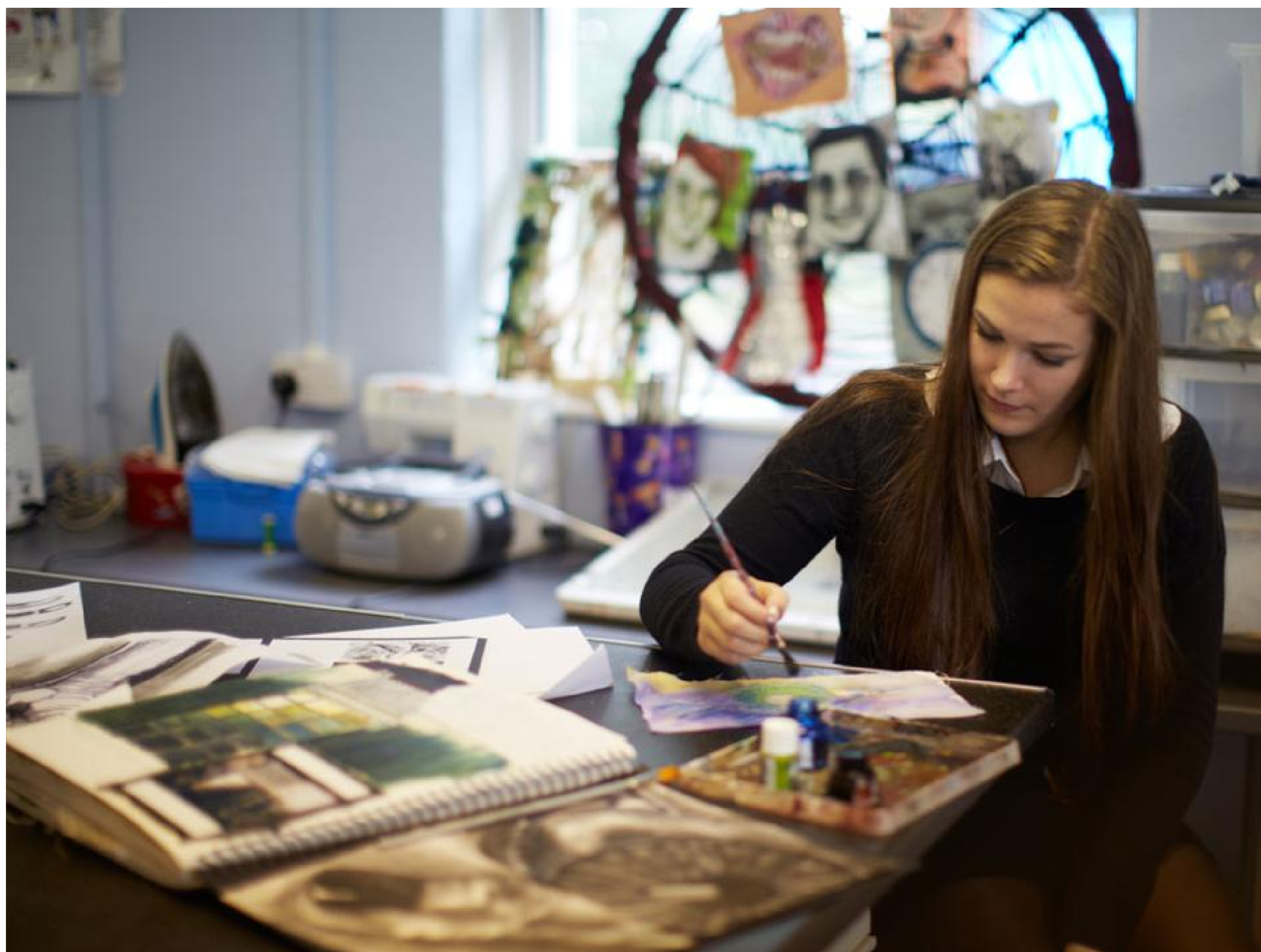

Cognita Bondco Parent Limited

Bondholders Report
For the period ended 30 November 2016

Cognita Financing PLC
£325,000,000 7.75% Senior Secured Notes due 2021

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PRESENTATION OF FINANCIAL STATEMENTS AND OTHER INFORMATION

Financial statements

The Financial statements and supporting information within this report should be read in conjunction with the Annual Bond Report for the year ended 31 August 2016, published on 15 December 2016, as well as our historical Consolidated Financial statements included in the initial offering memorandum issued on 31 July 2015 by Cognita Financing PLC (the "Issuer") in relation to the initial £280,000,000 7.75% Senior Secured Notes offering.

Cognita Financing PLC and Cognita Bondco Parent Limited (the "Company") were incorporated under the laws of England and Wales on 3 July 2015, in each case, for the purposes of facilitating the offering of the Notes and the use of proceeds therefrom. At the time of the offer neither the Issuer nor the Company had any material assets or liabilities other than the Notes and have not engaged in any activities other than those related to their incorporation in preparation for the Notes offering, the related refinancing transactions and subsequent activities associated with holding the notes.

