | 17 | **65,775** | | 61,963 | |
| Cash at bank and in hand | | **83,835** | | 84,694 | |
| | | **150,457** | | 147,211 | |
| **Creditors: amounts falling due within one year** | 18 | **(326,551)** | | (157,887) | |
| **Net current liabilities** | | | **(176,094)** | | (10,676) |
| **Total assets less current liabilities** | | | **252,042** | | 408,320 |
| **Creditors: amounts falling due after more than one year** | 19 | | **534,663** | | 648,040 |
| **Provisions for liabilities** | 21 | | **5,144** | | 4,595 |
| **Capital and reserves** | | | | | |
| Called-up equity share capital | 26 | **466** | | 198 | |
| Share premium account | 27 | **46,087** | | 19,572 | |
| Other reserves | 27 | **3,008** | | 1,041 | |
| Profit and loss account | 27 | **(342,959)** | | (271,082) | |
| **Total shareholders' deficit** | 28 | | **(293,398)** | | (250,271) |
| | | | **246,409** | | 402,364 |
| Minority interest | | | **5,633** | | 5,956 |
| **Capital employed** | | | **252,042** | | 408,320 |

These financial statements were approved by the Board of Directors on 21 November 2014 and signed on their behalf by:

G Narunsky
Director

The accompanying notes and accounting policies form part of these financial statements.

**Company balance sheet**

| | Note | **2014 £000** | 2013 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 15(b) | **85,426** | 71,233 |
| **Current assets** | | | |
| Debtors | 17 | **17** | 17 |
| **Creditors: amounts falling due within one year** | 18 | **(38,890)** | (51,480) |
| **Net current liabilities** | | **(38,873)** | (51,463) |
| **Total assets less current liabilities** | | **46,553** | 19,770 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 26 | **466** | 198 |
| Share premium account | 27 | **46,087** | 19,572 |
| Profit and loss account | 27 | **—** | — |
| **Shareholders' funds** | | **46,553** | 19,770 |

These financial statements were approved by the Board of Directors on 21 November 2014 and signed on their behalf by:

G Narunsky
Director

Company No. 05281013

The accompanying notes and accounting policies form part of these financial statements.

**Cognita Holdings Limited**
**Financial statements for the year ended 31 August 2014**

**Consolidated cash flow statement**

| | Note | 2014 £000 | 2014 £000 | 2013 £000 | 2013 £000 |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 30 | | **45,356** | | 37,308 |
| **Dividends received from joint venture** | | | **—** | | 425 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest received | | **1,024** | | 913 | |
| Interest paid | | **(18,528)** | | (19,380) | |
| **Net cash outflow from returns on investments and servicing of finance** | | | **(17,504)** | | (18,467) |
| **Taxation paid** | | | **(2,343)** | | (2,371) |
| **Capital expenditure** | | | | | |
| Payments to acquire tangible fixed assets | | **(58,394)** | | (48,289) | |
| Sale of tangible fixed assets | | **40** | | 20 | |
| **Net cash outflow from capital expenditure** | | | **(58,354)** | | (48,269) |
| **Acquisitions** | | | | | |
| Acquisitions | 33 | **(4,893)** | | (29,567) | |
| Net cash acquired | | **—** | | 1,302 | |
| **Net cash outflow from acquisitions** | | | **(4,893)** | | (28,265) |
| **Cash outflow before financing** | | | **(37,738)** | | (59,639) |
| **Financing** | | | | | |
| Repayment of loan | | **(14,357)** | | (20,298) | |
| New bank loans drawn net of finance costs | | **2,462** | | 19,491 | |
| Other loans drawn | | **28,914** | | 25,270 | |
| Short term loans drawn | | **—** | | 27,679 | |
| Sale of own shares | | **—** | | 49 | |
| Issue of shares | | **26,783** | | 19,677 | |
| **Net cash inflow from financing** | | | **43,802** | | 71,868 |
| **Increase in cash** | 31 | | **6,064** | | 12,229 |

The accompanying notes and accounting policies form part of these financial statements.

**Notes to the financial statements**

## 1 Turnover

Turnover is attributable to the principal activity of the group.

## 2 Segmental reporting

During the year the group generated revenue in the following geographical locations.

| | **2014 £000** | 2013 £000 |
|---|---|---|
| United Kingdom (including joint venture turnover) | **126,768** | 122,080 |
| Europe | **22,101** | 20,592 |
| Asia | **92,386** | 81,494 |
| Latin America | **25,592** | 10,467 |
| | **266,847** | 234,633 |

The turnover analysis presented above includes the following amounts in respect of operations acquired during the year:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| United Kingdom | **—** | — |
| Europe | **—** | — |
| Asia | **932** | — |
| Latin America | **—** | 10,467 |
| | **932** | 10,467 |

The financial statements do not give the additional geographical segmental information of operating results and net assets as required by SSAP 25. This is because in the opinion of the directors the disclosure of such information would be seriously prejudicial to the interests of the group.

## 3 Operating costs

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Other external charges | **80,805** | 81,551 |
| Staff costs | **145,578** | 128,596 |
| Depreciation and amortisation | **33,572** | 31,396 |
| Other operating charges | **2,215** | 3,152 |
| | **262,170** | 244,695 |

The group is not able to accurately disclose the impact of acquisitions on costs and hence operating profit as central costs are not allocated to individual operating units.

**Notes to the financial statements (continued)**

## 4 Exceptional costs

Included in other external charges are the following exceptional costs:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Abortive acquisition costs | **2,480** | 1,342 |
| Business exploration costs | **2,656** | 1,441 |
| Restructuring costs | **1,976** | 2,764 |
| Impairment costs | **982** | 1,974 |
| Loss on hedging instrument | **—** | 13,753 |
| | **8,094** | 21,274 |

Abortive acquisition costs relate to legal and due diligence fees written off when potential acquisitions are unlikely to occur. Business exploration costs are costs incurred during the year on future business development into new regions and countries. Restructuring costs mainly relate to exceptional employment cessation costs and associated legal costs. Impairment costs relate to the write down of assets identified as being impaired.

A hedging instrument swapping £25,900,000 UK Pounds Sterling (GBP) to SG$77,604,000 Singapore Dollars (SGD) matured on 30 November 2012. Settlement of the swap realised a one off loss of £13,753,000.

## 5 Share of operating profit in respect of joint venture

This is represented by:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Share of operating profit before depreciation | **462** | 551 |
| Share of depreciation | **(48)** | (62) |
| | **414** | 489 |
| Amortisation of goodwill | **(155)** | (155) |
| Share of operating profit | **259** | 334 |

## 6 Staff costs

The average number of staff employed by the group (including directors) during the financial period amounted to:

| | 2014 No | 2013 No |
|---|---|---|
| Number of teachers | **3,755** | 2,969 |
| Number of administrative staff | **1,426** | 1,129 |
| | **5,181** | 4,098 |

## 6 Staff costs (continued)

The aggregate payroll costs of the above were:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Wages and salaries | **127,695** | 114,463 |
| Social security costs | **10,667** | 9,442 |
| Staff pension costs | **5,249** | 4,691 |
| Share based payments (note 8) | **1,967** | — |
| | **145,578** | 128,596 |

For The Group, staff costs include the expense associated with share based payments and are an aggregate of the expense recognised in Cognita Limited, and other group companies.

## 7 Directors' remuneration

Remuneration in respect of directors was as follows:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Emoluments receivable | **1,040** | 1,036 |

No directors were accruing benefits under company pension schemes. The amounts above include remuneration of the highest paid director as follows:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Emoluments | **639** | 650 |

Number of directors who:

| | **2014** | 2013 |
|---|---|---|
| Had awards receivable in the form of shares under a long-term incentive plan | **2** | — |

## 8 Share based payments

During the prior year the company was acquired by Cognita Topco Limited and as part of the restructuring a management incentive plan (MIP) was introduced whereby certain senior managers were granted C shares in Cognita Topco Limited. The C shares have limited rights and there is no entitlement to dividends.

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

Due to the complex features of the awards the fair value of these shares at the grant date, has been derived using a Monte Carlo valuation model. The valuation was performed by an independent third party. The following assumptions applied in determining the fair value:

- An assumed equity value was estimated at grant date
- A realisation event was assumed to occur five years and three months after the grant date

### 8 Share based payments (continued)

- A risk free rate of return of 1.2% was used for modelling purposes
- A future volatility rate of 30% was estimated based on the historical volatility of comparable public companies adjusted for unique or significant events not expected to affect future volatility
- An annual employee exit rate of 10% has been factored into the assumptions.

During the prior year, in conjunction with the above, certain senior managers were also granted loans by Cognita Topco Limited. The settlement or repayment of these loans by the employees or investors is triggered by a future sale, partial sale, winding up, distribution or listing of the shares in Cognita Topco Limited. The loans accrue interest at 4% per annum on a compound basis. The fair value of the loans and the interest accruing was calculated, taking account of the potential settlement options, at £8.7 million for the group and this non-cash amount is being charged to the profit and loss account of the group over the expected vesting period of five years and three months.

### 9 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Amortisation | **14,246** | 13,645 |
| Depreciation of owned fixed assets | **19,326** | 17,751 |
| Auditor's remuneration: | | |
| Fees for the audit of the company | **155** | 162 |
| Fees for the audit of the company's subsidiaries pursuant to legislation | **278** | 291 |
| Tax services and other non-audit services | **389** | 285 |
| Operating lease costs: | | |
| Land and buildings | **8,295** | 7,036 |
| Other | **698** | 699 |

Audit fees of the group during the year amounted to £155,345 (2013: £161,960) and are borne by Cognita Limited. Non-audit fees relating to acquisitions which were capitalised in the period amount to £95,200 (2013: £63,000). Non-audit fees related to aborted acquisition costs of £272,036 (2013: £48,140) were written off to exceptional costs during the year.

### 10 Net interest

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| Interest receivable | | **1,024** | | 913 |
| Exchange gains on intragroup balances | | **—** | | 964 |
| Share of joint venture interest | | **4** | | 3 |
| | | **1,028** | | 1,880 |
| Interest payable on bank borrowing | **(12,953)** | | (15,333) | |
| Interest payable on other loans | **(5,575)** | | (4,047) | |
| Exchange losses on intragroup balances | **(3,733)** | | — | |
| Loan note interest | **(5,321)** | | (4,617) | |
| Interest on short term loans | **—** | | (20,648) | |
| Unwinding of discount on bonds | **(43,664)** | | (18,670) | |
| Unwinding of debt costs | **(783)** | | (967) | |
| | | **(72,029)** | | (64,282) |
| Net interest | | **(71,001)** | | (62,402) |

### 11 Tax charge on loss on ordinary activities

#### (a) Taxation

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| Current tax: | | | | |
| UK Corporation tax | **(97)** | | (72) | |
| Share of tax charge of joint venture | **87** | | 68 | |
| Adjustments in respect of prior periods | **(952)** | | 6 | |
| Overseas tax | **2,922** | | 2,407 | |
| Total current tax | | **1,960** | | 2,409 |
| Deferred tax: | | | | |
| Origination and reversal of timing differences | **(28)** | | (1,468) | |
| Share of deferred tax movement of joint venture | **(2)** | | (5) | |
| Adjustment in respect of prior periods | **596** | | 400 | |
| | | **566** | | (1,073) |
| Tax charge on loss on ordinary activities | | **2,526** | | 1,336 |

#### (b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 22.162% (2013: 23.581%):

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Loss on ordinary activities before taxation | **(68,930)** | (74,265) |
| Loss on ordinary activities multiplied by rate of tax | **(15,277)** | (17,513) |
| Expenses not deductible for tax purposes | **15,681** | 17,643 |
| Amortisation of goodwill | **3,217** | 3,161 |
| Taxable income not subject to tax | **(287)** | (301) |
| Depreciation for period in excess of capital allowances | **371** | 122 |
| Deferred tax asset not recognised | **(706)** | (194) |
| Tax losses not utilised | **200** | 208 |
| Other timing differences | **322** | (318) |
| Tax rate differences | **(609)** | (405) |
| Adjustments in respect of prior periods | **(952)** | 6 |
| Total current tax (note 11(a)) | **1,960** | 2,409 |

### 12 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company that is attributable to members was £nil (2013: £nil).

**Notes to the financial statements (continued)**

## 13 Intangible fixed assets

### Group

### Goodwill

| | Goodwill on consolidation £000 | Purchased goodwill £000 | Total £000 |
|---|---|---|---|
| Cost | | | |
| At 1 September 2013 | 108,648 | 31,024 | 139,672 |
| Adjustment on prior year acquisitions | 506 | — | 506 |
| On acquisitions | — | 3,166 | 3,166 |
| At 31 August 2014 | 109,154 | 34,190 | 143,344 |
| Amortisation | | | |
| At 1 September 2013 | 57,865 | 15,445 | 73,310 |
| Provided during the period | 11,084 | 3,162 | 14,246 |
| At 31 August 2014 | 68,949 | 18,607 | 87,556 |
| Net book amount | | | |
| At 31 August 2014 | **40,205** | **15,583** | **55,788** |
| Net book amount | | | |
| At 31 August 2013 | 50,783 | 15,579 | 66,362 |

During the year the group wrote down £nil (2013: £nil) of purchased goodwill following a review for impairment.

The increase in the year arises from purchase of the 100% interest in Lotus Education and Training Company Limited (note 33). The goodwill arising on the acquisition amounted to £3,166,000.

## 14 Tangible fixed assets

### Group

| | Freehold land and buildings £000 | Short leasehold land and buildings £000 | Fixtures, fittings and equipment £000 | Motor vehicles £000 | Assets in course of construction £000 | Total £000 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| At 1 September 2013 (Restated) | 153,876 | 189,429 | 62,964 | 1,110 | 27,359 | 434,738 |
| Additions | 565 | 495 | 12,042 | 255 | 45,046 | 58,403 |
| On acquisition | — | — | 154 | 37 | — | 191 |
| Disposals | (1,170) | (448) | (3,516) | (54) | — | (5,188) |
| Exchange movements | (9,733) | (7,164) | (2,293) | (24) | (1,277) | (20,491) |
| Asset transfer | 1,935 | 56,056 | 3,860 | — | (61,851) | — |
| At 31 August 2014 | 145,473 | 238,368 | 73,211 | 1,324 | 9,277 | 467,653 |
| Depreciation | | | | | | |
| At 1 September 2013 | 17,638 | 37,070 | 28,160 | 782 | — | 83,650 |
| Charge for the year | 2,547 | 8,175 | 8,450 | 154 | — | 19,326 |
| Disposals | (646) | (448) | (3,266) | (45) | — | (4,405) |
| Impairment charge | 982 | — | — | — | — | 982 |
| Exchange movements | (200) | (875) | (1,433) | (16) | — | (2,524) |
| At 31 August 2014 | 20,321 | 43,922 | 31,911 | 875 | — | 97,029 |
| Net book value | | | | | | |
| At 31 August 2014 | **125,152** | **194,446** | **41,300** | **449** | **9,277** | **370,624** |
| Net book value | | | | | | |
| At 31 August 2013 (Restated) | 136,238 | 152,359 | 34,804 | 328 | 27,359 | 351,088 |

During the year the company wrote down £982,000 (2013: £1,974,000) of tangible fixed assets following a review for impairment. The impairment calculation was performed in line with the group's impairment accounting policy. The rate used to discount the forecast cash flows into perpetuity relating to the impairment above was 8.4%. This year's impairment loss is allocated entirely against Freehold land and buildings in fixed assets.

The restatement of cost brought forward has been made to enable independent disclosure of assets in the course of construction. There is no impact to the book value brought forward as a result of the restatement.

