Cognita Bondco Parent Limited

Annual Bond Report
For the period ended 31 August 2016

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

Contents

PRESENTATION OF FINANCIAL STATEMENTS AND INFORMATION

Cognita Financing plc (the "Issuer") 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. Neither the Issuer nor the Company have any material assets or liabilities other than the Notes and associated intergroup transactions and have not engaged in any activities other than those related to their incorporation in preparation for the Notes offering and the related refinancing transactions.

Consequently, limited historical financial information relating to the Issuer and the Company is available and the prior year audited consolidated financial statements of the Company included in this annual report relate to the 60 day period ended 31 August 2015. In order to provide comparable income statement data for the year ended 31 August 2015, we have included the audited consolidated financial statement of Cognita Holdings Limited for the year ended 31 August 2015 in this annual report.

The operating and financial review included herein is also based on the income statement data derived from the audited consolidated financial statements of Cognita Holdings Limited for the year ended 31 August 2015 since no comparable Company information exists for the full year. Therefore, the use of the term "Group" in this annual report is referring to the Cognita Holdings Limited Group when referring to the consolidated income statement for the year ended 31 August 2015 and Cognita Bondco Parent Limited Group for all other references.

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 normal presentation in the audited consolidated financial statements, but is consistent with the presentation in the Annual Bondholders' Report.

Definitions of financial measures

This Annual 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.

"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.

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

"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, DEVELOPMENTS DURING THE YEAR AND RECENT DEVELOPMENTS

Our Business

We are a leading global operator of private-pay K-12 schools currently comprising 69 schools across Asia, Europe and Latin America. A summary of schools by region is provided in the operating segments section below.

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. The vast majority of our revenues are from private-pay sources without exposure to changes in government funding.

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

Operating Segments

The Group is structured into the following operating segments:

Europe

We operated 47 schools in Europe as at 31 August 2016, comprising of six schools in Spain and 41 in the United Kingdom, including the St Nicholas Preparatory School, which is operated as a joint venture. This segment accounted for £167.4m or 50.6% of the Group revenue, £26.8m or 37.6% of Group's Regional Adjusted EBITDA and had an Adjusted EBITDA margin of 16.0% for the year ended 31 August 2016. For the year ended 31 August 2016, this segment had 13,817 average FTE students and the average revenue per FTE student for this segment was approximately £12,100.

We have acquired an additional school in this region in September 2016.

Asia

We operated nine schools in Asia as at 31 August 2016, comprising two schools in Singapore, three schools in Vietnam and four schools in Thailand. There is an additional school in Hong Kong which is not yet operational, bringing total schools in this region to 10. This segment accounted for £129.0m or 39.0% of the Group Revenue, £37.5m or 52.7% of the Group's Regional Adjusted EBITDA and had an Adjusted EBITDA margin of 29.1% for the year ended 31 August 2016. For the year ended 31 August 2016, this segment had 7,930 average FTE students and the average revenue per FTE student for this segment was approximately £15,600.

Latin America

We operated 12 schools in Latin America as at 31 August 2016, comprising two schools in Brazil and 10 schools in Chile. This segment accounted for £34.5m or 10.4% of the Group Revenue, £6.9m or 9.7% of the Group's Regional Adjusted EBITDA and had an Adjusted EBITDA margin of 19.9% for the year ended 31 August 2016. For the year ended 31 August 2016, this segment had 11,848 average FTE students and the revenue per FTE student for this segment was approximately £3,200.

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.

Enrolment and Average Revenue per FTE Student

Our results of operations are directly affected by our ability to maintain levels of enrolment and average revenue per FTE student. Total enrolment in our schools has increased by 5.8% from 31,764 average FTE students as at 31 August 2015 to 33,595 average FTE students as at 31 August 2016.

Average revenue per FTE student has increased from c£9,400 for the year ended 31 August 2015 to c£9,800 for the year ended 31 August 2016 primarily due to fee increases across our schools. 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, as well as portfolio mix when considered on a Group basis.

Student Retention Rates

We monitor the level of students who are retained in our schools. Such data regarding student retention rates provides us with visibility of 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 years indicated:

	2016	2015
Student Retention Rates:	%	%
Europe	85.4	87.0
Asia	79.0	80.7
Latin America	91.2	92.4

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 application and facilities fees are payable when students enrol and places vacated by outward bound expatriate students can be filled by new inward bound students.

Acquisitions, Disposals and New Schools

We are an acquisitive, dynamic group and always have an acquisition and development pipeline. We currently have two major development projects underway in Asia, which we expect to be completed by the start of the next academic year. In addition, we may acquire additional schools in the future which would impact on our results of operations.

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 income statement of the Group. Foreign exchange gains and losses arising on non-monetary assets and liabilities from their operating currencies to pound sterling are recognised as part of our income statement foreign exchange reserve on our balance sheet.

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 enrolments 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, information technology (IT), human resources and marketing functions, as well as business development and mergers and acquisition activities within a region. 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 centralised 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 our 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.

Developments during the year

Acquisition of brownfield school property in Hong Kong

The Group completed the purchase of a school property in Kowloon, Hong Kong on 15 April 2016. The building acquired has capacity for c. 800 students, with expansion work planned to increase this to over 1,100. The purchase price paid, excluding fees and expenses, was HKD 673m. The acquisition was funded using a combination of existing cash resources, drawdown on the Group's Revolving Credit Facility and local financing. A complete refurbishment of the existing school building, which is expected to cost approximately HKD 447.7m, commenced during the final quarter of the year.

The school is anticipated to open with 400-500 seats in September 2017, subject to standard regulatory approvals. Refurbishment work is being fully funded via locally raised non-recourse debt financing.

Acquisitions in Spain and Thailand

The Group acquired two schools during the year, International School of Barcelona in Sitges, Spain and St. Andrews Dusit Campus Co Limited in Thailand. The schools were acquired for total consideration of approximately £4.2m, had 460 students at the acquisition date and have capacity for 870 students in total.

The results of both schools are included in the consolidated financial statements for the Group.

School closures, new schools and new educational offerings

Chilton Cantelo and Cranbrook schools in the United Kingdom were closed at the end of the 2016 summer term, after a consultation process that explored all available options. At the beginning of the consultation process in February, the school had a combined total of c.390 students. The losses incurred by both schools in aggregate in the year to 31 August 2016 were £4.5m. The schools were not actively marketed for sale at the year-end date and therefore have not been treated as assets held for disposal.

The group opened a new school in Santiago, Chile in March 2016. Colegio Pumahue Chicauma which teaches a Chilean national curriculum has become the tenth school in the Cognita school network in Chile. The school has a capacity of c.230 and opened with 112 students.

Also in March 2016, three of the Group's schools in Chile introduced English World, a bilingual stream, to their Early Years programmes. Initial uptake of the new offering, which attracts higher fees, has exceeded expectations and there are plans to extend it to other schools in future.

Construction of new campus in Vietnam

Construction has commenced on a new 900 seat campus which will house the secondary school of the International School of Ho Chi Minh City (ISHCMC). This is a USD 16.2m project, jointly funded with a local developer, and is expected to open in August 2017. It will allow ISHCMC to continue to grow enrolments which currently stand at c. 1,000.