Within the highlights and review sections of this report management include 100% of the results of the joint venture St Nicholas Preparatory School, which is managed as part of the Group's day to day operations. This presentation is not in accordance with the statutory presentation in the audited consolidated financial statements or the presentation of the consolidated interim management statements of the Group, but is consistent with the presentation in the Annual Bondholder's Report.

Definitions of financial measures

This Quarterly Report contains certain measures including EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), Adjusted EBITDA, Group Adjusted EBITDA, Regional Adjusted EBITDA and Non-underlying which are not required by IFRS. The Group uses these measures as they are deemed to be useful in the review of performance and liquidity, however, these metrics may not be comparable to other similarly titled measures used by competitors or other external parties. Therefore these measures should not be considered in isolation or used for comparative purposes. The definition of these items for the purposes of this report is as follows:

"**Adjusted EBITDA**" means EBITDA before impairment, depreciation and amortisation of other intangibles and excluding the joint venture portion of Adjusted EBITDA. Adjusted EBITDA can be split into underlying and non-underlying components. Underlying Adjusted EBITDA represents income and expenditure related to our core business. The definition of non-underlying is provided below.

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

"**Group Central Costs**" mean operating expenses which are not directly attributable to schools or regions and include the cost of the head office function.

"**LTM**" means last twelve months.

"**Notes**" means the £325,000,000 aggregate principal amount of 7.75% Senior Secured Notes due 2021 offered by the Issuer.

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

"**Regional Adjusted EBITDA**" means Group Adjusted EBITDA excluding 100% of the joint venture portion of Adjusted EBITDA and excluding Group central costs.

"**Regional Group Adjusted EBITDA**" means Group Adjusted EBITDA including 100% of joint venture Adjusted EBITDA and excluding Group central costs.

BUSINESS OVERVIEW AND RECENT DEVELOPMENTS

Our Business

We are a leading global operator of private-pay K12 schools currently comprising 68 schools across Asia, Europe and Latin America.

Each Cognita school has its own unique ethos, with curricula and programmes tailored to the needs of the parents and students it serves. Between them, our schools offer a wide range of internationally renowned curricula to appeal to both local and expatriate populations, including the International Baccalaureate (IB) as well as the national curricula of leading education markets like Britain, Australia and the USA.

All Cognita schools share the common aim of providing a high-quality education within a culture of care so children can achieve more than they believe possible. We build a personalised learning culture in all our schools to support children to achieve beyond expectations, irrespective of individual abilities. The majority of our schools follow a non-selective admissions policy and our teachers are highly attuned to the needs and capabilities of each individual child.

Our success in increasing enrolments reflects the underlying strength and favourable dynamics of the developed and developing markets in which we operate. The former, including the United Kingdom, are characterised by stable market fundamentals, including a large middle class and a strong private school presence. Our success in developing markets is based on the sizeable pools of expatriate families as well as the increasing wealth among local families, who value high-quality education for their children. Substantially all of our revenues are from private-pay sources without exposure to changes in government funding.

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

Recent Developments

Acquisition of 49% minority interest in Chile

The Group formally notified the exercise of a call option to purchase the remaining 49% interest in the Chile schools business via its shareholding in Desarrollos Educacionales, SA on 29 July 2016. Completion took place on 26 September 2016 at an agreed price of CLP6.6bn (c£7.7m).

Acquisition of The English Montessori School, Madrid

On 6 September 2016, the Group acquired 100% shareholding in The English Montessori School, a school based in Madrid, Spain. Initial consideration paid was €6.8m with €3.2m being deferred.

The school is an independent British school offering education to students aged 3-18 years. The school had c.790 students at the date of acquisition, with a current capacity of c.1,000.

Funding secured to support Group growth

Following the year ended 31 August 2016, the Group issued an additional £45m of Senior Secured Loan Notes (the "Notes") via a private placement. These Notes which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2m to par value was recognised upon the issuance of these instruments.

On 19 September 2016, the Super Senior Revolving Credit Facility was increased by £20m from £80m to £100m.

Expansion plans for GayLussac school, Brazil

Work commenced in December 2016 on a project to expand GayLussac school in Brazil. The project will provide enhanced facilities and nine new classrooms, creating incremental capacity for c.260 students, bringing total school capacity for students and the Bilingual programme to c. 1,950.

The project is expected to be completed by the start of the academic year in February 2018.

KEY OPERATING METRICS AND FINANCIAL HIGHLIGHTS

Key Operating Metrics

The following table sets out a summary of key operating metrics as at 30 November 2016, all of which include 100% of the joint venture, St Nicholas Preparatory School Limited (the "St Nicholas Joint Venture"):

	Three months ended 30 November		
	2016	2015	Change/ % change
No. of countries (1)	**8**	7	1
No. of schools (1)	**67**	66	1
Total average student capacity	**45,189**	42,702	5.8%
Total average student FTE enrolment	**34,880**	32,836	6.2%
Utilisation	**77.2%**	76.9%	0.3%
FTE staff numbers	**5,308**	5,094	4.2%

(1) On 15 April 2016, the Group acquired a school property in Hong Kong, bringing the number of countries in which the Group operates to 8. Once fully operational in September 2017, this will be the Group's 68th school.