## 15 Investments

| | The group | | The company | |
|---|---|---|---|---|
| | **31 August 2014 £000** | 31 August 2013 £000 | **31 August 2014 £000** | 31 August 2013 £000 |
| Interest in joint ventures (a) | **1,724** | 1,546 | **—** | — |
| Interests in subsidiary undertakings (b) | **—** | — | **85,426** | 71,233 |
| | **1,724** | 1,546 | **85,426** | 71,233 |

### (a) Interest in joint ventures

Interest in joint ventures represents:

| | | | Proportion held | | |
|---|---|---|---|---|---|
| **Joint venture** | **Country of incorporation** | **Class of share capital held** | **by parent company** | **by subsidiary undertaking** | **Nature of business** |
| St Nicholas Preparatory School Limited | England and Wales | Ordinary | — | 50% | Education |

| | The group 2014 £000 |
|---|---|
| Cost or valuation at 1 September 2013 | 2,906 |
| Share of profits of joint ventures | 333 |
| Dividends receivable | — |
| At 31 August 2014 | 3,239 |
| Amortisation of goodwill at 1 September 2013 | 1,360 |
| Provided during the year | 155 |
| At 31 August 2014 | 1,515 |
| Net book value | |
| At 31 August 2014 | **1,724** |
| At 31 August 2013 | 1,546 |

The group's aggregate share in its joint venture comprises:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Fixed assets | **1,347** | 1,347 |
| Current assets | **2,034** | 1,465 |
| Liabilities due within one year | **(1,697)** | (1,461) |
| | **1,684** | 1,351 |
| Goodwill | **40** | 195 |
| | **1,724** | 1,546 |

The group's share of profits of its joint venture was as follows:

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Turnover | **2,122** | 2,078 |
| Profit before tax | **418** | 492 |
| Taxation | **(85)** | (63) |
| Profit after tax | **333** | 429 |

**15 Investments (continued)**

**(b) Subsidiary undertakings**

| | The company £000 |
|---|---|
| Cost | |
| At 1 September 2013 | 71,233 |
| Additions | 14,193 |
| At 31 August 2014 | **85,426** |

The following are the main subsidiary undertakings of the company. Ordinary shares are held in all subsidiaries in the proportion shown:

| Subsidiary undertaking | % held | Country of incorporation | Nature of business |
|---|---|---|---|
| *Cognita UK Holdings Limited | 100% | England & Wales | Holding Company |
| Cognita Limited | 100% | England & Wales | Management |
| Cognita Schools Limited | 100% | England & Wales | Education |
| Cognita International Holdings Limited | 100% | England & Wales | Holding Company |
| Cognita Spain Holdings S.L. | 100% | Spain | Management |
| British School Barcelona S.A. | 100% | Spain | Education |
| ELIS Cognita S.L. | 100% | Spain | Education |
| Cognita Singapore Holding Pte Limited | 100% | Singapore | Management |
| Australian International School Singapore Pte Limited | 100% | Singapore | Education |
| Super Camps Limited | 100% | England & Wales | Education |
| *Cognita Funding 1 Limited | 100% | England & Wales | Holding Company |
| Cognita Asia Holdings Pte Limited | 100% | Singapore | Holding Company |
| Cognita Spain Holdings 2 S.L. | 100% | Spain | Management |
| Cognita BSB Property S.L. | 100% | Spain | Property |
| Cognita Hastings Property S.L. | 100% | Spain | Property |
| Cognita Hastings School S.L. | 100% | Spain | Education |
| Stamford American International School Pte Limited | 100% | Singapore | Education |
| British Education Management Systems Company Limited | 80% | Thailand | Education |
| Silom Education Company Limited | 80% | Thailand | Education |
| Rayong Education Company Limited | 80% | Thailand | Education |
| International Education Corporation Joint Stock Company | 100% | Vietnam | Education |
| Cognita Brasil Participacoes | 100% | Brazil | Holding Company |
| Cognita Brasil Locadora de Imoveis Ltda | 100% | Brazil | Property |
| Cognita Brasil Escolas Partipacoes Ltda | 100% | Brazil | Education |
| Desarrollos Educacionales, SA | 51% | Chile | Holding Company |
| Soc. Educacional Heuchubura, SA | 51% | Chile | Education |
| Soc. Educacional Penalolen, SA | 51% | Chile | Education |
| Soc. Educacional Temuco, SA | 51% | Chile | Education |
| Soc. Educacional Puerto Montt, SA | 51% | Chile | Education |
| Soc. Educacional Valle Lo Campino, SA | 51% | Chile | Education |
| Soc. Educacional Ciudad Del Este, SA | 51% | Chile | Education |
| Soc. Educacional Lo Aguirre, SA | 51% | Chile | Education |
| Soc. Educacional Chicureo, SA | 51% | Chile | Education |
| Soc. Educacional Curuama, SA | 51% | Chile | Education |
| ** Lotus Education and Training Company Limited | 100% | Vietnam | Education |

*Share capital held by parent company. **Acquired and increased from 75% during the year.

## 15 Investments (continued)

In addition the group owns 100% of the share capital of a number of dormant companies which do not impact on the results of the group.

All subsidiary entities are consolidated in these financial statements.

## 16 Stocks

| | The group | |
|---|---|---|
| | **2014 £000** | 2013 £000 |
| Goods for resale | **847** | 554 |

## 17 Debtors

| | The group | | The Company | |
|---|---|---|---|---|
| | **2014 £000** | 2013 £000 | **2014 £000** | 2013 £000 |
| Trade debtors | **40,844** | 40,914 | **—** | — |
| Other debtors | **6,207** | 4,244 | **—** | — |
| Corporation tax recoverable | **207** | 206 | **—** | — |
| Deferred tax (note 22) | **6,411** | 7,107 | **—** | — |
| Prepayments and accrued income | **11,893** | 9,315 | **17** | 17 |
| Amounts owed by joint venture | **213** | 177 | **—** | — |
| | **65,775** | 61,963 | **17** | 17 |

The deferred tax asset is expected to reverse over a period of greater than one year. Within prepayments and accrued income are £2,642,000 (2013: £3,116,000) of prepaid expenses which will be released to the profit and loss account after more than one year.

## 18 Creditors: amounts falling due within one year

| | The group | | The Company | |
|---|---|---|---|---|
| | **2014 £000** | 2013 £000 | **2014 £000** | 2013 £000 |
| Bank loans | **13,899** | 11,305 | **—** | — |
| Bank overdrafts | **582** | 7,505 | **—** | — |
| Deep discount bonds | **161,637** | — | **—** | — |
| Trade creditors | **8,785** | 5,270 | **—** | — |
| Corporation tax | **1,841** | 2,311 | **—** | — |
| Other taxes and social security | **3,318** | 3,169 | **—** | — |
| Fees paid in advance and deposits | **25,723** | 22,546 | **—** | — |
| Deferred consideration | **943** | 3,140 | **—** | — |
| Other creditors | **4,923** | 4,153 | **—** | — |
| Accruals and deferred income | **104,900** | 98,488 | **—** | — |
| Amounts owed to group undertakings | **—** | — | **38,890** | 51,480 |
| | **326,551** | 157,887 | **38,890** | 51,480 |

At the year end deferred cash consideration amounted to £3,990,000 (2013: £6,591,000), of which £3,046,000 (2013: £3,451,000) is expected to be payable after more than one year.

**Notes to the financial statements (continued)**

## 19 Creditors: amounts falling due after more than one year

| | The group | |
|---|---|---|
| | **2014 £000** | 2013 £000 |
| Bank loans | **216,216** | 240,640 |
| Deep discount bonds | **177,333** | 295,312 |
| Loan notes | **40,194** | 34,867 |
| Other loans | **95,760** | 70,048 |
| Fees paid in advance and deposits | **540** | 547 |
| Deferred consideration | **3,046** | 3,451 |
| Other creditors | **1,574** | 3,175 |
| | **534,663** | 648,040 |

Bank loans falling due after more than one year comprise £216,216,000 (2013: £241,129,000) of loans less £nil (2013: £489,000) deferred arrangement fees.

## 20 Borrowings

Borrowings are repayable as follows:

| | The group | |
|---|---|---|
| | **2014 £000** | 2013 £000 |
| Within one year: | | |
| Bank loans | **13,899** | 11,305 |
| Bank overdraft | **582** | 7,505 |
| Deep discount bonds | **161,637** | — |
| Between two and five years: | | |
| Bank loans | **195,159** | 219,445 |
| Deep discounted bonds | **—** | 140,142 |
| Loan notes | **40,194** | 34,867 |
| Other loans | **26,877** | 18,899 |
| In more than five years: | | |
| Bank loans | **21,057** | 21,195 |
| Deep discount bonds | **177,333** | 155,170 |
| Other loans | **68,883** | 51,149 |
| | **705,621** | 659,677 |

Certain of the assets of the group are subject to a fixed and floating charge as security for the bank loans.

**20 Borrowings (continued)**

**Bank loans and other loans**

| Country in which loan is held | Currency in which loan is held | GBP equivalent of loan held at 31 August 2014 | GBP equivalent of loan held at 31 August 2013 | Applicable interest rate |
|---|---|---|---|---|
| United Kingdom | GBP | 95,200,000 | 95,200,000 | 1.395% +3.90% |
| | | 20,313,000 | 22,187,000 | LIBOR +3.90% |
| Spain | EURO | 22,897,000 | 24,704,000 | Floating |
| Singapore | SGD | 41,806,000 | 52,950,000 | 6% |
| | | 11,851,000 | 12,444,000 | SIBOR +4.25% |
| Spain | EURO | 2,783,000 | 3,485,000 | Euribor +3% |
| Spain | EURO | 948,000 | 1,175,000 | Euribor +4.45% |
| Singapore | SGD | 95,759,000 | 70,048,000 | Fixed |
| Brazil | BRL | 7,638,000 | 8,354,000 | Fixed 12.25%/Brazil CDI+2.5% |
| Chile | CLP | 26,680,000 | 31,935,000 | 4.2% to 5.8% |
| Total | | 325,875,000 | 322,482,000 | |

A hedging instrument was effective from 30 November 2012, fixed LIBOR rates on borrowings up to £95,200,000 at 1.395% until November 2015.

There are 15 loan facilities in Chile with a total value of £26,680,000. These have fixed rates between 4.2% and 5.8% on the underlying Unidad de Fomento (UF) currency in Chile. These loans are revalued monthly in Chilean Peso.

**Deep discount bonds**

The non-interest bearing deep discount bonds in issue are as follows:

| Issue date | Subscription £000 | Redemption date at option of holder | Redemption value £000 |
|---|---|---|---|
| 29 November 2004 | 3,676 | November 2014 | 15,209 |
| 30 November 2004 | 21,864 | November 2014 | 90,465 |
| 21 December 2004 | 516 | December 2014 | 2,134 |
| 20 January 2005 | 576 | January 2015 | 2,384 |
| 3 November 2006 | 464 | December 2014 | 1,471 |
| 13 December 2006 | 2,362 | December 2014 | 7,368 |
| 4 January 2007 | 444 | December 2014 | 1,375 |
| 22 March 2007 | 2,687 | December 2014 | 8,082 |
| 30 April 2007 | 1,001 | December 2014 | 2,966 |
| 5 December 2008 | 5,200 | December 2014 | 12,271 |
| 28 May 2009 | 2,000 | December 2014 | 4,411 |
| 28 August 2009 | 3,309 | December 2014 | 7,041 |
| 26 February 2010 | 6,478 | December 2014 | 12,843 |
| 22 March 2013 | 114,871 | March 2023 | 367,148 |
| | 165,448 | | 535,168 |

Cognita Topco Limited has confirmed that it will not invoke its option to redeem the deep discount bonds in cash which fall due for repayment in November 2014. The deep discount bonds maturing within one year will be re-issued with the same terms and a maturity date of March 2023.

Cognita Topco Limited is the ultimate parent undertaking of Cognita Holdings Limited. Monitoring fees payable to The Bregal Fund LP in the period amounted to £nil (2013: £37,500).

**20 Borrowings (continued)**

**Loan notes**

These notes accrue interest at 15.25% and the balance payable for all loan notes outstanding at 31 August 2014 was £40,194,000 (2013: £34,867,000).

The discount on issue and any associated costs incurred on the deep discount bonds and loan notes are charged to the profit and loss account over the period to the earliest date that the holders may redeem. The company does have the option to redeem at an earlier date.

**21 Provisions for liabilities**

| The group | Other provisions £000 | Deferred taxation £000 | Total £000 |
|---|---|---|---|
| At 1 September 2013 | 810 | 3,785 | 4,595 |
| Exchange gain arising in the year | (63) | (576) | (639) |
| Movement arising during the year | 638 | 550 | 1,188 |
| At 31 August 2014 | **1,385** | **3,759** | **5,144** |

Other provisions include a provision for a potential social security liability in Asia which is expected to be utilised during the year and the fair value of loyalty points awarded in the financial year in one of the group companies, these are likely to be utilised over the next year, in line with the terms of the scheme.

Deferred tax liabilities relate to future reversals in overseas subsidiaries in respect of accelerated capital allowances.

**22 Deferred tax asset**

The movement in the deferred tax asset during the period was:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| At 1 September 2013 | **7,107** | 2,405 |
| Exchange movement | **(679)** | 184 |
| Profit and loss movement arising during period | **83** | 1,468 |
| On acquisition | **—** | 3,450 |
| Adjustments in respect of prior periods | **(100)** | (400) |
| At 31 August 2014 | **6,411** | 7,107 |

The deferred tax asset consists of the tax effect of timing differences in respect of:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Depreciation on fixed assets in excess of capital allowances | **2,352** | 1,975 |
| Losses carried forward | **174** | 1,240 |
| Other timing differences | **3,885** | 3,892 |
| | **6,411** | 7,107 |

The group has approximately £9.0 million (2013: £10.0 million) of trading tax losses to carry forward.

A deferred tax asset of approximately £4.8 million (2013: £1.5 million) has not been recognised due to the uncertainty as to recovery in the foreseeable future.

## 23 Contingent liabilities

The assets of the company are subject to a fixed and floating charge as a guarantee for debt provided by the Bank of Scotland to group companies. The total gross exposure as at the period end amounted to £112,154,000 (2013: £118,089,000).

There was an interest rate hedge contract in place at the balance sheet date. The fair value of the interest rate hedge as at 31 August 2014 was a liability of £621,226 (2013: £1,249,393). The interest rate hedge will expire on 30 November 2015.

## 24 Commitments under operating leases

At 31 August 2014 the group had annual commitments under non-cancellable operating leases as set out below.

### The group

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Land and buildings £000** | **Other items £000** | Land and buildings £000 | Other items £000 |
| Operating leases which expire: | | | | |
| Within one year | **590** | **55** | 97 | 118 |
| Within two to five years | **688** | **845** | 965 | 341 |
| After more than five years | **6,178** | **—** | 5,607 | — |
| | **7,456** | **900** | 6,669 | 459 |

## 25 Capital commitments

The group entered into contracts for the provision of fixed asset additions which had not been incurred at year end of £3,886,000 (2013: £46,419,000).

## 26 Called-up equity share capital

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Authorised share capital: | | |
| 2014: 46,570,421 (2013: 19,787,731) ordinary shares of 1p each | **466** | 198 |
| Allotted, called-up and fully paid: | | |
| 2014: 46,570,421 (2013: 19,787,731) ordinary shares of 1p each | **466** | 198 |

The company allotted 26,782,690 shares during the year with a nominal value of £267,827. These shares were issued at a premium of £0.99. This premium was recognised in the share premium account (note 27).

### Rights of shares

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

## 27 Reserves

| **The group** | **Share premium account £000** | **Merger reserve £000** | **Equity reserve £000** | **Profit and loss account £000** |
|---|---|---|---|---|
| At 1 September 2013 | 19,572 | 1,041 | — | (271,082) |
| Loss for the financial year | — | — | — | (72,192) |
| Exchange gains for the financial year | — | — | — | 315 |
| Issue of shares | 26,515 | — | — | — |
| Equity settled share based payment | — | — | 1,967 | — |
| At 31 August 2014 | **46,087** | **1,041** | **1,967** | **(342,959)** |

## 27 Reserves (continued)

### The company

| | Share premium account £000 | Profit and loss account £000 |
|---|---|---|
| At 1 September 2013 | 19,572 | — |
| Issue of shares | 26,515 | — |
| At 31 August 2014 | **46,087** | **—** |

## 28 Reconciliation of movement in shareholders' deficit

### The group

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Loss for the financial year | **(72,192)** | (75,448) |
| Shares transferred from employee benefit scheme | **—** | 49 |
| Equity settled share based payment | **1,967** | — |
| Issue of shares | **26,783** | 19,677 |
| Exchange gains/(losses) for the financial year | **315** | (1,730) |
| Movement in shareholders' deficit | **(43,127)** | (57,452) |
| Shareholders' deficit brought forward | **(250,271)** | (192,819) |
| Shareholders' deficit carried forward | **(293,398)** | (250,271) |

## 29 Pensions

The group operates defined benefit and defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the group to the schemes.