Creation of distributable reserves

A share capital reduction exercise was undertaken during the year. The exercise, which has increased distributable reserves across seven UK Group entities, facilitates the movement of cash within the group by way of intra-group dividends.

British referendum on Europe

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

Currency exposure: Fluctuations in exchange rates will impact Group results which are reported in GBP. Approximately 58% of Group revenue, 82% of Group EBITDA and 90% of Group capex are denominated in foreign currency. The Group has entered into forward exchange contracts in respect of the Senior Secured Loan Notes as disclosed in the final section of this report.

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

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

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

Serious Case Review

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

From a Group wide perspective, the appointment of a Group General Counsel has led to the implementation of a three pillar 'governance' model for safeguarding which combines both internal and external review and since implementation, Cognita has been identified as a leader in this area across all regions. It is notable that in Cognita's 14 school inspections since October 2015, all but one have scored Outstanding for Welfare, Health and Safety.

Funding Secured to support Group growth

During the year ended 31 August 2016, the Super Senior Revolving Credit Facility was increased by £20m to £80m.

Recent developments

Acquisition of The English Montessori School, Madrid

On 6 September 2016, the Group acquired 100% shareholding in The English Montessori School, a school based in Madrid, Spain. The consideration, which was funded following a drawdown on the Revolving Credit Facility, was approximately €10.1m (c. £8.6m), including a deferred consideration component of €3.2m (c.£2.7m).

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

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 CLP 6.6bn (c. £7.7m).

Expansion plans for Gaylussac school, Brazil

Work is due to commence in December 2016 on a £3m project to expand the Gaylussac school in Brazil. The project will provide nine new classrooms, creating incremental capacity for 250 students, bringing total school capacity to 1,950.

The expansion will include an enhancement of facilities by providing a new restaurant, arts classroom, reading room, a covered playground, a small football field and improved school entrance and parents' service area.

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

Funding Secured to support Group growth

On 4 October 2016, an additional £45m of Senior Secured Loan Notes were issued via a private placement at a premium of £2.0m to par value. This additional funding followed a £20m increase to the Super Senior Revolving Credit Facility on 19 September 2016, taking the total facility to £100m.

KEY OPERATING METRICS AND FINANCIAL HIGHLIGHTS

The following table sets out a summary of key operating metrics all including 100% of the joint venture, St Nicholas Preparatory School Limited (the "*St Nicholas Joint Venture*"):

	Year ended 31 August		
	2016	2015	Change / % change
No. of countries	8	7	1
No. of schools	67	66	1
Total student capacity ('000)	43,544	42,063	3.5%
Total average student FTE enrolment ('000)	33,595	31,764	5.8%
Utilisation	77.2%	75.5%	1.7%
FTE staff numbers	5,098	4,816	5.9%

During the year, the Group acquired St Andrews International School, Bangkok Dusit, Thailand and the International School of Barcelona, Sitges, Spain. It also opened Colegio Pumahue Chicauma in Chile and closed two schools, Chilton Cantelo and Cranbrook, in the United Kingdom.

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 August 2017, this will be the Group's 69th school. The Group's 68th school, The English Montessori School, Madrid, was acquired on 6 September 2016.

Total student capacity increased by 3.5% in the year ended 31 August 2016, mostly attributable to Latin America where there has been an increase in capacity of c.900 attributable to the expansion of several of the Chilean schools and the opening of Colegio Pumahue Chicauma in Chile in March 2016. The remainder of the increase is largely due to the acquisitions of St. Andrews International School Bangkok Dusit, Thailand on 26 February 2016 and the International School of Barcelona Sitges, Spain on 1 January 2016.

Student capacity by region is highest in Europe at 17,345 (2015: 17,082), followed by Latin America, 15,501 (2015: 14,603) and Asia, 10,698 (2015: 10,378).

Average enrolment throughout the Group grew by 5.8% and FTE staff numbers grew by 5.9%, over the same period, driven primarily by acquisitions, the new bilingual syllabus offering in Chile and the ongoing growth of the Stamford American International School in Singapore. By region, average enrolment grew by 1.3% in Europe, 8.5% in Asia and 9.6% in Latin America. Utilisation improved by 1.7% to 77.2% for the year ended 31 August 2016.

Financial Highlights

	2016	2015	Change / % change
	£'m	£'m	
Group revenue	330.9	300.6	10.1%
Group Adjusted EBITDA	61.4	53.5	14.8%
Group Adjusted EBITDA margin	18.6%	17.8%	0.8%
Regional Adjusted EBITDA margin	21.5%	20.5%	1.0%
Operating profit	10.7	3.5	NM*
Loss for the year	(39.6)	(63.0)	37.1%
Cash flow from operating activities	52.6	45.9	14.6%
Net decrease in cash	(23.1)	(7.1)	NM*
Capex	124.4	42.0	NM*
Net Debt	352.6	247.5	42.5%

* Percentage has been suppressed as not considered meaningful

Commentary on Results

- Group revenue increased by 10.1% (9.2% on a constant currency basis) in the year ended 31 August 2016.
- By region, revenue grew on a constant currency basis by 4.4% in Europe, 13.3% in Asia and 19.2% in Latin America.
- Group adjusted EBITDA increased by 14.8% (12.7% on a constant currency basis) in the year ended 31 August 2016 with Group adjusted EBITDA margin increasing to 18.6% (2015: 17.8%).
- Operating profit increased by £7.1m in the year ended 31 August 2016 compared to the same period last year.
- Cash flow from operations grew by 14.6%.

RESULTS OF OPERATIONS

The full consolidated financial statements have been provided in the final section of this report.

Group Revenue

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

	2016	2015	% Change Actual	% Change Constant currency	% Change Organic (1)
	£'m	£'m			
Europe	167.4	159.6	4.9%	4.4%	4.8%
Asia	129.0	109.5	17.7%	13.3%	13.2%
Latin America	34.5	31.5	9.8%	19.2%	12.3%
Total	330.9	300.6	10.1%	9.2%	8.5%

(1) Organic growth is calculated on a constant currency basis and excludes acquisitions and new school openings (GayLussac, Brazil; International School of Barcelona, 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 £300.6m in 2015 to £330.9m in 2016, an increase of 10.1% or 9.2% on a constant currency basis. Revenue attributable to new acquisitions during the year ended 31 August 2016 represented 1.5% 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:

	2016	2015	% Change Actual	% Change Organic (1)
Europe	13,817	13,642	1.3%	0.8%
Asia	7,930	7,310	8.5%	7.4%
Latin America	11,848	10,812	9.6%	6.4%
Total	33,595	31,764	5.8%	4.2%

(1) Organic growth is calculated on a constant currency basis and excludes acquisitions and new school openings (GayLussac, Brazil; International School of Barcelona, 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 5.8% in the year, with Europe growing by 1.3%, Asia by 8.5% and Latin America by 9.6%. The Europe student growth was partially offset by a decrease in student numbers in Chilton Cantelo and Cranbrook schools in the United Kingdom of 88 and 83 FTE respectively with the decline driven by the announced closure of the two schools. Excluding the International School of Barcelona Sitges acquisition and adjusting for the divestment of Chilton Cantelo and Cranbrook schools in the United Kingdom, organic student growth is 0.8%. Asia student growth was mostly driven by the ongoing enrolment into the available phase 2 capacity at the Stamford American International School, with a growth rate of 7.4% (excluding the impact of the Dusit acquisition in Thailand). The growth of 9.6% in Latin America includes the impact of the GayLussac acquisition (in December 2014) and the opening of Colegio Pumahue Chicauma. On an organic basis, student numbers grew by 6.4% in Latin America assisted by the new bilingual syllabus offering in Chile.