In quarter 1 FY17, International School Barcelona was re-branded to British School Barcelona, which will now operate as two campuses in Casteldeffels and Sitges, reducing school numbers by 1. On 6 September 2016, the Group acquired its 67th school, The English Montessori School, Madrid.

Total student capacity increased by 5.8% in the three months ended 30 November 2016 compared to the three months ended 30 November 2015. Of this increase, 3.1% is attributable to acquisitions and divestments, whilst the remainder is driven by the expansion projects in Thailand and Spain.

Student capacity by region at 30 November 2016 is highest in Europe at 18,101 (2015: 16,972), followed by Latin America, 16,110 (2015: 15,274) and Asia, 10,978 (2015: 10,456).

Average enrolment throughout the Group grew by 6.2% and FTE staff numbers grew by 4.2% over the same period. By region, average enrolment grew by 5.8% in Europe, 6.9% in Asia and 6.3% in Latin America.

Utilisation improved by 0.3% to 77.2% for the three months ended 30 November 2016.

Financial Highlights

	Three months ended 30 November		
	2016	2015	Change/% change
	£'m	£'m	
Group revenue	**95.3**	76.6	24.4%
Group Adjusted EBITDA	**19.5**	14.7	32.7%
Group Adjusted EBITDA margin	**20.4%**	19.2%	1.2%
Operating profit	**10.2**	7.2	41.7%
Loss for the period	**(1.7)**	(2.8)	39.3%
Cash flow from operating activities	**25.0**	18.9	32.3%
Net increase / (decrease) in cash	**14.8**	9.1	62.6%
Capex	**17.9**	8.5	NM*
Net Debt	**378.9**	242.0	56.6%

* Percentage has been suppressed as not considered meaningful

- Group revenue increased by 24.4% (9.8% on a constant currency basis) in the three months ended 30 November 2016 compared to the three months ended 30 November 2015.
- By region, revenue grew on a constant currency basis by 7.1% in Europe, 12.5% in Asia and 11.5% in Latin America.
- Group Adjusted EBITDA increased by 32.7% (10.2% on a constant currency basis) in the period, compared to the same period last year, with Group Adjusted EBITDA margin increasing to 20.4% for the three months ended 30 November 2016 (2015: 19.2%).
- Operating profit increased by £3.0m in the three months ended 30 November 2016 compared to the same period last year.
- Cash flows from operations grew by 32.3% in the period, compared to the same period last year.

RESULTS OF OPERATIONS

The consolidated management information has been provided in the final section of this report.

Income Statement

Group Revenue

The table below presents the Group revenue including 100% of the St Nicholas Joint Venture:

	Three months ended 30 November				
			% Change		
	2016	2015	Actual	Constant currency	Organic (1)
	£'m	£'m			
Europe	**44.1**	40.1	10.1%	7.1%	4.6%
Asia	**39.6**	28.6	38.2%	12.5%	11.2%
Latin America	**11.6**	7.9	46.6%	11.5%	10.5%
Total	**95.3**	76.6	24.4%	9.8%	7.9%

(1) Organic growth excludes acquisitions, new school openings (International School of Barcelona and The English Montessori School, Spain, St Andrews International School, Thailand, Colegio Pumahue Chicauma, Chile) and divestments (Cranbrook and Chilton Cantelo, UK).

Group revenue (including 100% of the St Nicholas Joint Venture) increased from £76.6m in the three months ended 30 November 2015 to £95.3m for the three months ended 30 November 2016, an increase of 24.4%, or 9.8% on a constant currency basis. Revenue attributable to new acquisitions during the three months ended 30 November 2016 represented 1.9% of the increase on a constant currency basis, with the remainder due to the organic increase in student numbers and annual fee inflation.

The table below presents the average number of FTE students by region.

	Three months ended 30 November			
			% Change	
	2016	2015	Actual	Organic (1)
Europe	**14,356**	13,572	5.8%	0.8%
Asia	**8,347**	7,807	6.9%	4.9%
Latin America	**12,177**	11,457	6.3%	5.2%
Total	**34,880**	32,836	6.2%	3.4%

(1) Organic growth excludes acquisitions, new school openings (International School of Barcelona and The English Montessori School, Spain, St Andrews International School, Thailand, Colegio Pumahue Chicauma, Chile) and divestments (Cranbrook and Chilton Cantelo, UK).

Student numbers increased (including the impact of acquisitions) by 6.2% in the year, with Europe growing by 5.8%, Asia by 6.9% and Latin America by 6.3%. The growth in Europe was driven by the acquisitions of the International School of Barcelona, Sitges and The English Montessori School, Madrid offset by the divestments of Cranbrook and Chilton Cantelo.

Asia student growth was mostly driven by the ongoing enrolment into the available Phase 2 capacity at the Stamford American International School. The growth in Latin America includes the impact of the opening of Colegio Pumahue Chicauma. On an organic basis, student numbers grew by 5.2% in Latin America mainly driven by a new bilingual syllabus offering in Chile.

Operating Costs

Underlying operating costs (including 100% of the St Nicholas Joint Venture) for the three months ended 30 November 2016 were £75.8m (2015: £61.9m). Around half of the reported cost increase reflects the depreciation of sterling since last year, whilst the remainder reflects organic and acquisitive growth, including investments in capability, leadership and training across the group.