## 30 Reconciliation of operating loss to net cash inflow from operating activities

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Operating profit/(loss) | **2,555** | (12,140) |
| Amortisation and depreciation | **33,572** | 31,396 |
| Impairment charge | **982** | 1,974 |
| (Increase)/decrease in stocks | **(293)** | 28 |
| (Increase)/decrease in debtors | **(3,951)** | 5,090 |
| Increase in creditors | **6,872** | 10,251 |
| Increase in other provisions | **575** | 435 |
| Share based payment | **1,967** | — |
| Exchange movements | **3,077** | 274 |
| Net cash inflow from operating activities | **45,356** | 37,308 |

### 31 Reconciliation of net cash flow movement to movement in net debt

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Increase in cash in the period | **(6,064)** | (12,229) |
| Net cash outflow from bank loans | **(11,112)** | (2,057) |
| Net cash inflow from other loans | **28,914** | 25,270 |
| Net cash inflow from short term loans from ultimate controlling party | **—** | 27,679 |
| | **11,738** | 38,663 |
| Debt on acquisition | **—** | 34,294 |
| Non cash items | **35,065** | 46,907 |
| Movement in net debt | **46,803** | 119,864 |
| Net debt at beginning of period | **574,983** | 455,119 |
| Net debt at the end of the period | **621,786** | 574,983 |

### 32 Analysis of changes in net debt

| | 31 August 2013 £000 | Cash flows £000 | Non cash items £000 | **31 August 2014 £000** |
|---|---|---|---|---|
| Cash at bank and in hand | 84,694 | (859) | — | **83,835** |
| Bank overdraft | (7,505) | 6,923 | — | **(582)** |
| | 77,189 | 6,064 | — | **83,253** |
| Bank loans | (251,943) | 11,112 | 10,716 | **(230,115)** |
| Other loans | (70,049) | (28,914) | 3,203 | **(95,760)** |
| Deep discount bonds and loan notes | (330,180) | — | (48,984) | **(379,164)** |
| | (574,983) | (11,738) | (35,065) | **(621,786)** |

Non cash items represent the unwinding of debt costs, discounts on subscription for the deep discount bonds and rolled up interest.

### 33 Acquisitions

During the year the group made both a share acquisition and a trade and asset acquisition as detailed below. Goodwill arising on the acquisitions has been capitalised. All purchases have been accounted for under the acquisition method of accounting. All fair values are provisional as further time is required to assimilate all information relating to property matters.

#### Share purchases

On 26 August 2014 the group acquired indirectly 25% of the issued share capital of Lotus Education and Training Company Limited in Vietnam. The group already owned the majority 75% following the transaction noted below.

**33 Acquisitions (continued)**

**Trade and assets purchases**

On 15 January 2014 the group purchased the trade and assets of International School Saigon Pearl.

The total assets and liabilities acquired in respect of all the above acquisitions are as detailed below. These numbers are provisional and could change as future knowledge is gained:

| | Book value at acquisition £000 | Fair value at acquisition £000 | Total fair value at acquisition £000 |
|---|---|---|---|
| Fixed Assets | 274 | — | 274 |
| Current Assets | 35 | — | 35 |
| Total Assets | 309 | — | 309 |
| Trade Creditors | 12 | — | 12 |
| Other Creditors | 770 | 451 | 1,221 |
| Total Liabilities | 782 | 451 | 1,233 |
| Net Assets | | | (924) |
| Positive Goodwill | | | 3,166 |
| | | | 2,242 |
| Satisfied by: | | | |
| Cash | | | 1,266 |
| Deferred cash consideration | | | 976 |
| | | | 2,242 |

During the year consideration paid for the above acquisitions and deferred consideration from prior year acquisitions was £4,893,000 (2013: £29,567,000).

**34 Subsequent events**

There have been no material events between 31 August 2014 and the date of authorisation of the Consolidated Financial Statements that would require adjustment or disclosure.

**35 Related party transactions**

Debt financing is provided to the group by the ultimate parent undertaking, Cognita Topco Limited, in the form of Deep Discount Bonds and Loan notes. The balances related to these transactions can be seen in notes 10, 18, 19 and 20.

During the year a dividend of £nil (2013: £425,000) was received from St Nicholas Preparatory School Limited which is a joint venture of the Cognita Holdings Limited group.

The group has taken advantage of the exemption in FRS8 Related Party Disclosures that transactions with wholly owned subsidiaries do not need to be disclosed.

**36 Controlling related party**

The immediate and ultimate parent undertaking of the company is Cognita Topco Limited, a company registered in Jersey. The parent undertaking is jointly controlled by The Bregal Fund III LP and KKR European Fund III LP.

# Financial Statements

# Cognita Holdings Limited

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**For the Year Ended 31 August 2013**

Grant Thornton

**Independent auditor's report to the members of Cognita Holdings Limited**

We have audited the financial statements of Cognita Holdings Limited for the year ended 31 August 2013 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

**Opinion on financial statements**

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 2013 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

**Independent auditor's report to the members of Cognita Holdings Limited (continued)**

**Matters on which we are required to report by exception (continued)**

Philip Crooks
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

27 January 2014

**Principal accounting policies**

**Basis of accounting**

The group financial statements have been prepared under the provision of the Large and Medium sized Companies and Group (Accounts and Reports) Regulations 2008 (SI2008/410) and applicable United Kingdom accounting standards under the historical cost convention.

**Going concern**

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

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

The directors have performed a review of the group and have a reasonable expectation that the business has adequate resources to continue into the foreseeable future. This assessment has been made with confirmation of support from the ultimate controlling parties. The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

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

**Basis of consolidation**

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of its joint venture. These are adjusted to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the profit and loss account from, or up to, the date that control passes, respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006.

Merger accounting has been applied in respect of the acquisition of Cognita Quinton Holdings Limited via a share for share exchange on 29 November 2004 as part of a group reconstruction. The investment has been recorded in the Company's balance sheet at the nominal value of the shares issued.

**Turnover**

Turnover represents the total amount receivable by the group for tuition and other services provided and is recognised on a straight line basis over the period of provision. Where fees are invoiced in advance they are deferred on the balance sheet and recognised as turnover over the period of the service provision.

**Tangible fixed assets**

Freehold interests in land and buildings are stated at deemed cost. The cost of other fixed assets is their purchase cost, together with any incidental costs of acquisition.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on all tangible fixed assets other than freehold land as follows:

| | |
|---|---|
| Freehold buildings | – 2% straight line |
| Short leasehold land and buildings | – over the life of the lease on a straight line basis |
| Fixtures, fittings and equipment | – 10% to 33% straight line |
| Motor vehicles | – 25% straight line |

**Principal accounting policies (continued)**

**Goodwill**

Positive purchased goodwill, representing the excess of fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life of 10 years. The useful life is reviewed annually. Goodwill on foreign acquisitions is translated at the rate ruling at the date of acquisition.

**Impairments**

Goodwill is assessed for impairment at the end of the first full financial year after acquisition and subsequently if events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable; provisions are made for impairment as required.

Value in use calculations are performed using cash flow projections for up to five years, discounted at a pre-tax rate appropriate to the group. From year 6 onwards cash flows are assumed to grow by 2.25%. The group uses a discount rate for impairment calculations of 8.4%.

**Joint ventures**

The group financial statements incorporate joint ventures under the equity method of accounting, supplemented by additional disclosures.

**Other fixed asset investments**

Investments are included at cost less amounts written off.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Foreign currencies**

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit except for exchange gains and losses on intercompany loans which are taken to finance costs.

**Foreign subsidiaries**

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date for the balance sheet and at the average exchange rate for the period for the profit and loss account. Exchange differences arising from the retranslation of subsidiaries net assets and the difference between the year end exchange rate and the average exchange rate are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

**Pension costs**

**Defined contribution pension scheme**

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

**Defined benefit pension scheme**

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 scheme and it is not possible to consistently identify the liabilities of the TPS which are attributable to the group. Accordingly no provision can be made for any under or over provision of funding within the scheme as required under Financial Reporting Standard No. 17 "Retirement Benefits".

**Principal accounting policies (continued)**

**Pension costs (continued)**

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Financial Instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

**Financial liabilities**

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account over the term of the loan. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability to the earliest date that the holders can redeem the note.

The carrying amount of financial liabilities are increased by the finance cost and reduced by payments made in respect of that liability. For deep discount bonds the discount from nominal value on issue of bonds is charged to the profit and loss account over the life of the investment to the earliest date that holders may redeem their bonds. This unwinding of the discount is shown within net interest. Debt costs are deducted against the financial instruments to which they relate. The costs are then charged to the profit and loss account at a constant rate over the life of the instrument to maturity.

**Equity instruments**

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

**Investment in own shares**

The group operates an employee benefit trust which facilitates the transfer of shares at the discretion of the trustees. The assets and liabilities of the trust are recognised in these accounts to reflect the fact that the group has de facto control over the assets. The costs of shares purchased by the trust are debited to the own share reserve.

**Share based payments**

The shares gifted to employees vest immediately and the expense recognised in the profit and loss account is the fair value at the grant date which is the date on which the employee becomes unconditionally entitled to the share award.

**Principal accounting policies (continued)**

**Share based payments (continued)**

The grant by the company of its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent accounts.

**Cognita Holdings Limited**
**Financial statements for the year ended 31 August 2013**

## Consolidated profit and loss account

| | Note | 2013 £000 | 2013 £000 | 2012 £000 | 2012 £000 |
|---|---|---|---|---|---|
| Turnover | 1&2 | | | | |
| Group and share of joint ventures | | | **234,633** | | 199,604 |
| Share of joint ventures | | | **(2,078)** | | (2,175) |
| **Group turnover** | | | **232,555** | | 197,429 |
| Operating costs | 3 | | | | |
| —recurring | | **(223,421)** | | (194,708) | |
| —exceptional costs | 4 | **(21,274)** | | (10,569) | |
| | | | **(244,695)** | | (205,277) |
| Group operating loss | 8 | | **(12,140)** | | (7,848) |
| Share of operating profit in respect of joint venture | 5 | | **334** | | 457 |
| **Loss before interest and tax** | | | | | |
| *Earnings before interest, depreciation, amortisation, tax and exceptional costs* | | | ***41,081*** | | *30,952* |
| *Exceptional costs* | | | ***(21,274)*** | | *(10,569)* |
| *Depreciation and amortisation* | | | ***(31,613)*** | | *(27,774)* |
| | | | **(11,806)** | | (7,391) |
| Loss on disposal of fixed assets | | | **(57)** | | (759) |
| Net interest | 9 | | **(62,402)** | | (56,133) |
| **Loss on ordinary activities before taxation** | | | **(74,265)** | | (64,283) |
| Tax charge on loss on ordinary activities | 10 | | **(1,336)** | | (1,685) |
| **Loss on ordinary activities after taxation** | | | **(75,601)** | | (65,968) |
| Minority interest | | | **153** | | 29 |
| **Loss for the financial year** | 26 | | **(75,448)** | | (65,939) |

Acquisitions in the period contributed £10,467,000 (2012: £2,094,000) to group turnover.

All of the activities of the company are classed as continuing.

## Consolidated statement of total recognised gains and losses

| | 2013 £000 | 2012 £000 |
|---|---|---|
| **Loss for the financial year** | **(75,448)** | (65,939) |
| Currency translation difference on foreign currency net investments | **(1,730)** | 1,427 |
| Total recognised losses for the year | **(77,178)** | (64,512) |

The accompanying notes and accounting policies form part of these financial statements.

**Cognita Holdings Limited**
**Financial statements for the year ended 31 August 2013**

## Consolidated balance sheet

| | Note | 2013 £000 | 2013 £000 | 2012 £000 | 2012 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 12 | | **66,362** | | 60,791 |
| Tangible assets | 13 | | **351,088** | | 267,236 |
| Investments | | | | | |
| Joint ventures: | | | | | |
| Goodwill in joint venture | | **195** | | 350 | |
| Share of gross assets | | **2,812** | | 2,878 | |
| Share of gross liabilities | | **(1,461)** | | (1,531) | |
| | 14(a) | | **1,546** | | 1,697 |
| | | | **418,996** | | 329,724 |
| **Current assets** | | | | | |
| Stocks | 15 | **554** | | 582 | |
| Debtors | 16 | **61,963** | | 50,103 | |
| Cash at bank and in hand | | **84,694** | | 69,157 | |
| | | **147,211** | | 119,842 | |
| **Creditors: amounts falling due within one year** | 17 | **(157,887)** | | (230,924) | |
| **Net current liabilities** | | | **(10,676)** | | (111,082) |
| **Total assets less current liabilities** | | | **408,320** | | 218,642 |
| **Creditors: amounts falling due after more than one year** | 18 | | **648,040** | | 410,058 |
| **Provisions for liabilities** | 20 | | **4,595** | | 1,236 |
| **Capital and reserves** | | | | | |
| Called-up equity share capital | 25 | **198** | | 1 | |
| Share premium account | 26 | **19,572** | | 92 | |
| Other reserves | 26 | **1,041** | | 1,041 | |
| Own share reserve | 26 | **—** | | (49) | |
| Profit and loss account | 26 | **(271,082)** | | (193,904) | |
| **Total shareholders' deficit** | 27 | | **(250,271)** | | (192,819) |
| | | | **402,364** | | 218,475 |
| Minority interest | | | **5,956** | | 167 |
| **Capital employed** | | | **408,320** | | 218,642 |

These financial statements were approved by the Board of Directors on 27 January 2014 and signed on their behalf by:

G Narunsky
Director

The accompanying notes and accounting policies form part of these financial statements.

## Company balance sheet

| | Note | **2013 £000** | 2012 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 14(b) | **71,233** | 46,240 |
| **Current assets** | | | |
| Debtors | 16 | **17** | 17 |
| **Creditors: amounts falling due within one year** | 17 | **(51,480)** | (46,213) |
| **Net current liabilities** | | **(51,463)** | (46,196) |
| **Total assets less current liabilities** | | **19,770** | 44 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 25 | **198** | 1 |
| Share premium account | 26 | **19,572** | 92 |
| Own share reserve | 26 | **—** | (49) |
| Profit and loss account | 26 | **—** | — |
| **Shareholders' funds** | | **19,770** | 44 |

These financial statements were approved by the Board of Directors on 27 January 2014 and signed on their behalf by:

G Narunsky
Director

Company No. 05281013

The accompanying notes and accounting policies form part of these financial statements.

**Cognita Holdings Limited**
**Financial statements for the year ended 31 August 2013**

**Consolidated cash flow statement**

| | Note | 2013 £000 | 2013 £000 | 2012 £000 | 2012 £000 |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 29 | | **37,308** | | 36,623 |
| **Dividends received from joint venture** | | | **425** | | 500 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest received | | **913** | | 446 | |
| Interest paid | | **(19,380)** | | (21,339) | |
| **Net cash outflow from returns on investments and servicing of finance** | | | **(18,467)** | | (20,893) |
| **Taxation paid** | | | **(2,371)** | | (1,645) |
| **Capital expenditure** | | | | | |
| Payments to acquire tangible fixed assets | | **(48,289)** | | (45,858) | |
| Sale of tangible fixed assets | | **20** | | 1,165 | |
| **Net cash outflow from capital expenditure** | | | **(48,269)** | | (44,693) |
| **Acquisitions** | | | | | |
| Acquisitions | 32 | **(29,567)** | | (1,847) | |
| Net cash acquired | 32 | **1,302** | | 467 | |
| **Net cash outflow from acquisitions** | | | **(28,265)** | | (1,380) |
| **Cash outflow before financing** | | | **(59,639)** | | (31,488) |
| **Financing** | | | | | |
| Repayment of loan | | **(20,298)** | | (52,107) | |
| New bank loans drawn net of finance costs | | **19,491** | | 51,810 | |
| Other loans drawn | | **25,270** | | 31,958 | |
| Repayment of deep discount bonds | | **—** | | (236) | |
| Short term loans drawn | | **27,679** | | 29,025 | |
| Sale/(purchase) of own shares | | **49** | | (352) | |
| Issue of shares | | **19,677** | | — | |
| **Net cash inflow from financing** | | | **71,868** | | 60,098 |
| **Increase in cash** | 30 | | **12,229** | | 28,610 |

The accompanying notes and accounting policies form part of these financial statements.

**Notes to the financial statements**

### 1 Turnover

Turnover is attributable to the principal activity of the group.