Operating Costs

Underlying operating costs (including the St Nicholas Joint Venture) for the year were £269.5m (2015: £247.0m). The increase of 9.1% reflects both organic and acquisitive growth in operations during the year and additional costs incurred from management team changes.

Employee benefits expense are the main component of the Group's operating costs. The underlying employee benefits expense for the year ended 31 August 2016 was £177.6m (2015: £163.4m). The increase of 8.7% includes the impact of the acquisitions made during the year, the new school opening in Chile and the growth in the Stamford American International School. Additional employee costs were also incurred in the Europe segment and Group central due to strategic investments in educational development, child safeguarding positions and obligatory costs incurred from higher pension contributions into the UK Teachers' Pension Scheme.

Total FTE staff numbers increased by 282 or 5.9% to 5,098 in the year ended 31 August 2016 (2015: 4,816). This increase included 75 FTEs related to the acquisitions in Spain and Thailand and new school opening in Chile and 66 FTEs associated with the ongoing growth of the Stamford American International School in Singapore. An increase of 48 FTEs was seen in the UK where investment has been made in improving the educational provision.

Underlying other operating expenses increased by £8.3m, or 10.0% to £91.9m in the year ended 31 August 2016 (2015: £83.6m).

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:

	2016 £'m	2015 £'m	% Change Actual	% Change Constant currency	% Change Organic (1)
Europe	26.8	26.0	3.0%	2.4%	9.7%
Asia	37.5	29.1	28.9%	24.0%	24.3%
Latin America	6.9	6.6	4.6%	12.1%	11.8%
Regional Group Adjusted EBITDA	71.2	61.7	15.4%	13.6%	17.0%
Group central costs	(9.8)	(8.2)	19.6%	19.6%	19.6%
Group Adjusted EBITDA	61.4	53.5	14.8%	12.7%	16.6%

(1) Organic growth is calculated on a constant currency basis and excludes acquisitions and new school openings (GayLussac, Brazil; International School of Barcelona, Spain; St Andrews International School, Thailand; Colegio Pumahue Chicauma, Chile) and divestments (Cranbrook and Chilton Cantelo, UK).

Regional Group Adjusted EBITDA grew by 15.4% (13.6% on a constant currency basis) and represents a margin of 21.5% of revenue (2015: 20.5%). Much of this increase was derived from organic growth of 24.3% in the Asia region, largely driven by the ongoing growth of the Stamford American International School in Singapore. The Asia Regional Adjusted EBITDA grew 28.9% (24.0% on a constant currency basis) on revenues that grew by 17.7% (13.3% on a constant currency basis) in the same period.

The 11.8% organic growth rate in Latin America, on a constant currency basis, was driven by a 2.4% improvement in the utilisation rates from 74.0% to 76.4% in the year ended 31 August 2016. The improvement in EBITDA has been most notable in Chile where a new bilingual syllabus offering has exceeded local management expectations and led to improved margins. The actual EBITDA growth in Latin America was significantly reduced by currency depreciation in the period.

Europe Regional Adjusted EBITDA of £26.8m includes £1.9m of losses relating to Chilton Cantelo and Cranbrook schools. Excluding the impact of these two UK schools, Europe Regional Adjusted EBITDA would have increased by 8.6% on an actual basis, 8.0% on a constant currency basis and 9.7% on an organic basis.

Group central costs grew 19.6% to £9.8m in the year ended 31 August 2016. This increase was primarily due to the transition of the executive management in the period.

Non-Underlying Operating Expenses

Non-underlying operating expenses (including the St Nicholas Joint Venture) include one-off charges for non-cash impairments of £8.2m (2015: £12.2m), acquisition and business exploration costs of £4.6m (2015: £6.6m) restructuring and exceptional advisory costs of £7.1m (2015: £3.9m) and non-cash share based payments of £4.0m (2015: £1.6m). The acquisition and business exploration costs were higher in the year ended 31 August 2015 due to the transaction costs of GayLussac School in Brazil. The higher restructuring and exceptional advisory costs in 2016 is driven primarily by the provision for the closure of Chilton Cantelo and Cranbrook schools in the United Kingdom, payments made to executive management as compensation for loss of office during the year and the implementation of additional safeguarding measures. The increased share based payment charge represents amendments made to the vesting period of the management incentive plan. The charge is non-cash in nature and includes amounts written off relating to directors who left in the current and prior year.

The impairment charge of £8.2m (2015: £12.2m) arose due to a reduction in the carrying value of consolidated goodwill and fixed assets for several of the Group's schools following an impairment review in accordance with our accounting policy (see notes 12 and 13 of the consolidated financial statements of Cognita Bondco Parent Limited).

Finance Income

Finance income increased from £1.5m in the year ended 31 August 2015 to £29.5m in the year, primarily associated with the exchange gains realised on intercompany loans between Cognita Holdings Limited and subsidiaries. The loans were put in place to enable funding to be passed into the Cognita Group from Cognita Financing plc.

Finance Expense

Finance expense increased by £8.2m, or 12.5%, from £65.3m in the year ended 31 August 2015 to £73.5m in the year ended 31 August 2016. The increase was primarily driven by the fair value movement on foreign exchange hedge instruments of £44.0m offset by favourable movements on interest costs following the external debt refinancing exercise of £33.2m.

Share of Profit of Joint Venture

The Group's share of operating profit in respect of joint venture remained unchanged at £0.5m.

Taxation

The Group's tax charge increased by £3.5m or 109.4% from £3.2m in the year ended 31 August 2015 to £6.7m in the year ended 31 August 2016. This was primarily due to the increase in taxable earnings in Singapore.

Loss for the Year Before Taxation

The Group's loss before tax has decreased from £59.8m in the year ended 31 August 2015 to £32.9m for the year ended 31 August 2016. The £26.9m decrease in losses is driven by the £8.1m increase in Underlying Adjusted EBITDA generated from organic and acquisitive growth. Non-underlying costs have also reduced by £0.8m due to a decrease in acquisition and business exploration costs and a lower impairment charge during the year.

Balance Sheet and Cashflow

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 year ended 31 August:

	2016 £'m	2015 £'m	Change %
Cash flows from operating activities	52.6	45.9	14.6%
Net cash outflow from investing activities	(121.2)	(55.0)	120.2%
Cash inflow from financing activities	45.6	2.0	2,123.0%
Cash and cash equivalents	61.0	74.4	(18.1)%

Cash Flows from Operating Activities

The Group 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. Working capital cycles are also influenced by the geographical markets in which the Group operates. School billing cycles differ from one jurisdiction to another and these billing cycles impact the negative working capital position of the Group. The Group's working capital has become increasingly negative over time due to growing FTE student numbers and because of an increase in the proportion of Group revenue generated by schools in Asia that generally invoice further in advance compared to other regions.