Total FTE staff numbers increased by 214, or 4.2% to 5,308 in the three months ended 30 November 2016 (2015: 5,094). This increase included a net movement of 137 FTE related to acquisitions and divestments, 43 FTE associated with the ongoing growth of the Stamford American International School in Singapore and 41 FTE to support pupil growth in the Chile schools.

Group Adjusted EBITDA

Management include 100% of the St Nicholas Joint Venture performance in their calculation of Group Adjusted EBITDA which is managed as part of the Group's day to day operations.

Group Adjusted EBITDA by geographical segment is analysed below:

	Three months ended 30 November				
			% Change		
	2016 £'m	2015 £'m	Actual	Constant currency	Organic (1)
Europe	**5.9**	6.0	(3.1)%	(7.1)%	(16.1)%
Asia	**12.8**	8.9	44.9%	17.9%	18.2%
Latin America	**3.5**	2.3	53.1%	19.9%	20.3%
Regional Group Adjusted EBITDA	**22.2**	17.2	29.1%	10.2%	7.1%
Group central costs	**(2.7)**	(2.5)	9.9%	9.9%	9.9%
Group Adjusted EBITDA	**19.5**	14.7	32.7%	10.2%	7.1%

(1) Organic growth excludes acquisitions, new school openings (International School of Barcelona and The English Montessori School, Spain, St Andrews International School, Thailand, Colegio Pumahue Chicauma, Chile) and divestments (Cranbrook and Chilton Cantelo, UK).

Regional Group Adjusted EBITDA grew by 29.1% (10.2% on a constant currency basis) and represents a margin of 23.3% of revenue (2015: 22.4%). Much of this increase was derived from organic growth of 18.2% in the Asia region, largely driven by the ongoing growth of the Stamford American International School in Singapore.

The quarter on quarter EBITDA decline in Europe reflects a number of factors and is expected to moderate across the full year. These factors include start-up costs of two new campuses in Madrid, higher pension costs in the UK and investment in further improving our educational provision.

The 20.3% organic growth rate in Latin America, on a constant currency basis, was driven by Chile where the popular bilingual syllabus offering has led to improved margins.

Non-Underlying Operating Expenses

Non-underlying operating expenses include acquisition and business exploration costs of £0.4m (2015: £0.8m) largely associated with the expansion project in Brazil, restructuring and exceptional advisory costs of £0.3m (2015: £0.2m), and non-cash share based payment charges of £0.3m (2015: £0.4m). There are £0.9m of pre-opening costs relating to the new buildings in Singapore and Hong Kong.

Finance Income

Finance income decreased from £1.8m in the three months ended 30 November 2015 to £1.2m in the three months ended 30 November 2016, primarily associated with a decrease in the exchange gains arising on intercompany loans.

Finance Expense

Finance expense increased by £0.8m, or 7.5%, from £10.7m in the three months ended 30 November 2015 to £11.5m in the three months ended 30 November 2016. The increase was primarily driven by a £0.8m higher cost of interest payable on the Senior Secured Loan Notes and Revolving Credit Facility, attributable to the higher level of principal drawn down from both sources.

Balance sheet and Cash flow

Liquidity and Capital Resources

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

The table below summarises the condensed consolidated cash flows for the three months ended 30 November:

	Three months ended 30 November		
	2016	2015	Change
	£'m	£'m	%
Cash flows from operating activities	**24.9**	18.9	31.9%
Net cash outflow from investing activities	**(33.4)**	(8.2)	NM*
Cash inflow / (outflow) from financing activities	**23.2**	(1.6)	NM*
Cash and cash equivalents	**73.7**	84.5	(12.7)%

* Percentage has been suppressed as not considered meaningful

Cash Flows from Operating Activities

Net cash inflow from operating activities increased by £6.0m or 31.9%, from £18.9m in the three months ended 30 November 2015 to £24.9m in the three months ended 30 November 2016, driven by the improvement in underlying Adjusted EBITDA of £4.9m and a £1.9m improvement in working capital.

Cash Flows from Investing Activities

Net cash outflow from investing activities increased by £25.2m from £8.2m in the three months ended 30 November 2015 to £33.4m in the three months ended 30 November 2016. The increase is primarily driven by the acquisitions of The English Montessori School in September 2016 and the remaining 49% minority interest in Chile, along with the increased cash outflow from property, plant and equipment totalling £17.9m in the three months ended 30 November 2016. This increased outflow on property, plant and equipment is driven by the two development projects in Singapore and Hong Kong.

Cash Flows from Financing Activities

Net cash inflow from financing activities increased by £24.8m from an outflow of £1.6m in the three months ended 30 November 2015 to an inflow of £23.2m in the three months ended 30 November 2016. The increase is driven by the issue of £45.0m of Senior Secured Loan Notes in the three months ended 30 November 2016, offset by the £19.9m net repayment of the Revolving Credit Facility.