### 2 Segmental reporting

During the year the group generated revenue in the following geographical locations.

| | 2013 £000 | 2012 £000 |
|---|---|---|
| United Kingdom (including joint venture turnover) | **122,080** | 116,877 |
| Europe | **20,592** | 19,036 |
| Asia | **81,494** | 63,691 |
| Latin America | **10,467** | — |
| | **234,633** | 199,604 |

The turnover analysis presented above includes the following amounts in respect of operations acquired during the year:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| United Kingdom | **—** | 2,094 |
| Europe | **—** | — |
| Asia | **—** | — |
| Latin America | **10,467** | — |
| | **10,467** | 2,094 |

The financial statements do not give the additional geographical segmental information of operating results and net assets as required by SSAP 25. This is because in the opinion of the directors the disclosure of such information would be seriously prejudicial to the interests of the group.

### 3 Operating costs

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Other external charges | **81,551** | 64,466 |
| Staff costs | **128,596** | 112,136 |
| Depreciation and amortisation | **31,396** | 27,545 |
| Other operating charges | **3,152** | 1,130 |
| | **244,695** | 205,277 |

The group is not able to accurately disclose the impact of acquisitions on costs and hence operating profit as central costs are not allocated to individual operating units.

### 4 Exceptional costs

Included in other external charges are the following exceptional costs:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Abortive acquisition costs | **1,342** | 2,091 |
| Business exploration costs | **1,441** | 970 |
| Restructuring costs | **2,764** | 3,748 |
| Impairment costs | **1,974** | 3,760 |
| Loss on hedging instrument | **13,753** | — |
| | **21,274** | 10,569 |

**Notes to the financial statements (continued)**

### 4 Exceptional costs (continued)

Abortive acquisition costs relate to legal and due diligence fees written off when potential acquisitions are unlikely to occur. Business exploration costs are costs incurred during the year on future business development into new regions and countries. Restructuring costs mainly relate to exceptional employment cessation costs and associated legal costs. Impairment costs relate to the write down of assets identified as being impaired.

A hedging instrument swapping £25,900,000 UK Pounds Sterling (GBP) to SG$77,604,000 Singapore Dollars (SGD) matured on 30 November 2012. Settlement of the swap realised a one off loss of £13,753,000.

### 5 Share of operating profit in respect of joint venture

This is represented by:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Share of operating profit before depreciation | **551** | 686 |
| Share of depreciation | **(62)** | (74) |
| | **489** | 612 |
| Amortisation of goodwill | **(155)** | (155) |
| Share of operating profit | **334** | 457 |

### 6 Staff costs

The average number of staff employed by the group (including directors) during the financial period amounted to:

| | 2013 No | 2012 No |
|---|---|---|
| Number of teachers | **2,969** | 2,758 |
| Number of administrative staff | **1,129** | 1,032 |
| | **4,098** | 3,790 |

The aggregate payroll costs of the above were:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Wages and salaries | **114,463** | 100,179 |
| Social security costs | **9,442** | 7,563 |
| Staff pension costs | **4,691** | 4,394 |
| | **128,596** | 112,136 |

### 7 Directors' remuneration

Remuneration in respect of directors was as follows:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Emoluments receivable | **1,036** | 892 |

### 7 Directors' remuneration (continued)

No directors were accruing benefits under company pension schemes. The amounts above include remuneration of the highest paid director as follows:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Emoluments | **650** | 540 |

### 8 Operating loss

Operating loss after charging:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Amortisation | **13,645** | 12,251 |
| Depreciation of owned fixed assets | **17,751** | 15,294 |
| Auditor's remuneration: | | |
| Fees for the audit of the company | **162** | 138 |
| Fees for the audit of the company's subsidiaries pursuant to legislation | **291** | 200 |
| Tax services and other non-audit services | **285** | 192 |
| Operating lease costs: | | |
| Land and buildings | **7,036** | 6,909 |
| Other | **699** | 1,019 |

Audit fees of the group during the year amounted to £161,960 (2012: £137,500) and are borne by Cognita Limited. Non-audit fees relating to acquisitions which were capitalised in the period amount to £63,000 (2012: £12,000). Non-audit fees related to aborted acquisition costs of £48,140 (2012: £160,000) were written off to exceptional costs during the year.

### 9 Net interest

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Interest receivable | | **913** | | 447 |
| Exchange gains on intragroup balances | | **964** | | — |
| Share of joint venture interest | | **3** | | 3 |
| | | **1,880** | | 450 |
| Interest payable on bank borrowing | **(15,333)** | | (19,222) | |
| Interest payable on other loans | **(4,047)** | | (1,870) | |
| Exchange losses on intragroup balances | **—** | | (1,713) | |
| Loan note interest | **(4,617)** | | (4,016) | |
| Interest on short term loans | **(20,648)** | | (12,274) | |
| Unwinding of discount on bonds | **(18,670)** | | (16,272) | |
| Unwinding of debt costs | **(967)** | | (1,216) | |
| | | **(64,282)** | | (56,583) |
| Net interest | | **(62,402)** | | (56,133) |

## 10 Tax charge on loss on ordinary activities

### (a) Taxation

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Current tax: | | | | |
| UK Corporation tax | **(72)** | | (100) | |
| Share of tax charge of joint venture | **68** | | 92 | |
| Adjustments in respect of prior periods | **6** | | — | |
| Overseas tax | **2,407** | | 1,778 | |
| Total current tax | | **2,409** | | 1,770 |
| Deferred tax: | | | | |
| Origination and reversal of timing differences | **(1,468)** | | (60) | |
| Share of deferred tax movement of joint venture | **(5)** | | (7) | |
| Adjustment in respect of prior periods | **400** | | (18) | |
| | | **(1,073)** | | (85) |
| Tax charge on loss on ordinary activities | | **1,336** | | 1,685 |

### (b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 23.581% (2012: 25.166%):

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Loss on ordinary activities before taxation | **(74,265)** | (64,283) |
| Loss on ordinary activities multiplied by rate of tax | **(17,513)** | (16,177) |
| Expenses not deductible for tax purposes | **17,643** | 13,602 |
| Amortisation of goodwill | **3,161** | 2,586 |
| Taxable income not subject to tax | **(301)** | (1,238) |
| Depreciation for period in excess of capital allowances | **122** | 643 |
| Deferred tax asset not recognised | **(194)** | 766 |
| Tax losses not utilised | **208** | 963 |
| Other timing differences | **(318)** | 375 |
| Tax rate differences | **(405)** | 335 |
| Adjustments in respect of prior periods | **6** | (85) |
| Total current tax (note 10(a)) | **2,409** | 1,770 |

## 11 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £nil (2012: £nil).

**Notes to the financial statements (continued)**

## 12 Intangible fixed assets

### Group

### Goodwill

| | Goodwill on consolidation £000 | Purchased goodwill £000 | Total £000 |
|---|---|---|---|
| Cost | | | |
| At 1 September 2012 | 89,432 | 31,024 | 120,456 |
| On acquisitions | 19,216 | — | 19,216 |
| At 31 August 2013 | 108,648 | 31,024 | 139,672 |
| Amortisation | | | |
| At 1 September 2012 | 47,226 | 12,439 | 59,665 |
| Provided during the period | 10,639 | 3,006 | 13,645 |
| At 31 August 2013 | 57,865 | 15,445 | 73,310 |
| Net book amount | | | |
| At 31 August 2013 | **50,783** | **15,579** | **66,362** |
| Net book amount | | | |
| At 31 August 2012 | 42,206 | 18,585 | 60,791 |

During the year the group wrote down £nil (2012: £359,000) of purchased goodwill following a review for impairment.

The increase in the year arises from acquisitions (note 32) and the purchase of the 20% minority interest in International Education Joint Stock Company. The goodwill arising on the material acquisition amounted to £2,972,000.

**Notes to the financial statements (continued)**

## 13 Tangible fixed assets

### Group

| | Freehold land and buildings £000 | Short leasehold land and buildings £000 | Fixtures, fittings and equipment £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 September 2012 | 101,512 | 180,264 | 55,777 | 1,076 | 338,629 |
| Additions | 1,829 | 31,975 | 11,763 | 118 | 45,685 |
| On acquisition | 53,764 | 2,269 | 2,363 | 2 | 58,398 |
| Disposals | — | (44) | (6,781) | (47) | (6,872) |
| Exchange movements | (1,152) | 388 | 127 | 9 | (628) |
| Asset reclassification | 17 | (653) | 210 | (48) | (474) |
| At 31 August 2013 | 155,970 | 214,199 | 63,459 | 1,110 | 434,738 |
| Depreciation | | | | | |
| At 1 September 2012 | 14,346 | 28,480 | 27,824 | 743 | 71,393 |
| Charge for the year | 2,276 | 8,016 | 7,335 | 124 | 17,751 |
| Disposals | — | (44) | (6,706) | (45) | (6,795) |
| Impairment charge | 1,299 | 583 | 92 | — | 1,974 |
| Exchange movements | (300) | 30 | 63 | 8 | (199) |
| Asset reclassification | 17 | 5 | (448) | (48) | (474) |
| At 31 August 2013 | 17,638 | 37,070 | 28,160 | 782 | 83,650 |
| Net book value | | | | | |
| At 31 August 2013 | **138,332** | **177,129** | **35,299** | **328** | **351,088** |
| Net book value | | | | | |
| At 31 August 2012 | 87,166 | 151,784 | 27,953 | 333 | 267,236 |

Included within additions are assets under construction totalling £26,514,000 (2012: £4,559,000).

During the year the company wrote down £1,974,000 (2012: £3,401,000) of tangible fixed assets following a review for impairment.

The asset reclassification includes amounts relating to a building project which were initially capitalised within leasehold land and buildings but have now been separately identified and transferred to the appropriate fixed asset category.

## 14 Investments

| | The group | | The company | |
|---|---|---|---|---|
| | 31 August 2013 £000 | 31 August 2012 £000 | 31 August 2013 £000 | 31 August 2012 £000 |
| Interest in joint ventures (a) | **1,546** | 1,697 | **—** | — |
| Interests in subsidiary undertakings (b) | **—** | — | **71,233** | 46,240 |
| | **1,546** | 1,697 | **71,233** | 46,240 |

## 14 Investments (continued)

### (a) Interest in joint ventures

Interest in joint ventures represents:

| Joint venture | Country of incorporation | Class of share capital held | Proportion held by parent company | Proportion held by subsidiary undertaking | Nature of business |
|---|---|---|---|---|---|
| St Nicholas Preparatory School Limited | England and Wales | Ordinary | — | 50% | Education |

| | The group 2013 £000 |
|---|---|
| Cost or valuation at 1 September 2012 | 2,902 |
| Share of profits of joint ventures | 429 |
| Dividends receivable | (425) |
| At 31 August 2013 | 2,906 |
| Amortisation of goodwill at 1 September 2012 | 1,205 |
| Provided during the year | 155 |
| At 31 August 2013 | 1,360 |
| Net book value | |
| At 31 August 2013 | **1,546** |
| At 31 August 2012 | 1,697 |

The group's aggregate share in its joint venture comprises:

| | **2013 £000** | 2012 £000 |
|---|---|---|
| Fixed assets | **1,347** | 1,357 |
| Current assets | **1,465** | 1,521 |
| Liabilities due within one year | **(1,461)** | (1,531) |
| | **1,351** | 1,347 |
| Goodwill | **195** | 350 |
| | **1,546** | 1,697 |

The group's share of profits of its joint venture was as follows:

| | **2013 £000** | 2012 £000 |
|---|---|---|
| Turnover | **2,078** | 2,175 |
| Profit before tax | **492** | 615 |
| Taxation | **(63)** | (85) |
| Profit after tax | **429** | 530 |

**14 Investments (continued)**

**(b) Subsidiary undertakings**

| | The company £000 |
|---|---|
| Cost | |
| At 1 September 2012 | 46,240 |
| Additions | 24,993 |
| At 31 August 2013 | **71,233** |

The following are the main subsidiary undertakings of the company and are registered in England and Wales except where indicated:

| Subsidiary undertaking | Class of share capital held | % held | Country of incorporation | Nature of business |
|---|---|---|---|---|
| *Cognita UK Holdings Limited | Ordinary | 100% | England & Wales | Holding Company |
| Cognita Limited | Ordinary | 100% | England & Wales | Management |
| Cognita Schools Limited | Ordinary | 100% | England & Wales | Education |
| Cognita International Holdings Limited | Ordinary | 100% | England & Wales | Holding Company |
| Cognita Spain Holdings S.L. | Ordinary | 100% | Spain | Management |
| British School Barcelona S.A. | Ordinary | 100% | Spain | Education |
| ELIS Cognita S.L. | Ordinary | 100% | Spain | Education |
| Cognita Singapore Holding Pte Limited | Ordinary | 100% | Singapore | Management |
| Australian International School Singapore Pte Limited | Ordinary | 100% | Singapore | Education |
| Super Camps Limited | Ordinary | 100% | England & Wales | Education |
| *Cognita Funding 1 Limited | Ordinary | 100% | England & Wales | Holding Company |
| Cognita Asia Holdings Pte Limited | Ordinary | 100% | Singapore | Holding Company |
| Cognita Spain Holdings 2 S.L. | Ordinary | 100% | Spain | Management |
| Cognita BSB Property S.L. | Ordinary | 100% | Spain | Property |
| Cognita Hastings Property S.L. | Ordinary | 100% | Spain | Property |
| Cognita Hastings School S.L. | Ordinary | 100% | Spain | Education |
| Stamford American International School Pte Limited | Ordinary | 100% | Singapore | Education |
| British Education Management Systems Company Limited | Ordinary | 80% | Thailand | Education |
| Silom Education Company Limited | Ordinary | 80% | Thailand | Education |
| Rayong Education Company Limited | Ordinary | 80% | Thailand | Education |
| **International Education Corporation Joint Stock Company | Ordinary | 100% | Vietnam | Education |
| Cognita Brasil Participacoes | Ordinary | 100% | Brazil | Holding Company |
| Cognita Brasil Locadora de Imoveis Ltda | Ordinary | 100% | Brazil | Property |
| Cognita Brasil Escolas Partipacoes Ltda | Ordinary | 100% | Brazil | Education |
| Desarrollos Educacionales, SA | Ordinary | 51% | Chile | Holding Company |
| Soc. Educacional Heuchubura, SA | Ordinary | 51% | Chile | Education |
| Soc. Educacional Penalolen, SA | Ordinary | 51% | Chile | Education |
| Soc. Educacional Temuco, SA | Ordinary | 51% | Chile | Education |
| Soc. Educacional Puerto Montt, SA | Ordinary | 51% | Chile | Education |
| Soc. Educacional Valle Lo Campino, SA | Ordinary | 51% | Chile | Education |
| Soc. Educacional Ciudad Del Este, SA | Ordinary | 51% | Chile | Education |
| Soc. Educacional Lo Aguirre, SA | Ordinary | 51% | Chile | Education |
| Soc. Educacional Chicureo, SA | Ordinary | 51% | Chile | Education |
| Soc. Educacional Curuama, SA | Ordinary | 51% | Chile | Education |

* Share capital held by parent company.
** Increased from 80% during the year.

## 14 Investments (continued)

In addition the group owns 100% of the share capital of a number of dormant companies which do not impact on the results of the group.

## 15 Stocks

| | The group | |
|---|---|---|
| | **2013 £000** | 2012 £000 |
| Goods for resale | **554** | 582 |

## 16 Debtors

| | The group | | The Company | |
|---|---|---|---|---|
| | **2013 £000** | 2012 £000 | **2013 £000** | 2012 £000 |
| Trade debtors | **40,914** | 33,940 | **—** | — |
| Other debtors | **4,244** | 5,327 | **—** | — |
| Corporation tax recoverable | **206** | 233 | **—** | — |
| Deferred tax (note 21) | **7,107** | 2,405 | **—** | — |
| Prepayments and accrued income | **9,315** | 8,008 | **17** | 17 |
| Amounts owed by joint venture | **177** | 190 | **—** | — |
| | **61,963** | 50,103 | **17** | 17 |

The deferred tax asset is expected to reverse over a period of greater than one year. Within prepayments and accrued income are £3,116,000 (2012: £2,974,000) of prepaid expenses which will be released to the profit and loss account after more than one year.