Operating cash outflows are also cyclical, however they do not necessarily track the seasonality of billing cycles. For example, the Group typically schedule maintenance of its facilities between academic years or school terms and this has an adverse effect on working capital during such periods.

Net cash inflow from operating activities increased by £6.7m, or 14.6%, from £45.9m in the year ended 31 August 2015 to £52.6m in the year ended 31 August 2016, due to the improvements in operating performance from growing student numbers and management of operating costs.

Cash Flows from Investing Activities

Net cash outflow from investing activities increased by £66.2m, or 120.2%, from £55.0m in the year ended 31 August 2015 to £121.2m in the year ended 31 August 2016. The cash outflow for acquisition of property, plant and equipment in the year ended 31 August 2016 includes £65.1m related to the purchase price and associated fees for the property acquired in Hong Kong in April 2016. Cash outflow on acquisitions was £17.5m in the year ended 31 August 2015 associated with the acquisition of GayLussac School in Brazil, compared to £6.7m in the year ended 31 August 2016 relating to the acquisitions in Spain and Thailand.

Cash Flows from Financing Activities

Net cash inflow from financing activities increased by £43.6m, from £2.0m in the year ended 31 August 2015 to £45.6m in the year ended 31 August 2016. The increase is driven by the £38.7m drawdown on the local debt facilities in Hong Kong for the purchase of the school property (including related fees), development capex and working capital and the net £45.6m (£42.6m at average rate) drawdown on the Revolving Credit Facility in the year. This increase is offset by repayments of borrowings of £26.0m in the current year and a reduction in cash flows relating to refinancing transaction costs.

Capital Expenditure

The Group invested £115.9m of cash in capital expenditure in the year ended 31 August 2016 (2015: £38.9m). The capital expenditure reported in the year 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 and additional investment in a new early childhood facility being built in Singapore and the £65.1m acquisition of the school property including fees in Hong Kong.

	2016 £'m	2015 £'m	Change %
Operating	16.4	14.8	10.8%
Development	99.5	24.1	312.9%
Total	115.9	38.9	197.9%

Operating Capital Expenditure

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

In the year ended 31 August 2016, operating capital expenditure was £16.4m (2015: £14.8m), an increase of 10.8% on the prior year. The increase is attributable to the phasing of a strategic refurbishment programme in the United Kingdom.

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 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 31 August 2016, SGD 85m had been invested in this project from inception. The construction is due to complete in June 2017 in anticipation of the opening date of August 2017.

Development capital expenditure for the year ended 31 August 2016 includes £65.1m relating to the acquisition of the brownfield school property in Hong Kong, including purchase price paid, fees and expenses. The Group is investing approximately HKD 448m, to undertake a complete refurbishment. The school is anticipated to open in September 2017, subject to standard regulatory approvals.

Net debt and leverage

	2016	2015
	£'m	£'m
Bank loans	84.1	37.2
Revolving Credit Facility	45.6	-
Less: Revolving Credit Facility transaction costs	(1.7)	-
Senior Secured Notes	280.0	280.0
Less: Senior Secured Notes transaction costs	(9.2)	(10.8)
Senior Secured Notes accrued interest	0.5	1.5
Finance leases	3.4	3.3
	402.7	311.2
Overdrafts	-	1.5
Gross debt	402.7	312.7
Less: Bank and cash	(61.0)	(76.0)
Net Debt	341.7	236.7
Net Debt exc. transaction costs	352.6	247.5
Net Debt: LTM Adjusted EBITDA	5.9x	4.8x

At the year ended 31 August 2016 £45.6m was drawndown on the Revolving Credit Facility to contribute towards the acquisition of the school property in Hong Kong and in anticipation of the acquisition of The English Montessori School, Madrid in September 2016. During the year, the Revolving Credit Facility was increased by £20m and then by a further £20m following the year end. The total Facility currently available to draw is £100m.

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	€25.7
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 21 to the Cognita Bondco Parent Limited consolidated financial statements for the year ended 31 August 2016.

Group Refinancing

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

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

The net proceeds of the Notes were used to invest in equity of Cognita Holdings Limited and these funds were used to repay a number of outstanding external loans within the Group along with related accrued interest and break costs, to settle costs related to the termination of interest rate swaps and pay fees and expenses in connection with the transactions.

Following the year ended 31 August 2016, the Group issued an additional £45.0m of 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 recognised upon the issuance of these instruments. The guarantor status of the company applies to both the initial and subsequent issuances.

The net assets of the Cognita Bondco Parent Limited Group were £70.7m as of 31 August 2016 (Cognita Holdings Limited 2015: £364.7m). The movement of £294.0m is mostly attributable to the Group refinancing arrangements.

Acquisitions

As part of the ongoing corporate strategy to target expansion in attractive markets, the Group considers strategic acquisition opportunities from time to time.

During the year, the Group acquired schools in both Thailand and Spain. Following the year end, the Group has also acquired The English Montessori school in Madrid, Spain.

Contractual Obligations

The following table shows our contractual commitments as of 31 August 2016:

	Up to one year	One to five years	More than five years	Total
	£'m	£'m	£'m	£'m
Obligations from operating leases (1)	9.8	46.1	199.3	255.2
Finance leases	0.2	1.2	1.9	3.3
Development contracts (2)	74.1	-	-	74.1
Senior Secured Notes	21.7	366.0	-	387.7
Revolving Credit Facility	43.9	-	-	43.9
Deferred consideration (3)	4.5	3.8	-	8.3
Local Facilities	7.0	61.2	21.3	89.5
	161.2	478.3	222.5	862.0

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 childhood 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") and the International School of Barcelona.

Critical Accounting Policies

See note 31 of the Cognita Bondco Parent Limited financial statements for our critical accounting judgments and key sources of estimation uncertainty.

RISK FACTORS

If we are unable to successfully complete our significant development projects and enrol sufficient students, our ability to grow our business will be limited and our business, financial condition and results of operations may be adversely affected.

The successful opening of our development projects in Singapore and Hong Kong depend on our ability to complete the construction and refurbishments on time, within budget and to an appropriate quality to meet both regulatory and reputational requirements. It is also dependent on successful launches and marketing campaigns and the effective recruitment of qualified teachers, support staff and students.

Our development project in Hong Kong, represents an expansion into a new country, where we may find challenges related to cultural differences and relationships with local education authorities and other regulatory bodies.

Our development project in Singapore increases our footprint in the country, but also exposes the group to macroeconomic risks should the Singapore economy and/or the number of expatriate visitors decline. A decline in the Singapore economy could also have a negative adverse impact on the existing business as well as the new development.

Where the group has construction projects funded from group resources, as is the case in Singapore and Hong Kong, there could be currency exposure where the funds available to draw are different from the future liabilities of constructing the asset. This could also create a currency exposure, as future cash flows being generated will be in a different currency to the debt drawn. Wherever possible this exposure will be mitigated through use of financial instruments such as forward contracts or by matching the drawdown of funds for the expansions.