Capital expenditure

	Three months ended 30 November		
	2016	2015	Change
	£'m	£'m	%
Operating	**2.3**	1.0	118.4%
Development	**15.6**	7.5	108.6%
Total	**17.9**	8.5	109.8%

The Group invested £17.9m in capital expenditure in the three months ended 30 November 2016 (2015: £8.5m). The capital expenditure reported in the period represents amounts spent on the regular renewal of the estate, along with amounts invested in the expansion plans of the Group's existing portfolio of schools, investment in the new early childhood facility being built in Singapore and refurbishment of the school property acquired in Hong Kong in April 2016.

Operating Capital Expenditure

Operating capital expenditure includes investment which ensures the schools maintain their standards and compliance with all regulations.

In the three months ended 30 November 2016, operating capital expenditure was £2.3m (2015: £1.0m), an increase of 118.4% on the prior year. Expenditure during the three months ended 30 November 2016 included £1.1m on maintenance and enhancement programmes and £1.2m on information technology.

Development Capital Expenditure

Development capital expenditure represents investment made to expand capacity at the Group's schools and for the construction and development of other major facilities which do not directly result in capacity expansion.

The Group is investing SGD 209m in land and buildings to develop a new facility dedicated to early childhood learning in Singapore. The new facility is scheduled to open in August 2017 and will provide over 2,100 incremental seats of capacity. As at 30 November 2016, SGD 100m had been invested in this project, with SGD 18m incurred in the three months to 30 November 2016.

The Group is investing approximately HKD 448m to undertake a complete refurbishment of a brownfield school property in Hong Kong acquired in April 2016. As at 30 November 2016 HKD 33m had been invested in this project with HKD 16m incurred in the three months to 30 November 2016.

Net debt and leverage

	Period ended	
	November 2016	August 2016
	£'m	£'m
Bank loans	**90.2**	86.4
Less: Bank Loan transaction costs	**(2.3)**	(2.3)
Revolving Credit Facility	**25.7**	45.6
Less: Revolving Credit Facility transaction costs	**(2.0)**	(1.7)
Senior Secured Notes	**325.0**	280.0
Less: Senior Secured Notes transaction costs	**(10.0)**	(9.2)
Senior Secured Notes accrued interest and issue premium	**8.3**	0.5
Finance leases	**3.4**	3.4
	438.3	402.7
Gross debt	**438.3**	402.7
Less: Bank and cash	**(73.7)**	(61.0)
Net Debt	**364.6**	341.7
Net Debt exc. transaction costs	**378.9**	354.9
Net Debt: LTM Adjusted EBITDA	**5.8x**	5.9x

During the three months ended 30 November 2016 the Group also issued an additional £45.0m of Senior Secured Loan Notes via a private placement. These Notes, which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2.0m to par value was received upon the issuance of these instruments and is included within Net Debt.

The Group also repaid £19.9m of the Revolving Credit Facility during the three months ended 30 November 2016.

Forward currency contracts

Following the completion of the refinancing in August 2015, the Group reviewed its exposure to foreign exchange risk in relation to the Senior Secured Loan Notes and subsequently entered into forward currency contracts to mitigate its exposure to future fluctuations in the EUR/GBP and SGD/GBP exchange rates, respectively. The details of the contracts are as follows:

Provider	**Trade date**	**Maturity date**	**Buy**	**Sell**
HSBC	6 October 2015	8 October 2020	£20.0m	€25.7m
HSBC	7 October 2015	8 October 2020	£100.0m	SGD226.5m
Morgan Stanley	9 October 2015	8 October 2020	£100.0m	SGD226.7m

The forward currency contracts are included in the balance sheet at fair value at the reporting date, with movements in fair value being reported in the income statement in accordance with relevant accounting standards. Further detail can be found in note 8 to the consolidated interim management statements for the three months ended 30 November 2016.

Cognita Bondco Parent Limited

Consolidated Interim Management Statements (Unaudited)

Registered number 09669246
For the three months ended
30 November 2016

Condensed Consolidated Income Statement

	Note	Three months ended 30 November					
		2016			2015		
		Underlying £000	**Non-underlying £000**	**Total £000**	Underlying £000	Non-underlying £000	Total £000
Revenue	2	**94,155**	-	**94,155**	75,355	-	75,355
Employee benefits expense		**(49,784)**	**(662)**	**(50,446)**	(40,744)	(407)	(41,151)
Other operating expenses		**(25,107)**	**(578)**	**(25,685)**	(20,299)	(3)	(20,302)
Acquisitions and business exploration		-	**(392)**	**(392)**	-	(806)	(806)
Restructuring costs and exceptional advisory costs		-	**(262)**	**(262)**	-	(232)	(232)
Adjusted EBITDA	2,3	**19,264**	**(1,894)**	**17,370**	14,312	(1,448)	12,864
Depreciation and amortisation of other intangibles		**(7,208)**	-	**(7,208)**	(5,648)	-	(5,648)
Operating profit/(loss)	3	**12,056**	**(1,894)**	**10,162**	8,664	(1,448)	7,216
Finance income				**1,221**			1,767
Finance expense				**(11,522)**			(10,701)
Share of profit of joint venture				**86**			179
Loss before tax				**(53)**			(1,539)
Taxation	4			**(1,619)**			(1,218)
Loss for the period				**(1,672)**			(2,757)
Loss attributable to:							
Equity holders of the parent				**(1,646)**			(3,127)
Non-controlling interest				**(26)**			370
Loss for the period				**(1,672)**			(2,757)