## 17 Creditors: amounts falling due within one year

| | The group | | The Company | |
|---|---|---|---|---|
| | **2013 £000** | 2012 £000 | **2013 £000** | 2012 £000 |
| Bank loans | **11,305** | 5,061 | **—** | — |
| Bank overdrafts | **7,505** | 4,197 | **—** | — |
| Short term loan from ultimate controlling party (note 19) | **—** | 106,843 | **—** | — |
| Trade creditors | **5,270** | 7,981 | **—** | — |
| Corporation tax | **2,311** | 1,589 | **—** | — |
| Other taxes and social security | **3,169** | 3,926 | **—** | — |
| Fees paid in advance and deposits | **22,546** | 18,458 | **—** | — |
| Deferred consideration | **3,140** | 396 | **—** | — |
| Other creditors | **4,153** | 3,824 | **—** | — |
| Accruals and deferred income | **98,488** | 78,649 | **—** | — |
| Amounts owed to group undertakings | **—** | — | **51,480** | 46,213 |
| | **157,887** | 230,924 | **51,480** | 46,213 |

At the year end deferred cash consideration amounted to £6,591,000 (2012: £1,366,000), of which £3,451,000 (2012: £970,000) is expected to be payable after more than one year.

## 18 Creditors: amounts falling due after more than one year

| | The group | |
|---|---|---|
| | **2013 £000** | 2012 £000 |
| Bank loans | **240,640** | 211,830 |
| Deep discount bonds | **295,312** | 121,477 |
| Loan notes | **34,867** | 30,245 |
| Other loans | **70,048** | 44,623 |
| Fees paid in advance and deposits | **547** | 609 |
| Deferred consideration | **3,451** | 970 |
| Other creditors | **3,175** | 304 |
| | **648,040** | 410,058 |

Bank loans falling due after more than one year comprise £241,129,000 (2012: £212,971,000) of loans less £489,000 (2012: £1,141,000) deferred arrangement fees.

## 19 Borrowings

Borrowings are repayable as follows:

| | The group | |
|---|---|---|
| | **2013 £000** | 2012 £000 |
| Within one year: | | |
| Bank loans | **11,305** | 5,061 |
| Bank overdraft | **7,505** | 4,197 |
| Short term loan from ultimate controlling party | **—** | 106,843 |
| Other loans | **—** | 34 |
| Between two and five years: | | |
| Bank loans | **219,445** | 169,475 |
| Deep discounted bonds | **140,142** | 121,477 |
| Loan notes | **34,867** | 30,245 |
| Other loans | **18,899** | 10,562 |
| In more than five years: | | |
| Bank loans | **21,195** | 42,355 |
| Deep discount bonds | **155,170** | — |
| Other loans | **51,149** | 34,027 |
| | **659,677** | 524,276 |

Certain of the assets of the group are subject to a fixed and floating charge as security for the bank loans.

Of bank loans outstanding at 31 August 2013, £117,387,000 bear interest at LIBOR +3.90% (2012: £117,387,000 at LIBOR +3.90%). A loan held in Spain amounted to £24,704,000 (2012: £22,920,000) at year end and has a floating interest rate.

On 30 November 2012 a hedging instrument matured which fixed the LIBOR rates on borrowings up to £141,674,000 at 5.90%. A new hedging instrument was effective from 30 November 2012, fixing LIBOR rates on borrowings up to £95,200,000 at 1.395% until November 2015.

A bank loan held in Singapore amounted to £65,394,000 at year end of which £52,950,000 (2012: £60,594,000) has a fixed interest rate of 6% and the balance of £12,444,000 (2012: £12,401,000) bears interest at SIBOR +4.25%.

### 19 Borrowings (continued)

Other bank loans held in Spain amounted to £4,660,000 (2012: £4,730,000) of which £3,485,000 (2012: £3,505,000) has a floating interest rate of Euribor plus 3% and £1,175,000 (2012: £1,225,000) has a floating interest rate of Euribor plus 4.45%.

A loan held in Asia with the EDB in Singapore amounted to £70,048,100 (2012: £44,623,000) and has a fixed interest rate.

A bank loan held in Brazil amounted to £8,168,400 at the year end of which £5,445,600 has a fixed interest rate of 12.25% and the balance of £2,772,800 bears interest at Brazil CDI +2.5%.

There are 15 loan facilities in Chile with a total value of £31,934,800 these have fixed rates between 4.2%-5.8% on the underlying Unidad de Fomento (UF) currency in Chile. These loans are revalued monthly in Chilean Peso.

### Short term loans from ultimate controlling party

During the year the group entered into three (2012: four) new short term loans with Bregal Investments II LP with a principal nominal value of £27,678,615 (2012: £29,025,000). Including new and rolled loans, the group entered into short term loans of £273,597,079 (2012: £171,164,383).

On 22 March 2013 the group refinanced all of the short term loans of £114,870,695 by issuing a deep discount bond to its ultimate parent undertaking, Cognita Topco Limited with a 10 year term and a yield of 15.25%.

### Deep discount bonds

The non-interest bearing deep discount bonds in issue are as follows:

| Issue date | Subscription £000 | Redemption date at option of holder | Redemption value £000 |
|---|---|---|---|
| 29 November 2004 | 3,676 | November 2014 | 15,209 |
| 30 November 2004 | 21,864 | October 2014 | 90,465 |
| 21 December 2004 | 516 | December 2014 | 2,134 |
| 20 January 2005 | 576 | January 2015 | 2,384 |
| 3 November 2006 | 464 | December 2014 | 1,471 |
| 13 December 2006 | 2,362 | December 2014 | 7,368 |
| 4 January 2007 | 444 | December 2014 | 1,375 |
| 22 March 2007 | 2,687 | December 2014 | 8,082 |
| 30 April 2007 | 1,001 | December 2014 | 2,966 |
| 5 December 2008 | 5,200 | December 2014 | 12,271 |
| 28 May 2009 | 2,000 | December 2014 | 4,411 |
| 28 August 2009 | 3,309 | December 2014 | 7,041 |
| 26 February 2010 | 6,478 | December 2014 | 12,843 |
| 22 March 2013 | 114,871 | March 2023 | 367,148 |
| | 165,448 | | 535,168 |

Cognita Topco Limited has confirmed that it will not invoke its option to redeem the deep discount bonds in cash which fall due for repayment within two to five years.

During the year all deep discount bonds were transferred from Bregal Fund LP and related parties to Cognita Topco Limited in exchange for an issue of ordinary shares in Cognita Topco Limited. Cognita Topco Limited is the ultimate parent undertaking of Cognita Holdings Limited. Monitoring fees payable to The Bregal Fund LP in the period amounted to £37,500 (2012: £50,000).

### Loan notes

These notes accrue interest at 15.25% and the balance payable for all loan notes outstanding at 31 August 2013 was £34,867,000 (2012: £30,245,000).

**19 Borrowings (continued)**

The discount on issue and any associated costs incurred on the deep discount bonds and loan notes are charged to the profit and loss account over the period to the earliest date that the holders may redeem. The company does have the option to redeem at an earlier date.

**20 Provisions for liabilities**

**The group**

| | Other provisions £000 | Deferred taxation £000 | Total £000 |
|---|---|---|---|
| At 1 September 2012 | 375 | 861 | 1,236 |
| Exchange loss arising in the year | 9 | 36 | 45 |
| Movement arising during the year | 426 | 2,888 | 3,314 |
| At 31 August 2013 | **810** | **3,785** | **4,595** |

Other provisions include a provision for a potential social security liability in Asia which is expected to be utilised during the year and the fair value of loyalty points awarded in the financial year in one of the group companies, these are likely to be utilised over the next year, in line with the terms of the scheme.

Deferred tax liabilities relate to future reversals in overseas subsidiaries in respect of accelerated capital allowances.

**21 Deferred tax asset**

The movement in the deferred tax asset during the period was:

| | **2013 £000** | 2012 £000 |
|---|---|---|
| At 1 September 2012 | **2,405** | 2,278 |
| Exchange movement | **184** | (146) |
| Profit and loss movement arising during period | **1,468** | 45 |
| On acquisition | **3,450** | — |
| Adjustments in respect of prior periods | **(400)** | 228 |
| At 31 August 2013 | **7,107** | 2,405 |

The deferred tax asset consists of the tax effect of timing differences in respect of:

| | **2013 £000** | 2012 £000 |
|---|---|---|
| Depreciation on fixed assets in excess of capital allowances | **1,975** | 196 |
| Losses carried forward | **1,240** | 1,726 |
| Other timing differences | **3,892** | 483 |
| | **7,107** | 2,405 |

The group has approximately £10.0 million (2012: £2.4 million) of trading tax losses to carry forward.

A deferred tax asset of approximately £1.5 million (2012: £4.3 million) has not been recognised due to the uncertainty as to recovery in the foreseeable future.

**22 Contingent liabilities**

The assets of the company are subject to a fixed and floating charge as a guarantee for debt provided by the Bank of Scotland to group companies. The total gross exposure as at the period end amounted to £118,089,000 (2012: £119,102,000).

### 22 Contingent liabilities (continued)

There was one (2012: two) interest rate hedge contract in place at the balance sheet date. The fair value of the interest rate hedge as at 31 August 2013 was a liability of £1,249,393 (2012: £2,138,993). The interest rate hedge will expire on 30 November 2015.

### 23 Commitments under operating leases

At 31 August 2013 the group had annual commitments under non-cancellable operating leases as set out below.

**The group**

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Land and buildings £000** | **Other items £000** | Land and buildings £000 | Other items £000 |
| Operating leases which expire: | | | | |
| Within one year | **97** | **118** | 193 | 113 |
| Within two to five years | **965** | **341** | 1,217 | 392 |
| After more than five years | **5,607** | **—** | 5,272 | 2 |
| | **6,669** | **459** | 6,682 | 507 |

### 24 Capital commitments

The group entered into contracts for the provision of fixed asset additions which had not been incurred at year end of £46,419,000 (2012: £69,010,000).

### 25 Called-up equity share capital

| | **2013 £000** | 2012 £000 |
|---|---|---|
| Authorised share capital: | | |
| 2013: 19,787,731 (2012: nil) ordinary shares of 1p each | **198** | — |
| 2013: nil (2012: 90,000) 'A' ordinary shares of 1p each | **—** | 1 |
| 2013: nil (2012: 19,148) 'B' ordinary shares of 1p each | **—** | — |
| 2013: nil (2012: 1) 'C' ordinary share of £1 each | **—** | — |
| 2013: nil (2012: 752) 'D' ordinary shares of 1p each | **—** | — |
| 2013: nil (2012: 323) 'E' ordinary shares of 1p each | **—** | — |
| 2013: nil (2012: 1,080) 'F' ordinary shares of 1p each | **—** | — |
| | **198** | 1 |
| Allotted, called-up and fully paid: | | |
| 2013: 19,787,731 (2012: nil) ordinary shares of 1p each | **198** | — |
| 2013: nil (2012: 89,500) 'A' ordinary shares of 1p each | **—** | 1 |
| 2013: nil (2012: 18,290) 'B' ordinary shares of 1p each | **—** | — |
| 2013: nil (2012: 1) 'C' ordinary share of £1 each | **—** | — |
| 2013: nil (2012: 752) 'D' ordinary shares of 1p each | **—** | — |
| 2013: nil (2012: 323) 'E' ordinary shares of 1p each | **—** | — |
| 2013: nil (2012: 1,080) 'F' ordinary shares of 1p each | **—** | — |
| | **198** | 1 |

During the year 1 'C' ordinary share of £1 was sub-divided and re-designated as 100 ordinary shares.

All 'A', 'B', 'D', 'E', and 'F' ordinary shares were subsequently re-designated as ordinary shares of £0.01 each in the capital of the company.

The company allotted 19,677,686 shares during the year with a nominal value of £196,777. These shares were issued at a premium of £0.99. This premium was recognised in the share premium account (note 26).

## 25 Called-up equity share capital (continued)

### Rights of shares

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

## 26 Reserves

### The group

| | Share premium account £000 | Merger reserve £000 | Own share reserve £000 | Profit and loss account £000 |
|---|---|---|---|---|
| At 1 September 2012 | 92 | 1,041 | (49) | (193,904) |
| Loss for the financial year | — | — | — | (75,448) |
| Exchange losses for the financial year | — | — | — | (1,730) |
| Issue of shares | 19,480 | — | 49 | — |
| At 31 August 2013 | **19,572** | **1,041** | **—** | **(271,082)** |

### The company

| | Share premium account £000 | Own share reserve £000 | Profit and loss account £000 |
|---|---|---|---|
| At 1 September 2012 | 92 | (49) | — |
| Issue of shares | 19,480 | — | — |
| Sale of shares | — | 49 | — |
| At 31 August 2013 | **19,572** | **—** | **—** |

## 27 Reconciliation of movement in shareholders' deficit

### The group

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Loss for the financial year | **(75,448)** | (65,939) |
| Shares transferred from/(to) employee benefit scheme | **49** | (49) |
| Issue of shares | **19,677** | — |
| Exchange (losses)/gains for the financial year | **(1,730)** | 1,427 |
| Movement in shareholders' deficit | **(57,452)** | (64,561) |
| Shareholders' deficit brought forward | **(192,819)** | (128,258) |
| Shareholders' deficit carried forward | **(250,271)** | (192,819) |

## 28 Pensions

The group operates defined benefit and defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the group to the schemes.

### 29 Reconciliation of operating loss to net cash inflow from operating activities

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Operating loss | **(12,140)** | (7,848) |
| Amortisation and depreciation | **31,396** | 27,545 |
| Impairment charge | **1,974** | 3,760 |
| Decrease in stocks | **28** | 11 |
| Decrease/(increase) in debtors | **5,090** | (4,147) |
| Increase in creditors | **10,251** | 18,318 |
| Increase in other provisions | **435** | 281 |
| Exchange movements | **274** | (1,297) |
| Net cash inflow from operating activities | **37,308** | 36,623 |

### 30 Reconciliation of net cash flow movement to movement in net debt

| | 2013 £000 | 2012 £000 |
|---|---|---|
| (Increase) in cash in the period | **(12,229)** | (28,610) |
| Net cash (outflow)/ inflow from bank loans | **(2,057)** | 1,881 |
| Net cash inflow from other loans | **25,270** | 31,958 |
| Net cash outflow from deep discount bonds and loan notes | **—** | (236) |
| Net cash inflow from short term loans from ultimate controlling party | **27,679** | 29,025 |
| | **38,663** | 34,018 |
| Debt on acquisition | **34,294** | (467) |
| Non cash items | **46,907** | 28,527 |
| Movement in net debt | **119,864** | 62,078 |
| Net debt at beginning of period | **455,119** | 393,041 |
| Net debt at the end of the period | **574,983** | 455,119 |

### 31 Analysis of changes in net debt

| | 31 August 2012 £000 | Cash flows £000 | Acquisitions £000 | Non cash items £000 | 31 August 2013 £000 |
|---|---|---|---|---|---|
| Cash at bank and in hand | 69,157 | 14,235 | 1,302 | — | **84,694** |
| Bank overdraft | (4,197) | (3,308) | — | — | **(7,505)** |
| | 64,960 | 10,927 | 1,302 | — | **77,189** |
| Bank loans | (216,891) | 2,057 | (34,294) | (2,815) | **(251,943)** |
| Other loans | (44,623) | (25,270) | — | (156) | **(70,049)** |
| Deep discount bonds and loan notes | (151,722) | — | — | (178,458) | **(330,180)** |
| Short term loan from ultimate controlling party | (106,843) | (27,679) | — | 134,522 | **—** |
| | (455,119) | (39,965) | (32,992) | (46,907) | **(574,983)** |

Non cash items represent the unwinding of debt costs, discounts on subscription for the deep discount bonds and rolled up interest.

## 32 Acquisitions

During the year the group made several share purchases acquisitions as detailed below. Goodwill arising on the acquisition has been capitalised. All purchases have been accounted for under the acquisition method of accounting.