We may be adversely impacted by the British exit from the EU.

As a UK based organisation with global operations, our business is inherently impacted by the implications of the UK's separation from the EU.

Although the timing and nature of the UK's separation from the EU remains unclear, there are currently no significant adverse implications to business operations and results to report. However, there are some potential risks that could have an adverse effect on our business, prospects, results of operations, cash flow and financial condition:

- The Group has entered into forward exchange contracts in respect of the Senior Secured Loan Notes, however fluctuations in exchange rates will impact Group results which are reported in sterling.
- London's status as a financial centre could be compromised, which in turn could impact the demand for international schools.
- We may struggle to attract and retain students and teachers from the EU if visa entry requirements become more stringent.
- The use of British qualifications for Spanish university entry and on Spanish students applying to British universities may be impacted.
- A significant adverse impact to the UK or European economy would lead to a decline in demand for places in the UK and Spain which could have an adverse effect on our business.

We may be adversely impacted by the macroeconomic environment

Our operations are affected by the general economic conditions in each of the countries in which we operate. These macroeconomic conditions are monitored on an ongoing basis along with the impact on our current and future financial performance. Risks identified during the year included potential implications arising from the British referendum on the EU, softening in the growth outlook for the Asia region driven by global macroeconomic environment changes and general economic pressure and political changes in the Latin America region.

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

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

The level of student enrolments and utilisation rates in our schools are critical to our future financial performance. A number of factors may contribute to a decline in student enrolment 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 are 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 enrolment 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-enrol 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 enrolments, 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 enrolments or an increase in students switching to other schools. To the extent our school enrolment 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, Thailand, Vietnam, Hong Kong, Brazil and Chile. 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 year ended 31 August 2016, we generated a portion of our Adjusted EBITDA from our operations 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 authorisations 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.

A number 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 labour disruptions, such as strikes. Labour 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 labour disruptions occur. Additionally, labour regulation or the settlement of labour 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 labour 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 labour 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 labour disruptions or potential labour 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 labour 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 the following exchange control risks:

Availability risk:

The risk that pound sterling, euro or United States dollar will not be available for conversion in a particular country;

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 United States dollar; and

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 United States dollar leaving the country.

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, as some of 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.

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 authorisations 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 licences, permits, visas, accreditations, certifications and other authorisations 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;
- 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 authorisations to operate schools, loss of or restrictions on our ability to use certain facilities, unfavourable 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 enrolments, 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. National and international police investigations with respect to the former teacher, since deceased, are ongoing. The findings from a UK statutory Serious Case Review were published in January 2016 and recommendations supported those made in the independent review. The results 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 enrolment levels at Southbank International School have not been affected, the consequences of any further reputational damage could materially and adversely affect our enrolments, 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 licence, permit, accreditation or other authorisation to operate a school, receive unfavourable ratings from the relevant regulatory authority or close one or more of our schools due to compliance related issues, it could harm our reputation. Unfavourable 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 defence 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. 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 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 enrolments 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 Thailand Dusit school, acquired during the year. 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 year ended 31 August 2016, our bad debts provisions were insignificant, representing 1.5% of Group revenue. 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, Hong Kong dollar, 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 twelve 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, Hong Kong dollar 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 31 August 2016, we have acquired or built 67 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, labour or other issues, such as defects in existing licences 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, amortisation 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, Hong Kong 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 realise 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 favourable 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 favourable 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 sites 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 enrolments 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, licences, approvals and authorisations;
- landlord consent to any alterations;
- shortages of, or defective, materials and/or equipment, labour shortages or disputes and disputes with subcontractors;
- increases in the cost of construction materials or labour; 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. and closed two schools. After we sell or close 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 31 August 2016, we had over 50 leasehold properties (including playing fields) in connection with our school operations. A number 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 favourable 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 favourable 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 favourable 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. 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 recently experienced, and may in the future, experience changes in our senior management for a variety of reasons. Certain leadership positions including the positions held by our chief executive officer and chief financial officer have been transitioned over the past year. 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 unauthorised 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, unauthorised 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 rationalised. 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 implementing a global finance system across the entire group and are continuing to evaluate the possibility of introducing new technology in order to:

- improve efficiencies, including the centralisation of certain back office functions, such as 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 digitisation.

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. The Group is currently implementing a new global finance system and have mitigated the risk by employing experienced project managers. The group continues to assesss the impact on resources and where required we are investing in additional resources and support. 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 enrol 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 enrol 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 enrol 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 enrol 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 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 unauthorised 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 favour 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 unauthorised 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 £1.2 million with respect to PAYE amounts payable in connection with our operation of a Growth Securities Ownership Plan in the years ended 31 August 2010 to 2013. 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 cash outflow from the Group in relation to the operation of the GSOP in the years ended 31 August 2010 to 31 August 2013 would total £0.5 million, due to the existence of an indemnity to recover certain amounts from scheme participants. If this inquiry or other tax audits, investigations or challenges render decisions that are unfavourable 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.

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.

MANAGEMENT AND PRINCIPAL SHAREHOLDERS

Management of Cognita Bondco Parent Limited

Board of Directors

Set forth below are the names and titles of the members of the Board of Directors of Cognita Bondco Parent Limited. The business address of each of the directors is Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

Name	Title
Chris Jansen	CEO and Director
Michael Uzielli	CFO and Director
Dean Villa	COO and Director

Management of Cognita Financing plc

Cognita Financing plc (the "Issuer") was incorporated on 3 July 2015 for the principal purpose of issuing the Senior Secured Notes. The Board of Directors of Cognita Financing plc is composed of the following members:

Name	Title
Chris Jansen	CEO and Director
Michael Uzielli	CFO and Director
Dean Villa	COO and Director

Senior Management Team

In addition to the foregoing, the following individuals are members of the senior management team of the Group:

Name	Title
Ralph Kugler	Chairman
Chris Jansen	Group CEO
Michael Uzielli	Group CFO
Michael Drake	CEO Asia
Stuart Rolland	CEO Europe
Josep Caubet	CEO Latin America
Dean Villa	COO, Property Director
Kevin Mercer	Legal Counsel
Helen Thornton	Group Director of Human Resources

Principal Shareholders of Cognita Bondco Parent Limited

The Issuer's entire issued and outstanding share capital is held by the Company, a wholly-owned subsidiary of Cognita Midco Limited.

KKR indirectly controls 50% of the voting rights attaching to Cognita Topco's shares and Bregal Capital indirectly controls 50% of the voting rights attaching to Cognita Topco's shares.

Shareholders' Arrangements

The Shareholders' Arrangements governs various rights of Bregal Capital LLP and KKR with regard to the Group, including voting rights and appointment rights. Pursuant to the Shareholders' Arrangements, each of Bregal Capital LLP and KKR may appoint up to two directors of each company in the Group, including Cognita Topco Limited and Cognita Holdings Limited. The Shareholders' Arrangements requires at least one director appointed by each of Bregal Capital LLP 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

Revolving Credit Facility

Cognita Holdings Limited and certain of its subsidiaries entered into a £60 million Super Senior Revolving Credit Facility agreement (the "Revolving Credit Facility Agreement") on 31 July 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. On 23 June 2016, the Revolving Credit Facility Agreement was increased from £60m to £80m, with Mizuho Bank Limited as the arranger. On 19 September 2016, the Revolving Credit Facility Agreement was increased by a further £20m to £100m.