Condensed Consolidated Balance Sheet

	Note	November 2016 £000	August 2016 £000	November 2015 £000
Non-current assets				
Property, plant and equipment	5	**548,522**	529,783	376,945
Intangible assets		**90,443**	82,459	79,266
Trade and other receivables	7	**9,166**	8,804	7,743
Investments in equity-accounted investees		**2,937**	2,851	2,715
Deferred tax assets		**7,764**	7,705	7,748
Other financial assets	8	-	-	505
		658,832	631,602	474,922
Current assets				
Inventories		**243**	430	578
Tax receivable		**564**	823	536
Trade and other receivables	7	**30,369**	51,092	19,091
Cash and cash equivalents		**73,714**	60,973	84,470
		104,890	113,318	104,675
Total assets		**763,722**	744,920	579,597
Current liabilities				
Bank overdrafts		-	-	(6)
Other interest-bearing loans and borrowings	9	**(35,789)**	(51,569)	(9,657)
Trade and other payables	10	**(61,225)**	(76,755)	(52,017)
Deferred revenue		**(125,866)**	(126,923)	(92,099)
Tax payable		**(6,272)**	(5,691)	(4,879)
Provisions		**(1,302)**	(871)	(322)
		(230,454)	(261,809)	(158,980)
Non-current liabilities				
Other interest-bearing loans and borrowings	9	**(402,758)**	(351,118)	(305,830)
Other payables	10	**(11,214)**	(8,515)	(8,372)
Deferred revenue		**(2,957)**	(3,481)	(3,156)
Provisions		**(2,664)**	(2,636)	(2,003)
Other financial liabilities	8	**(47,292)**	(43,985)	(3,853)
Deferred tax liabilities		**(2,140)**	(2,686)	(3,289)
		(469,025)	(412,421)	(326,503)
Total liabilities		**(699,479)**	(674,230)	(485,483)
Net assets		**64,243**	70,690	94,114
Equity attributable to equity holders of the parent				
Share capital		-	-	-
Share premium		**1,669**	1,669	500,577
Reserves		**(379,093)**	(387,748)	(400,201)
Retained deficit		**441,860**	450,041	(11,409)
		64,436	63,962	88,967
Non-controlling interest		**(193)**	6,728	5,147
Total equity		**64,243**	70,690	94,114

Condensed Consolidated Cash Flow Statement

	Three months ended 30 November			
	2016		2015	
	£000	**£000**	£000	£000
Cash flows from operating activities				
Loss for the period	**(1,672)**		(2,757)	
Depreciation, amortisation and impairment	**7,208**		5,648	
Net finance costs	**10,301**		8,934	
Non cash movements	**290**		(133)	
Share of profit of equity-accounted investee, net of tax	**(86)**		(179)	
Equity settled share-based payment expense	**314**		407	
Loss on sale of property, plant and equipment	**2**		3	
Tax expense	**1,619**		1,218	
		17,976		13,141
Increase in working capital		**8,085**		6,119
Decrease in provisions		**(64)**		-
Taxation paid		**(1,044)**		(337)
Net cash from operating activities		**24,953**		18,923
Cash flows from investing activities				
Interest received	**781**		349	
Acquisition of property, plant and equipment	**(17,858)**		(8,513)	
Acquisition of subsidiaries, net of cash acquired	**(16,327)**		-	
Net cash outflow from investing activities		**(33,404)**		(8,164)
Cash flows from financing activities				
Interest paid	**(3,665)**		(880)	
Drawdown of borrowings	**(211)**		(744)	
Proceeds from issue of Senior Secured Loan Notes	**47,025**		-	
Revolving Credit Facility repayment	**(19,936)**		-	
Net cash inflow /(outflow) from financing activities		**23,213**		(1,624)
Net inflow in cash and cash equivalents		**14,762**		9,135
Cash and cash equivalents at 1 September		**58,385**		74,445
Effect of exchange rate fluctuations on cash held		**567**		884
Cash and cash equivalents at 30 November 2016		**73,714**		84,464

Notes to the Consolidated Interim Management Statements

1 Accounting policies

The Group's full Accounting Policies are included in the Cognita Bondco Limited Consolidated Financial Statements for the year ended 31 August 2016. A summary of the accounting policies deemed to be most relevant for an understanding of the consolidated interim management statements have been included below.