### Share purchases

During the year the group purchased ten schools via acquisition of shares in the following legal entities:

| Name of legal entity | Date acquired | Class of share capital acquired | Percentage acquired | Country |
|---|---|---|---|---|
| Escola Cidade Jardim—Play Pen Ltda | 2 October 2012 | Ordinary | 100% | Brazil |
| Desarrollos Educacionales, SA | 18 June 2013 | Ordinary | 51% | Chile |

All fair values are provisional as further time is required to assimilate all necessary information:

| | Brazil acquisition | | | Chile acquisition | | |
|---|---|---|---|---|---|---|
| | Book value at acquisition £000 | Revaluation £000 | Fair value at acquisition £000 | Book value at acquisition £000 | Fair value at acquisition £000 | Total fair value at acquisition £000 |
| Fixed assets | 7,800 | 70 | 7,870 | 50,581 | 50,581 | 58,451 |
| Debtors | 14 | — | 14 | 15,807 | 15,807 | 15,821 |
| Bank and cash | 522 | — | 522 | 780 | 780 | 1,302 |
| Total assets | 8,336 | 70 | 8,406 | 67,168 | 67,168 | 75,574 |
| Trade creditors | 20 | — | 20 | 377 | 377 | 397 |
| Other creditors | 705 | — | 705 | 18,600 | 18,600 | 19,305 |
| Bank loans | — | — | — | 34,294 | 34,294 | 34,294 |
| Total liabilities | 725 | — | 725 | 53,271 | 53,271 | 53,996 |
| Net assets | 7,611 | 70 | 7,681 | 13,897 | 13,897 | 21,578 |
| Consolidated goodwill | | | | | | 16,468 |
| Minority Interest | | | | | | (6,810) |
| | | | | | | 31,236 |
| Satisfied by | | | | | | |
| Cash | | | | | | 25,481 |
| Deferred cash consideration | | | | | | 5,755 |
| | | | | | | 31,236 |

The revaluation on fixed assets in Brazil relates to an uplift to reflect the fair value of the land and buildings at the date of acquisition. The fair value was determined on a depreciated replacement cost basis provided by a third party valuation.

During the year consideration paid for the above acquisitions and deferred consideration from prior year acquisitions was £29,567,000 (2012: £1,847,000).

**32 Acquisitions (continued)**

The Desarrollos Educacionales SA group earned a profit after taxation of £1,480,000 for the year ended 31 December 2012. In the period from 1 January 2013 to 18 June 2013 the Desarollos Educacionales SA group earned a loss of £303,000. The summarised profit and loss and statement of total recognised gains and losses for the period from 1 January 2013 to 18 June 2013 shown on the basis of the accounting policies of the Dessarrollos Educacionales SA group prior to the acquisition are as follows:

| | £000 |
|---|---|
| Turnover | 7,281 |
| Operating loss | (168) |
| Loss before taxation | (531) |
| Taxation credit | 228 |
| Loss after tax | **(303)** |

The loss after tax represents the total recognised loss relating to the period.

**33 Subsequent events**

On 15 January 2014 the group acquired a school in Vietnam. The acquisition was made via a combination of share and asset purchase. The acquired business will be consolidated in the 31 August 2014 financial statements and is expected to contribute less than 5% of group turnover in the consolidated financial statements.

The group is in the process of finalising the acquisition accounting and is currently unable to provide further reliable disclosure in accordance with FRS6 at this stage.

There have been no other material events between 31 August 2013 and the date of authorisation of the Consolidated Financial Statements that would require adjustment or disclosure.

**34 Related party transactions**

The group has taken advantage of the exemption in FRS 8 Related Party Disclosures that transactions with wholly owned subsidiaries, do not need to be disclosed.

**35 Controlling related party**

The immediate and ultimate parent undertaking of the company is Cognita Topco Limited, a company registered in Jersey. The ultimate controlling party changed during the year from The Bregal Fund LP and Cognita Holdings Limited is now jointly controlled by The Bregal Fund III LP and KKR European Fund III LP.

When the company was acquired by Cognita Topco Limited and as part of the restructuring a management incentive plan (MIP) was introduced whereby certain senior managers were granted shares in Cognita Topco Limited. The shares have limited rights and there is no entitlement to dividends. The rewards associated with the MIP are achieved by meeting specific targets on the future sale, partial sale, winding up, distribution or listing of shares in Cognita Topco Limited. During the year certain senior managers were provided loans by Cognita Topco Limited.

# Financial Statements
# Cognita Holdings Limited

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**For the Year Ended 31 August 2012**

Grant Thornton

**Independent auditor's report to the members of Cognita Holdings Limited**

We have audited the financial statements of Cognita Holdings Limited for the year ended 31 August 2012 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

**Opinion on financial statements**

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 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

**Independent auditor's report to the members of Cognita Holdings Limited (continued)**

**Matters on which we are required to report by exception (continued)**

Philip Crooks
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

24 January 2013

## Principal accounting policies

### Basis of accounting

The group financial statements have been prepared under the provision of the Large and Medium sized Companies and Group (Accounts and Reports) Regulations 2008 (SI2008/410) and applicable accounting standards under the historical cost convention.

### Going concern

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

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

The directors have performed a review of the group and have a reasonable expectation that the business has adequate resources to continue into the foreseeable future. This assessment has been made with confirmation of support from the ultimate controlling party. The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

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

### Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of its joint ventures. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the profit and loss account from, or up to, the date that control passes, respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006.

Merger accounting has been applied in respect of the acquisition of Cognita Quinton Holdings Limited via a share for share exchange on 29 November 2004 as part of a group reconstruction. The investment has been recorded in the Company's balance sheet at the nominal value of the shares issued.

### Turnover

Turnover represents the total amount receivable by the group for tuition and other services provided and is recognised on a straight line basis over the period of provision. Where fees are invoiced in advance they are deferred on the balance sheet and recognised as turnover over the period of the service provision.

### Tangible fixed assets

Freehold interests in land and buildings are stated at deemed cost. The cost of other fixed assets is their purchase cost, together with any incidental costs of acquisition.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on all tangible fixed assets other than freehold land as follows:

| | | |
|---|---|---|
| Freehold buildings | – | 2% straight line |
| Short leasehold land and buildings | – | over the life of the lease on a straight line basis |
| Fixtures, fittings and equipment | – | 10% to 33% straight line |
| Motor vehicles | – | 25% straight line |

**Principal accounting policies (continued)**

**Goodwill**

Positive purchased goodwill, representing the excess of fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life of 10 years. The useful life is renewed annually. Goodwill on foreign acquisitions is translated at the rate ruling at the date of acquisition.

**Impairments**

Goodwill is assessed for impairment at the end of the first full financial year after acquisition and subsequently if events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable; provisions are made for impairment as required.

Value in use calculations are performed using cash flow projections for up to five years, discounted at a pre-tax rate appropriate to the group. From year 6 onwards cash flows are assumed to grow by 2.25%. The group uses a discount rate for impairment calculations of 8.4%.

**Joint ventures**

The group financial statements incorporate joint ventures under the equity method of accounting, supplemented by additional disclosures.

**Other fixed asset investments**

Investments are included at cost less amounts written off.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Foreign currencies**

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit except for exchange gains and losses on intercompany loans which are taken to finance costs.

**Foreign subsidiaries**

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date for the balance sheet and at the average exchange rate for the period for the profit and loss account. Exchange differences arising from the retranslation of subsidiaries net assets and the difference between the year end exchange rate and the average exchange rate are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

**Pension costs**

**Defined contribution pension scheme**

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

**Defined benefit pension scheme**

The group makes contributions to the Teachers' Superannuation Scheme (operated by the Department for Education and Skills) in respect of certain teachers.

**Principal accounting policies (continued)**

**Pension costs (continued)**

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

The group is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly, no provision can be made for any under or over provision of funding within the scheme as required under Financial Reporting Standard No. 17 "Retirement Benefits".

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Financial Instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

**Financial liabilities**

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account over the term of the loan. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability to the earliest date that the holders can redeem the note.

The carrying amount of financial liabilities are increased by the finance cost and reduced by payments made in respect of that liability. For deep discount bonds the discount from nominal value on issue of bonds is charged to the profit and loss account over the life of the investment to the earliest date that holders may redeem their bonds. This unwinding of the discount is shown within net interest. Debt costs are deducted against the financial instruments to which they relate. The costs are then charged to the profit and loss account at a constant rate over the life of the instrument to maturity.

**Equity instruments**

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

**Investment in own shares**

The group operates an employee benefit trust which facilitates the transfer of shares at the discretion of the trustees. The assets and liabilities of the trust are recognised in these accounts to reflect the fact that the group has de facto control over the assets. The costs of shares purchased by the trust are debited to the own share reserve.

**Principal accounting policies (continued)**

**Share based payments**

The shares gifted to employees vest immediately and the expense recognised in the profit and loss account is the fair value at the grant date which is the date on which the employee becomes unconditionally entitled to the share award.

The grant by the company of its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent accounts.

## Cognita Holdings Limited
## Financial statements for the year ended 31 August 2012

### Consolidated profit and loss account

| | Note | 2012 | | 2011 | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| Turnover | 1&2 | | | | |
| Group and share of joint ventures | | | **199,604** | | 173,709 |
| Share of joint ventures | | | **(2,175)** | | (2,032) |
| **Group turnover** | | | **197,429** | | 171,677 |
| Operating costs | 3 | | | | |
| —recurring | | **(194,708)** | | (167,653) | |
| —exceptional costs | 4 | **(10,569)** | | (3,148) | |
| | | | **(205,277)** | | (170,801) |
| Group operating (loss)/profit | 8 | | **(7,848)** | | 876 |
| Share of operating profit in respect of joint venture | 5 | | **457** | | 378 |
| **(Loss)/profit before interest and tax** | | | | | |
| *Earnings before interest, depreciation, amortisation, tax and exceptional costs* | | | ***30,952*** | | *29,197* |
| *Exceptional costs* | | | ***(10,569)*** | | *(3,148)* |
| *Depreciation and amortisation* | | | ***(27,774)*** | | *(24,795)* |
| | | | **(7,391)** | | 1,254 |
| (Loss)/profit on disposal of fixed assets | | | **(759)** | | 1 |
| Net interest | 9 | | **(56,133)** | | (41,517) |
| **Loss on ordinary activities before taxation** | | | **(64,283)** | | (40,262) |
| Tax (charge)/credit on loss on ordinary activities | 10 | | **(1,685)** | | 56 |
| **Loss on ordinary activities after taxation** | | | **(65,968)** | | (40,206) |
| Minority interest | | | **29** | | 225 |
| **Loss for the financial year** | 26 | | **(65,939)** | | (39,981) |

Acquisitions in the period contributed £2,094,000 (2011: £6,591,000) to group turnover.

All of the activities of the company are classed as continuing.

### Consolidated statement of total recognised gains and losses

| | 2012 | 2011 |
|---|---|---|
| | **£000** | £000 |
| **Loss for the financial year** | **(65,939)** | (39,981) |
| Exchange gains | **1,427** | 1,183 |
| Total recognised losses for the year | **(64,512)** | (38,798) |

The accompanying notes and accounting policies form part of these financial statements.

**Cognita Holdings Limited**
**Financial statements for the year ended 31 August 2012**

**Consolidated balance sheet**

| | Note | 2012 | | 2011 | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Intangible assets | 12 | | **60,791** | | 72,861 |
| Tangible assets | 13 | | **267,236** | | 235,662 |
| Investments | | | | | |
| Joint ventures: | | | | | |
| Goodwill in joint venture | | **350** | | 505 | |
| Share of gross assets | | **2,878** | | 2,602 | |
| Share of gross liabilities | | **(1,531)** | | (1,285) | |
| | 14(a) | | **1,697** | | 1,822 |
| | | | **329,724** | | 310,345 |
| **Current assets** | | | | | |
| Stocks | 15 | **582** | | 593 | |
| Debtors | 16 | **50,103** | | 45,069 | |
| Cash at bank and in hand | | **69,157** | | 40,110 | |
| | | **119,842** | | 85,772 | |
| **Creditors: amounts falling due within one year** | 17 | **(230,924)** | | (157,521) | |
| **Net current liabilities** | | | **(111,082)** | | (71,749) |
| **Total assets less current liabilities** | | | **218,642** | | 238,596 |
| **Creditors: amounts falling due after more than one year** | 18 | | **410,058** | | 365,625 |
| **Provisions for liabilities** | 20 | | **1,236** | | 857 |
| **Capital and reserves** | | | | | |
| Called-up equity share capital | 25 | **1** | | 1 | |
| Share premium account | 26 | **92** | | 92 | |
| Other reserves | 26 | **1,041** | | 1,041 | |
| Own share reserve | 26 | **(49)** | | — | |
| Profit and loss account | 26 | **(193,904)** | | (129,392) | |
| **Total shareholders' deficit** | 27 | | **(192,819)** | | (128,258) |
| | | | **218,475** | | 238,224 |
| Minority interest | | | **167** | | 372 |
| **Capital employed** | | | **218,642** | | 238,596 |

These financial statements were approved by the Board of Directors on 24 January 2013 and signed on their behalf by:

G Narunsky
Director

The accompanying notes and accounting policies form part of these financial statements.

## Cognita Holdings Limited
## Financial statements for the year ended 31 August 2013

### Company balance sheet

| | Note | 2012 £000 | 2011 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 14(b) | **46,240** | 28,408 |
| **Current assets** | | | |
| Debtors | 16 | **17** | 17 |
| **Creditors: amounts falling due within one year** | 17 | **(46,213)** | (28,332) |
| **Net current liabilities** | | **(46,196)** | (28,315) |
| **Total assets less current liabilities** | | **44** | 93 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 25 | **1** | 1 |
| Share premium account | | **92** | 92 |
| Own share reserve | 26 | **(49)** | — |
| Profit and loss account | 26 | **—** | — |
| **Shareholders' funds** | | **44** | 93 |

These financial statements were approved by the Board of Directors on 24 January 2013 and signed on their behalf by:

G Narunsky
Director

Company No. 05281013

The accompanying notes and accounting policies form part of these financial statements.

**Cognita Holdings Limited**
**Financial statements for the year ended 31 August 2012**

**Consolidated cash flow statement**

| | Note | 2012 £000 | 2012 £000 | 2011 £000 | 2011 £000 |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 29 | | **36,623** | | 29,668 |
| **Dividends received from joint venture** | | | **500** | | 425 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest received | | **446** | | 293 | |
| Interest paid | | **(21,339)** | | (17,452) | |
| **Net cash outflow from returns on investments and servicing of finance** | | | **(20,893)** | | (17,159) |
| **Taxation paid** | | | **(1,645)** | | (959) |
| **Capital expenditure** | | | | | |
| Payments to acquire tangible fixed assets | | **(45,858)** | | (33,821) | |
| Sale of tangible fixed assets | | **1,165** | | 10 | |
| **Net cash outflow from capital expenditure** | | | **(44,693)** | | (33,811) |
| **Acquisitions** | | | | | |
| Acquisitions | 32 | **(1,847)** | | (24,824) | |
| Net cash acquired | 32 | **467** | | 3,891 | |
| **Net cash outflow from acquisitions** | | | **(1,380)** | | (20,933) |
| **Cash outflow before financing** | | | **(31,488)** | | (42,769) |
| **Financing** | | | | | |
| Repayment of loan | | **(52,107)** | | (173) | |
| New bank loans drawn net of finance costs | | **51,810** | | 1,832 | |
| Other loans drawn | | **31,958** | | 12,739 | |
| Repayment of deep discount bonds | | **(236)** | | — | |
| Short term loans drawn | | **29,025** | | 36,943 | |
| Purchase of own shares | | **(352)** | | — | |
| **Net cash inflow from financing** | | | **60,098** | | 51,341 |
| **Increase in cash** | 30 | | **28,610** | | 8,572 |

The accompanying notes and accounting policies form part of these financial statements.

**Notes to the financial statements**

## 1 Turnover

Turnover is attributable to the principal activity of the group.

## 2 Segmental reporting

During the year the group generated revenue in the following geographical locations.

| | **2012 £000** | 2011 £000 |
|---|---|---|
| United Kingdom (including joint venture turnover) | **116,877** | 111,486 |
| Europe | **19,036** | 16,036 |
| Asia | **63,691** | 46,187 |
| | **199,604** | 173,709 |

The turnover analysis presented above includes the following amounts in respect of operations acquired during the year:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| United Kingdom | **2,094** | 1,218 |
| Europe | **—** | 2,674 |
| Asia | **—** | 2,699 |
| | **2,094** | 6,591 |

The financial statements do not give the additional geographical segmental information of operating result and net assets as required by SSAP 25. This is because in the opinion of the directors the disclosure of such information would be seriously prejudicial to the interests of the group.

## 3 Operating costs

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Other external charges | **64,466** | 47,302 |
| Staff costs | **112,136** | 98,402 |
| Depreciation and amortisation | **27,545** | 24,569 |
| Other operating charges | **1,130** | 528 |
| | **205,277** | 170,801 |

The group is not able to disclose accurately the impact of acquisitions on costs and hence operating profit as central costs are not allocated to individual operating units.