The Revolving Credit Facility made available under the Revolving Credit Facility Agreement (the "Revolving Credit Facility") may be utilised 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.

The Revolving Credit Facility may be utilised 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 Limited.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, the Company, Cognita Holdings Limited 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 31 July 2015, with, among others, the lenders under our Revolving Credit Facility Agreement, U.S. Bank Trustees Limited as 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.

The Notes

On 4 October 2016, the Issuer privately placed an offering of £45m aggregate principal amount of 7.75% Senior Secured Notes due 2021 with certain existing noteholders of the Issuer's existing notes. The notes constitute a further issuance of the Issuers 7.75% Senior Secured Notes due 2021 issued in aggregate principal amount of £280m on 7 August 2015.

Cognita Bondco Parent Limited

Annual Report and Financial Statements

Registered number 09669246

31 August 2016

Company Information
for the year ended 31 August 2016

DIRECTORS:	D Villa C Jansen M Uzielli
SECRETARY:	EMW Secretaries Limited K Mercer
REGISTERED OFFICE:	EMW Secretaries Limited Seebeck House One Seebeck Place Knowlhill Milton Keynes Buckinghamshire MK5 8FR
REGISTERED NUMBER:	09669246
AUDITOR:	KPMG LLP Chartered Accountants Altius House One North Fourth Street Milton Keynes Buckinghamshire MK9 1NE

Contents

Strategic report

The Directors submit the Strategic Report, the Report of the Directors and the audited consolidated financial statements of the Cognita Bondco Parent Limited Group (the "Group") for the year ended 31 August 2016.

The Group is a leading global operator of private-pay K-12 schools. The Directors are pleased with the performance during the year to 31 August 2016 which was in line with expectations. At the year end, the Group operated 67 (2015: 66) schools across Europe, Asia and Latin America with an average total capacity of 43,544 (2015: 42,063) places and a total average enrolment of 33,595 (2015: 31,764) FTE students.

Cognita Bondco Parent Limited (the "Company") was formed on 3 July 2015 as part of a loan refinancing arrangement and became the immediate parent company of Cognita Holdings Limited on 21 July 2015.

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

Cognita Topco Limited is jointly controlled by The Bregal Fund III LP and KKR European Fund III LP. The audited, consolidated financial statements of Cognita Topco Limited are available to the public by application to the registered office of that company, or from Companies House with the financial statements of the parent company.

As part of the refinancing, Cognita Financing plc, a wholly owned subsidiary of the Company which was incorporated on 3 July 2015, issued debt in the form of Senior Secured Loan Notes of £280m on the Luxembourg Stock Exchange - Euro MTF ("Multilateral Trading Facility"). In accordance with the terms of the Senior Secured Loan Notes indenture, the Company is required to prepare consolidated financial statements. Accordingly, the results presented to August 2015 represent the 42 day period from the date of acquisition of Cognita Holdings Limited on 22 July 2015 to 31 August 2015. The results presented to 31 August 2016 represent a full year of activity.

Principal activity and review of the year

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

Our Strategy

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

Results and performance

The results of the Group for the year are set out on pages 15 to 21. Group revenue for the year was £326.0m.

Underlying Employee benefits expense was £175.4m.

Group Adjusted EBITDA was £44.6m. These results comprise underlying Adjusted EBITDA of £60.2m and non-underlying costs to Adjusted EBITDA of £15.6m.

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

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

Loss for the year before taxation

The Group's loss before tax was £32.9m for the year ended 31 August 2016, which was in line with managements expectations and reflective of the ongoing investment in growing the business.

Capital expenditure

During the year, the Group invested £124.3m in capital expenditure. The capital expenditure reported in the year represents amounts spent on the regular renewal of estate, along with amounts invested in the expansion plans of the Group's existing portfolio of schools, additional investment in the new early childhood facility being built in Singapore and the £65.1m acquisition of the school property including fees in Hong Kong.

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

Strategic report *(continued)*

Developments during the year

Acquisition of brownfield school property in Hong Kong

The Group completed the purchase of a school property in Kowloon, Hong Kong on 15 April 2016. The building acquired has capacity for c. 800 students, with expansion work planned to increase this to over 1,100. The purchase price paid, excluding fees and expenses, was HKD 673m (c. £61.2m). The acquisition was funded using a combination of existing cash resources, drawdown on the Group's Revolving Credit Facility and local financing. A complete refurbishment of the existing school building, which is expected to cost approximately HKD 400m, (c. £37m), commenced during the final quarter of the year.

The school is anticipated to open in August 2017, subject to standard regulatory approvals. Refurbishment work is being fully funded via locally raised non-recourse debt financing.

Construction of Early Childhood Facility in Singapore

The Group is investing £102.0m 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 additional seats. As at 31 August 2016, c. £38.4m, in total, had been invested in this project, with c. £26.7m incurred in the year ended 31 August 2016.

Acquisitions in Spain and Thailand

The Group acquired two schools during the year, International School of Barcelona in Sitges, Spain and St. Andrews Dusit Campus Co Limited in Thailand.

On 1st January 2016, the Group acquired the trade and assets of International School of Barcelona, Sitges for total consideration of approximately £2.2m. The acquisition was funded from existing cash resources. The school had c. 300 students at the date of acquisition and has a capacity for 450 students.

St. Andrews Dusit Campus Co Limited, which operates St. Andrews International School Bangkok, Dusit was acquired on 26 February 2016. The consideration, which was funded using existing cash resources, was £2.0m for a 70% shareholding with a put/call option to purchase an additional 20% of the minority interest. The call option can be exercised by either party between the acquisition date and 31 July 2020.

The school had c.160 students at the date of acquisition, with a current capacity of 420. The new acquisition complements the existing Thailand portfolio and will act as an additional feeder school into our Bangkok Sukhumvit 107 campus.

Construction of new campus in Vietnam

Construction has commenced on a new 900 seat campus which will house the secondary school of the International School of Ho Chi Minh City (ISHCMC). This is a USD 16.2m (c. £12m) project, jointly funded with a local developer, and is expected to open in August 2017. It will allow ISHCMC to continue to grow enrolments which currently stand at c. 1,000.

New school and bilingual education offering in Chile

The group opened a new school in Santiago, Chile in March 2016. Colegio Pumahue Chicauma which teaches a Chilean national curriculum has become the tenth school in the Cognita school network in Chile. The school has a capacity of c.230 and opened with 112 students.

The building from which the school operates was built by a real estate developer, with whom Cognita entered into a promise to purchase agreement in December 2014. The terms of the agreement remain unchanged, with the Group being required to purchase the school and freehold property should certain performance criteria be met.

The Group's current assessment of the agreement is that uncertainty remains around the timing of the crystallisation of the obligation and therefore the contractual commitment, currently estimated at £6.4m, and remains a contingent liability for accounting purposes.

Also in March 2016, three of the Group's schools in Chile introduced English World, a bilingual stream, to their Early Years programmes. Initial uptake of the new offering, which attracts higher fees, has exceeded expectations.