Revenue

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

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

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

- **Tuition fees**

  These are recognised on a straight line basis over the period of the service provision. The fee will be recognised over the full 12 months of that academic period. 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**

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

- **Holiday camp revenue**

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

- **Other revenue**

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

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

Foreign currency

The exchange rates below are indicative of those used for the currency translation of foreign operations into the Group's presentational currency of pounds sterling are as follows:

		30 November 2016		31 August 2016	30 November 2015	
		Closing Rate	**Average Rate**	Closing Rate	Closing Rate	Average Rate
EUR	Spain	**1.1743**	**1.1491**	1.1763	1.4212	1.3823
HKD	Hong Kong	**9.680**	**9.817**	10.171	*	*
SGB	Singapore	**1.7815**	**1.7522**	1.7878	2.1234	2.1576
THB	Thailand	**44.569**	**44.442**	45.469	53.987	54.911
VND	Vietnam	**28,590**	**28,716**	29,680	34,304	34,730
CLP	Chile	**844**	**849**	889	1,078	1,061
BRL	Brazil	**4.27**	**4.14**	4.25	5.78	5.90

* Comparative exchange rates for HKD are not provided as they were not relevant before the quarter ended 31 May 2016.

Notes to the Consolidated Interim Management Statements (continued)

1 Accounting policies (continued)

The actual average rate used for translation over the period is the monthly average rate applied to the monthly results reported in local currency. The average exchange rates above do not reflect the impact of seasonality within foreign operations.

Property, plant and equipment

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

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

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

Depreciation

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

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

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

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

Trade and other payables

Where comparative management information was not originally disclosed between current and non-current, we have not restated the comparative, but have provided the additional disclosure for all periods ending on or after 31 August 2016.

Impairments

The Group's full impairment policy can be found in the Cognita Bondco Limited financial statements. Below is a summary of the Group's impairment policy for non-financial assets (excluding inventories and deferred tax) including key assumptions.

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed as part of the interim audit and year end reporting process and are therefore recognised in the financial statements for the 9 months ended 31 May and for the year ending 31 August. Goodwill is assessed for impairment at the end of the first full financial period after acquisition and subsequently.

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

For the purpose of impairment testing the Group applies the following definitions and assumptions:

Cash Generating Unit (CGU)

Typically a school or limited company for non-school business units.

Notes to the Consolidated Interim Management Statements (continued)

1 Accounting policies (continued)

Value in use of a CGU

Calculated by discounting estimated future post-tax cash flows to their present value using a post-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. The post-tax cash flow projections are based on financial budgets approved by management covering a 5 year period.

Growth rate

An inflationary growth rate of 2.25% is used to extrapolate beyond the most recent management forecasts, representing the inflation rate for the business based on latest economic information.

Discount rate

The discount rate applied is based on the post-tax weighted average cost of capital of the Group's operations in the country the asset sits. For the impairment exercise at 31 August 2016 the group considered that all CGU's operated in a similar sector, being education, and therefore adopted discount rates of between 8.7% and 18.0% (31 August 2015: between 8.9% and 9.3%).

Sensitivity

As at 31 August 2016, an increase in discount rate of 0.4% and a decrease in growth rate of 0.5% would have been required for the carrying value of CGU's in the UK not identified for impairment based on the assumptions above to equal their recoverable amount. In Brazil, an increase in the discount rate of 1.0% and a decrease in the growth rate of 1.9% would have been required for the carrying value of further CGU's to be impaired.

Employee benefits

Multi-employer plans

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), in respect of certain UK teaching staff. This is a multi-employer defined benefit pension plan and it is not possible for the Group to use defined benefit accounting as sufficient information is not available. Accordingly no provision can be made for any under or over provision of funding within the plan as required under IAS 19.

Share-based payment transactions

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

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

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

Notes to the Consolidated Interim Management Statements (continued)

2 Operating segments analysis

Group Revenue (1)	Three months ended November 2016 £000	2015 £000
Europe	**42,958**	38,790
Asia	**39,590**	28,645
Latin America	**11,607**	7,920
	94,155	75,355

Regional Adjusted EBITDA (1)	Three months ended November 2016 £000	2015 £000
Europe	**5,643**	5,645
Asia	**12,813**	8,841
Latin America	**3,542**	2,314
Regional Adjusted EBITDA	**21,998**	16,800
Group Central Costs	**(2,734)**	(2,488)
Adjusted EBITDA	**19,264**	14,312

(1) Numbers presented are prepared on a statutory presentation and remove 100% of the St Nicholas Joint Venture.

3 Reconciliation of operating profit to Adjusted EBITDA

	Three months ended November 2016 £000	2015 £000
Operating profit	**10,162**	7,216
Depreciation and amortisation of other intangibles	**7,208**	5,648
EBITDA	**17,370**	12,864
Add back: Non-underlying		
Employee benefits expense	**662**	407
Other operating expenses	**578**	3
Acquisition and business exploration	**392**	806
Restructuring costs	**262**	232
Adjusted EBITDA	**19,264**	14,312

Notes to the Consolidated Interim Management Statements (continued)

4 Tax

The tax charge of £1,619,000 for the three months ended 30 November 2016 (2015: £1,218,000) represents the best estimate of the tax expected to be payable in respect of the pre-tax income for the three month period.