## 4 Exceptional costs

Included in other external charges are the following exceptional costs:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Abortive acquisition costs | **2,091** | 1,050 |
| Business exploration costs | **970** | 945 |
| Restructuring costs | **3,748** | 1,153 |
| Impairment costs | **3,760** | — |
| | **10,569** | 3,148 |

**Notes to the financial statements (continued)**

## 4 Exceptional costs (continued)

Abortive acquisition costs relate to legal and due diligence costs written off when potential acquisitions are unlikely to occur. Business exploration costs are costs incurred during the year on future business development into new regions and countries. Restructuring costs mainly relate to exceptional employment cessation costs and associated legal costs. Impairment costs relate to the write down of assets identified as being impaired.

## 5 Share of operating profit in respect of joint venture

This is represented by:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Share of operating profit before depreciation | **686** | 604 |
| Share of depreciation | **(74)** | (71) |
| | **612** | 533 |
| Amortisation of goodwill | **(155)** | (155) |
| Share of operating profit | **457** | 378 |

## 6 Staff costs

The average number of staff employed by the group (including directors) during the financial period amounted to:

| | 2012 No | 2011 No |
|---|---|---|
| Number of teachers | **2,758** | 2,610 |
| Number of administrative staff | **1,032** | 943 |
| | **3,790** | 3,553 |

The aggregate payroll costs of the above were:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Wages and salaries | **100,179** | 87,491 |
| Social security costs | **7,563** | 6,797 |
| Staff pension costs | **4,394** | 4,114 |
| | **112,136** | 98,402 |

## 7 Directors' remuneration

Remuneration in respect of directors was as follows:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Emoluments receivable | **892** | 813 |

No directors were accruing benefits under company pension schemes. The amounts above include remuneration of the highest paid director as follows:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Emoluments | **540** | 486 |

**Notes to the financial statements (continued)**

## 8 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Amortisation | **12,251** | 10,960 |
| Depreciation of owned fixed assets | **15,294** | 13,609 |
| Auditor's remuneration: | | |
| Fees for the audit of the company | **—** | — |
| Fees for the audit of the company's subsidiaries pursuant to legislation | **338** | 294 |
| Tax services and other non-audit services | **192** | 172 |
| Operating lease costs: | | |
| Land and buildings | **6,909** | 4,662 |
| Other | **1,019** | 663 |

Audit fees of the group are borne by Cognita Limited. Non-audit fees relating to acquisitions which were capitalised in the period amount to £12,000 (2011: £631,000). Non-audit fees related to aborted acquisition costs of £160,000 (2011: £nil) were written off to exceptional costs during the year.

## 9 Net interest

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| Interest receivable | | **447** | | 293 |
| Exchange gains on intragroup balances | | **—** | | 120 |
| Share of joint venture interest | | **3** | | 2 |
| | | **450** | | 415 |
| Interest payable on bank borrowing | **(19,222)** | | (17,017) | |
| Interest payable on other loans | **(1,870)** | | (441) | |
| Exchange losses on intragroup balances | **(1,713)** | | — | |
| Loan note interest | **(4,016)** | | (3,475) | |
| Interest on short term loans | **(12,274)** | | (6,195) | |
| Unwinding of discount on bonds | **(16,272)** | | (14,151) | |
| Unwinding of debt costs | **(1,216)** | | (653) | |
| | | **(56,583)** | | (41,932) |
| Net interest | | **(56,133)** | | (41,517) |

## 10 Tax on loss on ordinary activities

### (a) Taxation

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Current tax: | | | | |
| UK Corporation tax | (100) | | (86) | |
| Share of tax charge of joint venture | 92 | | 74 | |
| Adjustments in respect of prior periods | — | | (127) | |
| Overseas tax | 1,778 | | 1,545 | |
| Total current tax | | 1,770 | | 1,406 |
| Deferred tax: | | | | |
| Origination and reversal of timing differences | (60) | | (1,650) | |
| Share of deferred tax movement of joint venture | (7) | | 12 | |
| Adjustment in respect of prior periods | (18) | | 176 | |
| | | (85) | | (1,462) |
| Tax charge/(credit) on loss on ordinary activities | | 1,685 | | (56) |

### (b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 25.166% (2011: 27.166%):

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Loss on ordinary activities before taxation | (64,283) | (40,262) |
| Loss on ordinary activities multiplied by rate of tax | (16,177) | (10,938) |
| Expenses not deductible for tax purposes | 13,602 | 9,057 |
| Amortisation of goodwill | 2,586 | 2,925 |
| Taxable income not subject to tax | (1,238) | 356 |
| Depreciation for period in excess of capital allowances | 643 | 541 |
| Deferred tax asset not recognised | 766 | 431 |
| Tax losses not utilised | 963 | 228 |
| Other timing differences | 375 | (259) |
| Tax rate differences | 335 | (806) |
| Adjustments in respect of prior periods | (85) | (129) |
| Total current tax (note 10(a)) | 1,770 | 1,406 |

## 11 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £nil (2011: £nil).

## 12 Intangible fixed assets

### Group

### Goodwill

| | Goodwill on consolidation £000 | Purchased goodwill £000 | Total £000 |
|---|---|---|---|
| Cost | | | |
| At 1 September 2011 | 88,765 | 31,183 | 119,948 |
| On acquisitions | — | 187 | 187 |
| Adjustment on prior year acquisition | 702 | — | 702 |
| Additions | — | 12 | 12 |
| Disposals | (35) | (358) | (393) |
| At 31 August 2012 | 89,432 | 31,024 | 120,456 |
| Amortisation | | | |
| At 1 September 2011 | 38,020 | 9,067 | 47,087 |
| Provided during the period | 9,206 | 3,045 | 12,251 |
| Impairment charge | — | 359 | 359 |
| Exchange movements | — | (32) | (32) |
| At 31 August 2012 | 47,226 | 12,439 | 59,665 |
| Net book amount | | | |
| At 31 August 2012 | **42,206** | **18,585** | **60,791** |
| Net book amount | | | |
| At 31 August 2011 | 50,745 | 22,116 | 72,861 |

The adjustment on prior year acquisition relates to a decrease in the level of net assets at acquisition and therefore an increase to the level of goodwill generated at the date of acquisition.

During the year the company wrote down £359,000 (2011: £nil) of purchased goodwill following a review for impairment.

**Notes to the financial statements (continued)**

### 13 Tangible fixed assets

**Group**

| | Freehold land and buildings £000 | Short leasehold land and buildings £000 | Fixtures, fittings and equipment £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 September 2011 | 102,321 | 148,930 | 44,127 | 1,165 | 296,543 |
| Additions | 1,610 | 42,120 | 10,433 | 202 | 54,365 |
| Disposals | (1,280) | (7,179) | (1,371) | (281) | (10,111) |
| Exchange movements | (1,040) | (636) | (229) | (5) | (1,910) |
| Asset reclassification | (99) | (2,971) | 2,817 | (5) | (258) |
| At 31 August 2012 | 101,512 | 180,264 | 55,777 | 1,076 | 338,629 |
| Depreciation | | | | | |
| At 1 September 2011 | 8,839 | 28,234 | 22,931 | 877 | 60,881 |
| Charge for the year | 1,896 | 7,413 | 5,884 | 101 | 15,294 |
| Disposals | (84) | (7,179) | (702) | (224) | (8,189) |
| Impairment charge | 3,401 | — | — | — | 3,401 |
| Exchange movements | 393 | 12 | (135) | (6) | 264 |
| Asset reclassification | (99) | — | (154) | (5) | (258) |
| At 31 August 2012 | 14,346 | 28,480 | 27,824 | 743 | 71,393 |
| Net book value<br>At 31 August 2012 | **87,166** | **151,784** | **27,953** | **333** | **267,236** |
| Net book value<br>At 31 August 2011 | 93,482 | 120,696 | 21,196 | 288 | 235,662 |

Included within additions are assets under construction totalling £4,559,000 (2011: £16,468,000).

During the year the company wrote down £3,401,000 (2011: £nil) of tangible fixed assets following a review for impairment.

The asset reclassification includes grossing up the value of a buildings project which was initially capitalised at net book value.

### 14 Investments

| | The group | | The company | |
|---|---|---|---|---|
| | **31 August 2012 £000** | 31 August 2011 £000 | **31 August 2012 £000** | 31 August 2011 £000 |
| Interest in joint ventures (a) | **1,697** | 1,822 | **—** | — |
| Interests in subsidiary undertakings (b) | **—** | — | **46,240** | 28,408 |
| | **1,697** | 1,822 | **46,240** | 28,408 |

#### (a) Interest in joint ventures

Interest in joint ventures represents:

| Joint venture | Country of incorporation | Class of share capital held | Proportion held by parent company | Proportion held by the group | Nature of business |
|---|---|---|---|---|---|
| St Nicholas Preparatory School Limited | England and Wales | Ordinary | — | 50% | Education |

## 14 Investments (continued)

### (a) Interest in joint ventures (continued)

| | The group 2012 £000 |
|---|---|
| Cost or valuation at 1 September 2011 | 2,872 |
| Share of profits of joint ventures | 530 |
| Dividends receivable | (500) |
| At 31 August 2012 | 2,902 |
| Amortisation of goodwill at 1 September 2011 | 1,050 |
| Provided during the year | 155 |
| At 31 August 2012 | 1,205 |
| Net book value | |
| At 31 August 2012 | **1,697** |
| At 31 August 2011 | 1,822 |

The group's aggregate share in its joint venture comprises:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Fixed assets | **1,357** | 1,380 |
| Current assets | **1,521** | 1,222 |
| Liabilities due within one year | **(1,531)** | (1,285) |
| | **1,347** | 1,317 |
| Goodwill | **350** | 505 |
| | **1,697** | 1,822 |

The group's share of profits of its joint venture was as follows:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Turnover | **2,175** | 2,032 |
| Profit before tax | **615** | 535 |
| Taxation | **(85)** | (86) |
| Profit after tax | **530** | 449 |

### (b) Subsidiary undertakings

| | The company £000 |
|---|---|
| Cost | |
| At 1 September 2011 | 28,408 |
| Additions | 17,832 |
| At 31 August 2012 | **46,240** |

## 14 Investments (continued)

### (b) Subsidiary undertakings (continued)

The following are the main subsidiary undertakings of the company and are registered in England and Wales except where indicated:

| Subsidiary undertaking | Class of share capital held | by parent company | by subsidiary undertaking | Country of incorporation | Nature of business |
|---|---|---|---|---|---|
| Cognita UK Holdings Limited | Ordinary | 100% | | England & Wales | Holding Company |
| Cognita Limited | Ordinary | | 100% | England & Wales | Management |
| Cognita Schools Limited | Ordinary | | 100% | England & Wales | Education |
| Cognita International Holdings Limited | Ordinary | | 100% | England & Wales | Holding Company |
| Cognita Spain Holdings S.L. | Ordinary | | 100% | Spain | Management |
| British School Barcelona S.A. | Ordinary | | 100% | Spain | Education |
| ELIS Cognita S.L. | Ordinary | | 100% | Spain | Education |
| Cognita Singapore Holding Pte Limited | Ordinary | | 100% | Singapore | Management |
| Australian International School Singapore Pte Limited | Ordinary | | 100% | Singapore | Education |
| Super Camps Limited | Ordinary | | 100% | England & Wales | Education |
| Cognita Funding 1 Limited | Ordinary | 100% | | England & Wales | Holding Company |
| Cognita Asia Holdings Pte Limited | Ordinary | | 100% | Singapore | Holding Company |
| Cognita Spain Holdings 2 S.L. | Ordinary | | 100% | Spain | Management |
| Cognita BSB Property S.L. | Ordinary | | 100% | Spain | Property |
| Cognita Hastings Property S.L. | Ordinary | | 100% | Spain | Property |
| Cognita Hastings School S.L. | Ordinary | | 100% | Spain | Education |
| Stamford American International School Pte Limited | Ordinary | | 100% | Singapore | Education |
| British Education Management Systems Company Limited | Ordinary | | 80% | Thailand | Education |
| Silom Education Company Limited | Ordinary | | 80% | Thailand | Education |
| Rayong Education Company Limited | Ordinary | | 80% | Thailand | Education |
| International Education Corporation Joint Stock Company | Ordinary | | 80% | Vietnam | Education |

In addition the group owns 100% of the share capital of a number of dormant companies which do not impact on the results of the group.

## 15 Stocks

| | The group | |
|---|---|---|
| | **2012 £000** | 2011 £000 |
| Goods for resale | **582** | 593 |

## 16 Debtors

| | The group | | The Company | |
|---|---|---|---|---|
| | **2012 £000** | 2011 £000 | **2012 £000** | 2011 £000 |
| Trade debtors | **33,940** | 30,942 | **—** | — |
| Other debtors | **5,327** | 3,501 | **—** | — |
| Corporation tax recoverable | **233** | 93 | **—** | — |
| Deferred tax (note 21) | **2,405** | 2,278 | **—** | — |
| Prepayments and accrued income | **8,008** | 8,216 | **17** | 17 |
| Amounts owed by joint venture | **190** | 39 | **—** | — |
| | **50,103** | 45,069 | **17** | 17 |

The deferred tax asset is expected to reverse over a period of greater than one year. Within prepayments and accrued income are £2,974,000 (2011: £3,538,000) of prepaid expenses which will be released to the profit and loss account after more than one year.

## 17 Creditors: amounts falling due within one year

| | The group | | The Company | |
|---|---|---|---|---|
| | **2012 £000** | 2011 Restated £000 | **2012 £000** | 2011 £000 |
| Bank loans | **5,061** | 672 | **—** | — |
| Bank overdrafts | **4,197** | 3,760 | **—** | — |
| Short term loan from ultimate controlling party | **106,843** | 65,544 | **—** | — |
| Trade creditors | **7,981** | 5,427 | **—** | — |
| Corporation tax | **1,589** | 1,538 | **—** | — |
| Other taxes and social security | **3,926** | 2,754 | **—** | — |
| Fees paid in advance and deposits | **18,458** | 14,489 | **—** | — |
| Deferred and contingent consideration | **396** | 2,234 | **—** | — |
| Other creditors | **3,824** | 3,255 | **—** | — |
| Accruals and deferred income | **78,649** | 57,848 | **—** | — |
| Amounts owed to group undertakings | **—** | — | **46,213** | 28,332 |
| | **230,924** | 157,521 | **46,213** | 28,332 |

The prior year comparatives for deferred and contingent consideration and other creditors have been restated to ensure correct disclosure between these two categories. This restatement does not have any other impact on the financial statements.

The deferred and contingent cash consideration is dependent on future levels of income of the relevant school acquired and is recorded at its maximum level in light of directors' expectations. At the year end this amounted to £1,366,000 (2011 restated: £3,759,000), of which £970,000 (2011 restated: £1,525,000) is expected to be payable after more than one year.

**Notes to the financial statements (continued)**

## 18 Creditors: amounts falling due after more than one year

| | The group | |
|---|---|---|
| | **2012 £000** | 2011 Restated £000 |
| Bank loans | **211,830** | 218,518 |
| Deep discount bonds | **121,477** | 105,694 |
| Loan notes | **30,245** | 26,224 |
| Other loans | **44,623** | 12,739 |
| Fees paid in advance and deposits | **609** | 705 |
| Deferred and contingent consideration | **970** | 1,525 |
| Other creditors | **304** | 220 |
| | **410,058** | 365,625 |

The prior year comparatives for deferred and contingent consideration and other creditors have been restated to ensure correct disclosure between these two categories. This restatement does not have any other impact on the financial statements.

Bank loans falling due after more than one year comprise £212,971,000 (2011: £220,312,000) loans less £1,141,000 (2011: £1,794,000) deferred arrangement fees.

## 19 Borrowings

Borrowings are repayable as follows:

| | The group | |
|---|---|---|
| | **2012 £000** | 2011 £000 |
| Within one year: | | |
| Bank loans | **5,061** | 672 |
| Bank overdraft | **4,197** | 3,760 |
| Short term loan from ultimate controlling party | **106,843** | 65,544 |
| Other loans | **34** | — |
| Between two and five years: | | |
| Bank loans | **169,475** | 218,036 |
| Deep discounted bonds | **121,477** | 105,694 |
| Loan notes | **30,245** | 26,224 |
| Other loans | **10,562** | 4,065 |
| In more than five years: | | |
| Bank loans | **42,355** | 482 |
| Other loans | **34,027** | 8,674 |
| | **524,276** | 433,151 |

Certain of the assets of the group are subject to a fixed and floating charge as security for the bank loans.