Strategic report *(continued)*

School Closures

Chilton Cantelo and Cranbrook schools in the United Kingdom were closed at the end of the 2016 summer term. An assessment was undertaken prior to the decision to begin a consultation process, which identified that the student numbers at each of the schools had reduced to a level whereby the breadth of education would be compromised from the next academic year. Student numbers at both schools have significantly reduced in recent years, due to changes in the market dynamics in each of the school catchments, despite the Group's continued investment in improving facilities and expanding educational provision.

After exploring all the available options, the consultation process concluded and the closure announcement was made in March 2016.

At the beginning of the consultation process, the school had a combined total of c.390 students. The losses incurred by both schools in aggregate in the year to 31 August 2016 were £4.5m. The schools were not actively marketed for sale at the year end date and therefore have not been treated as assets held for disposal.

Creation of distributable reserves

A share capital reduction exercise was undertaken during the year. The exercise, which has increased distributable reserves across seven UK Group entities, facilitates the movement of cash within the group by way of intra-group dividends.

British referendum on Europe

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

Currency exposure: Fluctuations in exchange rates will impact Group results which are reported in GBP. Approximately 58% of Group revenue, 82% of Group EBITDA and 90% of Group capex are denominated in foreign currency. The Group has entered into forward exchange contracts in respect of the Senior Secured Loan Notes as disclosed in the final section of this report.

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

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

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

Serious Case Review

The Serious Case Review related to the criminal activity of a former teacher at Southbank International School was published on 20 January 2016. The publication of the Serious Case Review has not had a material adverse effect on our enrolments or retention of students at the three Southbank schools.

Funding Secured to support Group growth

During the year ended 31 August 2016, the Super Senior Revolving Credit facility was increased by £20m to £80m.

Post balance sheet events

Acquisition of The English Montessori School, Madrid

On 6 September 2016, the Group acquired 100% shareholding in The English Montessori School, a school based in Madrid, Spain. The consideration, which was funded following a drawdown on the Revolving Credit Facility, was approximately €10.1m (c. £8.6m).

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

Strategic report *(continued)*

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 CLP 6.6bn (c. £7.7m).

Funding Secured to support Group growth

On 4 October 2016, an additional £45m of Senior Secured Loan Notes were issued at a premium of £2.0m to par value. This additional funding followed a £20m increase to the Super Senior Revolving Credit facility on 19 September 2016, taking the total facility to £100m.

Future developments

The Group will continue to invest in its existing schools, with some strategic development projects planned for the year ended 31 August 2017 and beyond. The Group will continue to develop opportunities in all regions.

Statement of Going Concern

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

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

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

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

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

Controlling parties and ultimate parent undertaking

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

Strategic report *(continued)*

Principal Risks and Uncertainties

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

Child protection and safeguarding

The Group may be liable for certain acts that affect the health and safety of students and staff at schools, or which breach the duty of care towards students, which may harm the Group's reputation and adversely affect the business and financial results. The Group has policies and procedures in place which are aligned to regulatory standards and are globally consistent.

Health and safety

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

Market forces

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

To minimise the possible impact of market forces, the Group focuses on delivering educational excellence, to ensure that Cognita schools are competitive in the private schools market even when market forces cause unfavourable economic conditions.

Political environment

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

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

ICT systems and infrastructure

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

Cyber risk and data protection

The Group collect and retain personal data and unauthorised disclosure of this data due to a systems failure or otherwise could have a damaging effect on the business. The Group has policies and procedures in place which are aligned to regulatory standards.

Human resources

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

Supporting growth

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

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

Strategic report *(continued)*

Principal Risks and Uncertainties *(continued)*

Financial capital risk

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

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

In order to manage the Group's exposure to those risks, in particular the Group's exposure to exchange rate risk, the Group enters into a number of derivative transactions including, foreign currency forward contracts.

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

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

Macroeconomic environment

Our operations are affected by the general economic conditions in each of the countries in which we operate. These macroeconomic conditions are monitored on an ongoing basis along with the impact on our current and future financial performance. Risks identified during the year included potential implications arising from the British referendum on the EU, softening in the growth outlook for the Asia region driven by global macroeconomic environment changes and general economic pressure and political changes in the Latin America region.

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

Liquidity risk

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

The Group is supported by its ultimate parent, whose policy has been to ensure continuity of funding. In 2015, the Group secured funding by issuing £280m of Senior Secured Loan Notes. In October 2016, the Group issued an additional £45m of Loan notes through a private placement. Additionally, the Super Senior Revolving Credit Facility was increased by £20m to £80m during the year ended 31 August 2016 and subsequently increased by a further £20m on 19 September 2016.

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

The maturity of borrowings at the balance sheet date is set out in note 19 to the financial statements. In total, the Cognita Bondco Parent Limited Group has access to committed borrowing facilities of £402.7m (2015: £311.2m), of which £296.3m mature beyond 2020.

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

Foreign exchange risk

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

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

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

Strategic report *(continued)*

Principal Risks and Uncertainties *(continued)*

Interest rate risk

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

Credit risk

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

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

By Order of the Board

/s/ M Uzielli

M Uzielli
Director
1 December 2016

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

Report of the Directors

The Directors submit their report together with the audited financial statements of Cognita Bondco Parent Limited for the year ended 31 August 2016.

Results and dividends

The Group loss for the financial year amounted to £39,619,000 (period ended 31 August 2015: £8,566,000).

The Company loss for the financial year amounted to £3,500,800 (period ended 31 August 2015: £1,519,000).

The Directors do not recommend the payment of a final dividend (period ended 31 August 2015: £nil).

Directors

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

D Villa	
C Jansen	(appointed 14 December 2015)
M Uzielli	(appointed 17 June 2016)
R Withers	(resigned 14 December 2015)
D Pearce	(appointed 2 November 2015, resigned 28 April 2016)
M Adams	(resigned 2 November 2015)

Directors' third party indemnity insurance

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

Directors' biographies

Chris Jansen was appointed as Group Chief Executive Officer on 19 October 2015, replacing Rees Withers who retired from the role on 31 December 2015. Mr Jansen has over 20 years' experience in competitive consumer products and service businesses having served as CEO of the AA as well as working in senior executive roles at Centrica and British Airways.

Michael Uzielli joined Cognita as Group Chief Financial Officer on 13 June 2016, replacing David Pearce who resigned in April 2016. Prior to joining Cognita, Mr Uzielli was Chief Financial Officer for Heathrow Airport Holdings, having previously worked in a range of sectors from banking to aviation, including the role of Finance Director for British Gas.

Dean Villa has served as the Group's Chief Operating Officer and Real Estate Officer since 2004. Mr. Villa was appointed as a Director of the Company on 3 July 2015.

Political contributions

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

Report of the Directors *(continued)*

Independent auditor and disclosure of information to auditor

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

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

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

By order of the board

/s/ M Uzielli

M Uzielli
Director
1 December 2016

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

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

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

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

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

We have audited the group and parent company financial statements of Cognita Bondco Parent Limited for the year ended 31 August 2016 set out on pages 15 to 67. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors are responsible for the preparation of financial statements which 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 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 Financial Reporting Council'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 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period 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.