5 Property, plant and equipment

During the three months ended 30 November 2016 there were the following capital expenditure additions:

	Three months ended November	
Operating Capital Expenditure	**2016**	2015
	£000	£000
Europe	**1,773**	829
Asia	**403**	181
Latin America	**89**	28
	2,265	1,038

	Three months ended November	
Development Capital Expenditure	**2016**	2015
	£000	£000
Europe	**910**	1,427
Asia	**12,569**	4,007
Latin America	**941**	424
	14,420	5,858

6 Acquisitions

The following acquisitions took place during the three months ended 30 November 2016

Name of school acquisition	**Country**	**Date of acquisition**	**Consideration**
The English Montessori School, Madrid	Spain	6 September 2016	£8.6m

The results and acquisition accounting for The English Montessori School, Madrid has been included in these consolidated interim management statements on the basis that they are materially accurate. Further work is currently taking place on finalising the integration and the acquisition accounting, which will be audited for the purposes of the 31 August 2017 Group consolidated financial statements. Consideration includes £2.7m of deferred consideration.

Additionally, the Group acquired the remaining 49% of share capital in the Desarrollos Educacionales group in Chile for a consideration of £7.7m.

Notes to the Consolidated Interim Management Statements (continued)

7 Trade and other receivables

	November 2016	August 2016	November 2015
	£000	£000	£000
Non-current			
Other receivables	**2,892**	2,799	1,312
Prepayments and accrued income	**6,274**	6,005	5,522
Financial assets	-	-	909
	9,166	8,804	7,743

	November 2016	August 2016	November 2015
	£000	£000	£000
Current			
Trade receivables	**22,257**	42,971	11,842
Other receivables	**3,938**	4,093	2,871
Prepayments and accrued income	**4,028**	3,705	4,035
Amounts owed by joint venture	**146**	323	125
Financial assets	-	-	218
	30,369	51,092	19,091

8 Financial instruments held at fair value

	November 2016		August 2016		November 2015	
	£000	**£000**	£000	£000	£000	£000
	Non-current	**Current**	Non-current	Current	Non-current	Current
Other financial assets						
Forward exchange contract used for hedging (EUR)	-	-	-	-	505	-
Other financial liabilities						
Forward exchange contract used for hedging (EUR)	**(2,782)**	-	(2,636)	-	-	-
Forward exchange contract used for hedging (SGD)	**(44,510)**	-	(41,349)	-	(3,853)	-
	(47,292)	-	(43,985)	-	(3,348)	-

The Group has not disclosed the fair values of financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value. The Group has not applied hedge accounting for any financial instruments and consequently movements in fair value are recognised in the Income Statement.

Notes to the Consolidated Interim Management Statements (continued)

9 Other interest bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	November 2016	August 2016	November 2015
	£000	£000	£000
Current liabilities			
Secured bank loans	**5,070**	4,879	2,818
Senior Secured Loan Notes	**6,676**	2,762	5,563
Revolving Credit Facility	**23,904**	43,889	-
Finance lease liabilities	**139**	39	1,276
	35,789	51,569	9,657

	November 2016	August 2016	November 2015
	£000	£000	£000
Non-current liabilities			
Secured bank loans	**82,851**	79,244	32,638
Senior Secured Loan Notes	**316,631**	268,539	270,819
Finance lease liabilities	**3,276**	3,335	2,373
	402,758	351,118	305,830

The Senior Secured Loan Notes, Revolving Credit Facility and Secured bank loans are shown net of capitalised issuance costs of £14,273,000 (2015: £11,017,000). The terms and debt repayment schedule are fully disclosed in the Cognita Bondco Parent Limited financial statements for the year ended 31 August 2016.

10 Trade and other payables

	November 2016	August 2016	November 2015
	£000	£000	£000
Current			
Trade payables	**6,243**	12,835	6,232
Other taxes and social security	**5,893**	4,337	5,635
Other payables	**3,321**	3,599	3,896
Accruals	**34,091**	40,448	25,722
Deposits	**10,924**	11,006	10,532
Deferred consideration	**753**	4,530	-
	61,225	76,755	52,017

	November 2016	August 2016	November 2015
	£000	£000	£000
Non- current			
Other taxes and social security	**309**	298	-
Accruals	**3,713**	4,427	818
Deferred consideration	**7,192**	3,790	7,554
	11,214	8,515	8,372

Notes to the Consolidated Interim Management Statements (continued)

11 Ultimate parent company and parent company of larger group

The immediate parent company is Cognita Topco Limited, a company registered in Jersey. The ultimate controlling parties are The Bregal Fund III LP and KKR European Fund III LP, who jointly control Cognita Topco Limited.

12 Capital Commitments

At the balance sheet date the Group entered into capital commitments to purchase property, plant and equipment in respect of major projects of £52.3m. The main component of this related to the expansion of our early childhood facilities in Singapore.

13 Contingencies

Group Guarantees

A number of guarantees were undertaken upon the issuance of Senior Secured Loan Notes by Cognita Financing PLC. The assets of certain Group companies are subject to fixed and floating charges. The guarantors granted a senior guarantee of the super senior Revolving Credit Facility agreement concurrently with the Senior Secure Loan Note guarantee. The total gross exposure in relation to the Senior Secured Loan Notes at 30 November 2016 was £337.6m including accrued interest (31 August 2016: £280.5m). Group companies in Brazil, Chile and Hong Kong respectively also guarantee the loan facilities and deferred consideration in those countries with a total exposure of £93.8m (31 August 2016: £94.0m).