During the year £51,065,000 (2011: £nil) of bank loans were repaid. Of bank loans outstanding at 31 August 2012, £117,387,000 bear interest at LIBOR +3.90% (2011: £56,250,000 at LIBOR +2.50%, £56,250,000 at LIBOR +3.25%, £55,827,000 at LIBOR +2.75%). A loan held in Spain amounted to £22,920,000 (2011: £25,609,000) at year end and has a floating interest rate.

The borrowing included a hedging instrument so that the LIBOR rate on £141,674,000 (2011: £141,674,000) of the borrowing was fixed at 5.90% (2011: 5.90%). This matured on 30 November 2012. During the year, a

## 19 Borrowings (continued)

hedging instrument was entered into which is effective from 30 November 2012, which fixes the LIBOR rate on borrowings up to £95,200,000 at 1.395% until 30 November 2015.

Other bank loans held in Spain amounted to £4,730,000 (2011: £1,839,000) of which £3,505,000 (2011: £1,839,000) has a floating interest rate of Euribor plus 3% and £1,225,000 (2011: £nil) has a floating interest rate of Euribor plus 4.45%.

A loan held in Singapore amounted to £72,995,000 at year end of which £60,594,000 (2011: £nil) has a fixed interest rate of 6% and the balance of £12,401,000 (2011: £25,047,000) has a floating interest rate.

A loan held in Asia with the Economic Development Board in Singapore amounted to £44,623,000 (2011: £12,739,000) and has a fixed interest rate of 6%.

A loan held in Thailand with a floating interest rate was repaid during the year and therefore at 31 August 2012 amounted to £nil (2011: £162,000).

### Deep discount bonds

The non-interest bearing deep discount bonds in issue are as follows:

| Issue date | Subscription £000 | Redemption date at option of holder | Redemption value £000 |
|---|---|---|---|
| 29 November 2004 | 3,676 | November 2014 | 15,209 |
| 30 November 2004 | 21,864 | October 2014 | 90,465 |
| 21 December 2004 | 516 | December 2014 | 2,134 |
| 20 January 2005 | 576 | January 2015 | 2,384 |
| 3 November 2006 | 464 | December 2014 | 1,471 |
| 13 December 2006 | 2,362 | December 2014 | 7,368 |
| 4 January 2007 | 444 | December 2014 | 1,375 |
| 22 March 2007 | 2,687 | December 2014 | 8,082 |
| 30 April 2007 | 1,001 | December 2014 | 2,966 |
| 5 December 2008 | 5,200 | December 2014 | 12,271 |
| 28 May 2009 | 2,000 | December 2014 | 4,411 |
| 28 August 2009 | 3,309 | December 2014 | 7,041 |
| 26 February 2010 | 6,478 | December 2014 | 12,843 |
| | 50,577 | | 168,020 |

During the year £236,000 of the deep discounted bond issued on 3 November 2006 was repaid. The total amount repaid was £485,400 which included accrued interest of £249,300.

### Loan notes

These notes accrue interest at 15.25% and the balance payable for all loan notes outstanding at 31 August 2012 was £30,245,000 (2011: £26,261,000). The group did not issue any loan notes during the year (2011: £nil).

During the year the group entered into four (2011: nine) new short term loans with principal nominal value of £29,025,000 (2011: £36,943,000). All loans are with Cognita Holdings Limited group's principal investor and are initially for a 12 month period and are then rolled on a three monthly basis. Interest is accruing on these loans at a rate of 15.25%.

Including new and rolled loans, the group entered into short term loans of £171,164,383 (2011 restated: £81,834,000). The balance payable on these loans at 31 August 2012 was £106,843,000 (2011: £65,544,000). The restatement of the prior year comparative above is to reflect the disclosure of all loans which were rolled during the year ended 31 August 2011.

### 19 Borrowings (continued)

In accordance with FRS 4 the discount on issue and any associated costs incurred on the deep discount bonds and loan notes are charged to the profit and loss account to the earliest date that the holders may redeem. The company does have the option to redeem at an earlier date.

The deep discounted bonds and loan notes are held by The Bregal Fund LP and related parties. The Bregal Fund LP is the controlling related party of Cognita Holdings Limited. Monitoring fees payable to The Bregal Fund LP in the period amounted to £50,000 (2011: £50,000).

### 20 Provisions for liabilities

### The group

| | Other provisions £000 | Deferred taxation £000 | Total £000 |
|---|---|---|---|
| At 1 September 2011 | 94 | 763 | 857 |
| Exchange loss arising in the year | — | (39) | (39) |
| Movement arising during the year | 281 | 137 | 418 |
| At 31 August 2012 | **375** | **861** | **1,236** |

Other provisions include a provision for a potential tax liability in Asia which is expected to be utilised during the year and the fair value of loyalty points awarded in the financial year in one of the group companies, these are likely to be utilised over the next 2 years, in line with the terms of the scheme.

Deferred tax liabilities relate to future reversals in overseas subsidiaries in respect of accelerated capital allowances.

### 21 Deferred tax asset

The movement in the deferred tax asset during the period was:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| At 1 September 2011 | **2,278** | 411 |
| Exchange movement | **(146)** | 51 |
| Profit and loss movement arising during period | **45** | 1,745 |
| On acquisition | **—** | 17 |
| Adjustments in respect of prior periods | **228** | 54 |
| At 31 August 2012 | **2,405** | 2,278 |

The deferred tax asset consists of the tax effect of timing differences in respect of:

| | **2012 £000** | 2011 £000 |
|---|---|---|
| Depreciation on fixed assets in excess of capital allowances | **196** | 8 |
| Losses carried forward | **1,726** | 1,226 |
| Other timing differences | **483** | 1,044 |
| | **2,405** | 2,278 |

The group has approximately £15.0 million (2011: £10.5 million) of non-trading tax losses and £2.4 million of trading tax losses to carry forward.

A deferred tax asset of approximately £4.3 million (2011: £3.2 million) has not been recognised due to the uncertainty as to recovery in the foreseeable future.

## 22 Contingent liabilities

The assets of the company are subject to a fixed and floating charge as a guarantee for debt provided by the Bank of Scotland to group companies. The total gross exposure as at the period end amounted to £119,102,000 (2011: £207,021,000).

The fair value of the foreign currency swap was £13,647,000 (2011: £15,841,000) liability at 31 August 2012. The termination date of the instrument was 30 November 2012. Settlement of the swap realised a loss of £13,753,000.

There were two (2011: one) interest rate hedge contracts in place at the balance sheet date. The fair value of the interest rate hedge expiring on 30 November 2012 as at 31 August 2012 was a liability of £1,842,000 (2011: £8,731,000). The fair value of the interest rate hedge entered into during the year and effective from 30 November 2012 and expiring on 30 November 2015, was a liability of £2,139,000 at 31 August 2012.

## 23 Commitments under operating leases

At 31 August 2012 the group had annual commitments under non-cancellable operating leases as set out below.

### The group

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **Land and buildings £000** | **Other items £000** | Land and buildings £000 | Other items £000 |
| Operating leases which expire: | | | | |
| Within one year | **193** | **113** | 309 | 96 |
| Within two to five years | **1,217** | **392** | 637 | 467 |
| After more than five years | **5,272** | **2** | 3,871 | 1 |
| | **6,682** | **507** | 4,817 | 564 |

## 24 Capital commitments

The group entered into contracts for the provision of fixed asset additions which had not been incurred at year end of £69,010,000 (2011: £47,407,000).

## 25 Called-up equity share capital

| | **2012 £000** | **2011 £000** |
|---|---|---|
| Authorised share capital: | | |
| 2012: 90,000 (2011: 90,000) ‘A’ ordinary shares of 1p each | **1** | 1 |
| 2012: 19,148 (2011: 19,148) ‘B’ ordinary shares of 1p each | **—** | — |
| 2012: 1 (2011: 1) ‘C’ ordinary share of £1 each | **—** | — |
| 2012: 752 (2011: 752) ‘D’ ordinary shares of 1p each | **—** | — |
| 2012: 323 (2011: 323) ‘E’ ordinary shares of 1p each | **—** | — |
| 2012: 1,080 (2011: 1,080) ‘F’ ordinary shares of 1p each | **—** | — |
| | **1** | 1 |
| Allotted, called-up and fully paid: | | |
| 2012: 89,500 (2011: 89,500) ‘A’ ordinary shares of 1p each | **1** | 1 |
| 2012: 18,290 (2011: 18,290) ‘B’ ordinary shares of 1p each | **—** | — |
| 2012: 1 (2011: 1) ‘C’ ordinary share of £1 each | **—** | — |
| 2012: 752 (2011: 752) ‘D’ ordinary shares of 1p each | **—** | — |
| 2012: 323 (2011: 323) ‘E’ ordinary shares of 1p each | **—** | — |
| 2012: 1,080 (2011: 1,080) ‘F’ ordinary shares of 1p each | **—** | — |
| | **1** | 1 |

## 25 Called-up equity share capital (continued)

***Rights of shares***

Detailed provisions in respect of the rights of the various classes of shares are set out in the company's Articles of Association, to which reference should be made. A summary of the rights are as follows:

*'A' ordinary shares, 'B' ordinary shares, 'D' ordinary shares, 'E' ordinary shares and 'F' ordinary shares*

These shares rank pari passu, but dividends can only be paid after all deep discount bonds have been repaid. In respect of capital repayments on winding up, 'A' shares rank above 'B', 'D', 'E' and 'F' shares in regard to subscription price, but thereafter they rank pari passu. The shares have equal voting rights except for certain restrictions on 'B', 'D', 'E' and 'F' shares in certain circumstances.

In case of a sale of the company, a variable number of 'B' shares are to be converted into deferred shares before sale, dependent upon returns accruing to 'A' ordinary shareholders.

On a return of capital, the 'D', 'E' and 'F' shares only participate once each 'A' and 'B' share has received the nominal value plus £10 million.

*'C' ordinary shares*

These do not carry any rights to dividends or votes except that the holder has a veto over appointment of directors.

On a return of capital, the 'C' shares only participate once each 'A' and 'B' share has received the nominal value plus £10 million.

## 26 Reserves

### The group

| | Share premium account £000 | Merger reserve £000 | Own share reserve £000 | Profit and loss account £000 |
|---|---|---|---|---|
| At 1 September 2011 | 92 | 1,041 | — | (129,392) |
| Loss for the financial year | — | — | — | (65,939) |
| Exchange gains for the financial year | — | — | — | 1,427 |
| Purchase of shares by employee benefit scheme | — | — | (352) | — |
| Gift of shares to employees | — | — | 303 | — |
| At 31 August 2012 | **92** | **1,041** | **(49)** | **(193,904)** |

The own share reserve represents the cost of investment in own shares held by the employee benefit trust. The balance represents the fair value of the shares held by the trust. At the balance sheet the number of employers' shares held by the employee benefit trust was 1,415. These are no vesting rights attached to these shares and they can be distributed at the discretion of the trustees.

### The company

| | Share premium account £000 | Own share reserve £000 | Profit and loss account £000 |
|---|---|---|---|
| At 1 September 2011 | 92 | — | — |
| Purchase of own shares | — | (352) | — |
| Gift of shares to employees | — | 303 | (303) |
| Equity settled share based payments | — | — | 303 |
| At 31 August 2012 | **92** | **(49)** | **—** |

**Notes to the financial statements (continued)**

## 27 Reconciliation of movement in shareholders' deficit

### The group

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Loss for the financial year | **(65,939)** | (39,981) |
| Shares transferred to employee benefit scheme | **(49)** | — |
| Exchange gains for the financial year | **1,427** | 1,183 |
| Movement in shareholders' deficit | **(64,561)** | (38,798) |
| Shareholders' deficit brought forward | **(128,258)** | (89,460) |
| Shareholders' deficit carried forward | **(192,819)** | (128,258) |

## 28 Pensions

The group makes contributions to the Teachers' Superannuation Scheme (operated by the Department of Education and Skills) in respect of certain teachers.

However, the group is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly, no provision can be made for any under or over provision of funding within the scheme as required under Financial Reporting Standard No. 17 "Retirement Benefits".

In addition the group operates defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the group to the schemes and to employees.

## 29 Reconciliation of operating profit to net cash inflow from operating activities

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Operating (loss)/profit | **(7,848)** | 876 |
| Amortisation and depreciation | **27,545** | 24,569 |
| Impairment charge | **3,760** | — |
| Decrease/(increase) in stocks | **11** | (93) |
| Increase in debtors | **(4,147)** | (982) |
| Increase in creditors | **18,318** | 5,745 |
| Increase in provisions | **281** | 6 |
| Exchange movements | **(1,297)** | (453) |
| Net cash inflow from operating activities | **36,623** | 29,668 |

## 30 Reconciliation of net cash flow movement to movement in net debt

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Increase in cash in the period | **(28,610)** | (8,572) |
| Net cash inflow from bank loans | **1,881** | 1,659 |
| Net cash inflow from other loans | **31,958** | 12,739 |
| Net cash outflow from deep discount bonds and loan notes | **(236)** | — |
| Net cash inflow from short term loans from ultimate controlling party | **29,025** | 36,943 |
| | **34,018** | 42,769 |
| On acquisition | **(467)** | — |
| Non cash items | **28,527** | 27,939 |
| Movement in net debt | **62,078** | 70,708 |
| Net debt at beginning of period | **393,041** | 322,333 |
| Net debt at the end of the period | **455,119** | 393,041 |

## 31 Analysis of changes in net debt

| | 31 August 2011 £000 | Cash flows £000 | Non cash items £000 | **31 August 2012 £000** |
|---|---|---|---|---|
| Cash at bank and in hand | 40,110 | 29,047 | — | **69,157** |
| Bank overdraft | (3,760) | (437) | — | **(4,197)** |
| | 36,350 | 28,610 | — | **64,960** |
| Bank loans | (219,190) | (1,881) | 4,180 | **(216,891)** |
| Other loans | (12,739) | (31,958) | 74 | **(44,623)** |
| Deep discount bonds and loan notes | (131,918) | 236 | (20,040) | **(151,722)** |
| Short term loan from ultimate controlling party | (65,544) | (29,025) | (12,274) | **(106,843)** |
| | (393,041) | (34,018) | (28,060) | **(455,119)** |

Non cash items represent the unwinding of debt costs, discounts on subscription for the deep discount bonds and rolled up interest.

## 32 Acquisitions

The group purchased the trade and assets of The Royal School Hampstead on 16 September 2011. Goodwill arising on the acquisition has been capitalised. The purchase has been accounted for under the acquisition method of accounting.

The total assets and liabilities acquired in respect of the above acquisitions is detailed below. These numbers are provisional and could change as future knowledge is gained:

| | Book and fair value at acquisition £000 |
|---|---|
| Debtors | 289 |
| Bank and cash | 467 |
| Total assets | 756 |
| Trade creditors | 60 |
| Other creditors | 1,028 |
| Total liabilities | 1,088 |
| Net liabilities | (332) |
| Purchased goodwill | 187 |
| | (145) |
| Satisfied by | |
| Cash | 187 |
| Amounts receivable from other debtors | (332) |
| | (145) |

During the year consideration paid for the above acquisitions and deferred consideration from prior year acquisitions was £1,847,000 (2011: £24,824,000).

## 33 Subsequent events

On 2 October 2012, the group acquired a school in Brazil. The acquisition was made via a combination of share and asset purchase. The acquired business will be consolidated in the 31 August 2013 financial statements and is expected to contribute less than 5% of group turnover in the consolidated financial statements.

The group is in the process of finalising the acquisition accounting and is currently unable to provide further reliable disclosure in accordance with FRS6 at this stage.

### 33 Subsequent events (continued)

There have been no other material events between 31 August 2012 and the date of authorisation of the Consolidated Financial Statements that would require adjustment or disclosure.

### 34 Liability Limitation Agreement with the auditor

The group has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 August 2012. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by the directors on 24 January 2013 after shareholders waived the need for approval of the agreement.

### 35 Related party transactions

The group has taken advantage of the exemption in FRS 8 Related Party Disclosures that transactions with wholly owned subsidiaries, do not need to be disclosed.

### 36 Controlling related party

The Bregal Fund LP is the company's controlling related party by virtue of a majority shareholding.

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# Cognita Financing plc

## £280,000,000 7.75% Senior Secured Notes due 2021

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