/s/ D Neale

David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
8 December 2016

Consolidated statement of comprehensive income

for the year ended 31 August 2016

	Note	2016			60 day period ended 31 August 2015		
		Underlying £000	Non-underlying £000	Total £000	Underlying £000	Non-underlying £000	Total £000
Revenue	*1,3*	326,045	-	326,045	35,976	-	35,976
Employee benefits expense	*5,7,8*	(175,426)	(3,954)	(179,380)	(19,797)	(187)	(19,984)
Other operating expenses		(90,397)	39	(90,358)	(10,593)	-	(10,593)
Acquisitions and business exploration	*5*	-	(4,575)	(4,575)	-	(1,760)	(1,760)
Restructuring costs and exceptional advisory costs	*5*	-	(7,138)	(7,138)	-	(336)	(336)
Adjusted EBITDA		60,222	(15,628)	44,594	5,586	(2,283)	3,303
Impairment	*5*	-	(8,172)	(8,172)	-	(445)	(445)
Depreciation and amortisation of other intangibles	*6*	(25,756)	-	(25,756)	(2,763)	-	(2,763)
		34,466	(23,800)		2,823	(2,728)	
Operating profit				10,666			95
Finance income	*10*			29,489			171
Finance expense	*10*			(73,483)			(8,675)
Share of profit of joint venture	*14*			454			60
Loss before tax				(32,874)			(8,349)
Taxation	*11*			(6,745)			(217)
Loss for the year				(39,619)			(8,566)
Loss attributable to:							
Equity holders of the parent				(40,215)			(8,652)
Non-controlling interest				596			86
Loss for the year				(39,619)			(8,566)
Other comprehensive expense							
Items that are or may be reclassified to profit or loss:							
Foreign operations:-							
Foreign currency translation differences				10,769			(1,288)
Total comprehensive loss for the year				(28,850)			(9,854)
Attributable to:							
Equity holders of the parent				(29,446)			(9,940)
Non-controlling interest				596			86
Total comprehensive loss for the year				(28,850)			(9,854)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
at 31 August 2016

	Note	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	*12*	529,783	372,988
Intangible assets	*13*	82,459	79,833
Trade and other receivables	*17*	8,804	8,793
Investments in equity-accounted investees	*14*	2,851	2,397
Deferred tax assets	*15*	7,705	7,679
		631,602	471,690
Current assets			
Inventories	*16*	430	630
Tax receivable		823	493
Trade and other receivables	*17*	51,092	47,212
Cash and cash equivalents	*18*	60,973	75,952
Other financial assets		-	3
		113,318	124,290
Total assets		744,920	595,980
Current liabilities			
Bank overdrafts	*18*	-	(1,507)
Other interest-bearing loans and borrowings	*19*	(51,569)	(5,139)
Trade and other payables	*20*	(76,755)	(58,075)
Deferred revenue		(126,923)	(104,207)
Tax payable		(5,691)	(3,896)
Provisions	*23*	(871)	(92)
Other financial liabilities	*21*	-	(17)
		(261,809)	(172,933)
Non-current liabilities			
Other interest-bearing loans and borrowings	*19*	(351,118)	(306,056)
Other payables	*20*	(8,515)	(11,040)
Deferred revenue		(3,481)	(3,991)
Provisions	*23*	(2,636)	(1,837)
Other financial liabilities	*21*	(43,985)	-
Deferred tax liabilities	*15*	(2,686)	(3,322)
		(412,421)	(326,246)
Total liabilities		(674,230)	(499,179)
Net assets		70,690	96,801
Equity attributable to equity holders of the parent			
Share capital	*24*	-	-
Share premium	*24*	1,669	500,577
Other reserves		(387,748)	(401,353)
Retained deficit		450,041	(8,652)
		63,962	90,572
Non-controlling interest		6,728	6,229
Total equity		70,690	96,801

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of Directors on 1 December 2016 and were signed on its behalf by:

/s/ M Uzielli

M Uzielli
Director

Company registered number: 09669246

Company Balance Sheet
at 31 August 2016

	Note	2016 £000	2015 £000
Non-current assets			
Investments in subsidiaries	*32*	766,962	766,962
Trade and other receivables	*17*	60	6,628
Total assets		767,022	773,590
Non-current liabilities			
Other interest bearing loans and borrowings	*19*	(271,465)	(274,532)
Total liabilities		(271,465)	(274,532)
Net assets		495,557	499,058
Equity attributable to equity holders of the parent			
Share capital	*24*	-	-
Share premium	*24*	1,669	500,577
Profit and loss account		493,888	(1,519)
Total equity		495,557	499,058

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 1 December 2016 and were signed on its behalf by:

/s/ M Uzielli

M Uzielli
Director

Company registered number: 09669246

Consolidated Statement of Changes in Equity

Group

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Retained deficit £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Total comprehensive (expense)/income for the period								
(Loss)/profit	-	-	-	-	(8,652)	(8,652)	86	(8,566)
Other comprehensive expense	-	-	-	(1,288)	-	(1,288)	-	(1,288)
Total comprehensive (expense)/income for the period	-	-	-	(1,288)	(8,652)	(9,940)	86	(9,854)
Transactions with owners, recorded directly in equity								
Issue of share capital	-	500,577	-	-	-	500,577	-	500,577
Total contributions by and distributions to owners	-	500,577	-	-	-	500,577	-	500,577
Changes in ownership interests								
Common control acquisition	-	-	(400,065)	-	-	(400,065)	6,143	(393,922)
Balance at 31 August 2015	-	500,577	(400,065)	(1,288)	(8,652)	90,572	6,229	96,801

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity *(continued)*

Group

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

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
Company

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Total comprehensive income for the period				
Loss for the period	-	-	(1,519)	(1,519)
Total comprehensive income for the period	-	-	(1,519)	(1,519)
Transactions with owners, recorded directly in equity				
Issue of shares	-	500,577	-	500,577
Total contributions by owners	-	500,577	-	500,577
Balance at 31 August 2015	-	500,577	(1,519)	499,058

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

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statements
for year ended 31 August 2016

	Note	2016		2015	
		£000	£000	£000	£000
Cash flows from operating activities					
Loss for the year		(39,619)		(8,566)	
Adjustments for:					
Depreciation, amortisation and impairment		33,928		3,208	
Interest expense		73,483		8,675	
Financing income		(29,489)		(171)	
Gain from sale of property, plant and equipment		(39)		-	
Effect of exchange rate change		7,312		(257)	
Share of profit of equity-accounted investee, net of tax		(454)		(60)	
Equity settled share based payment expense		3,954		187	
Tax expense		6,745		41	
Operating profit before changes in working capital and provisions			55,821		3,057
Increase in trade and other receivables		(5,877)		(11,803)	
Decrease in inventories		289		95	
Decrease in financial assets		-		(3)	
Increase/(decrease) in trade and other payables		1,613		(24,374)	
Decrease in provisions		(351)		-	
Increase in deferred revenue		6,877		35,930	
			58,372		2,902
Taxation paid			(5,787)		(617)
Net cash inflow from operating activities			52,585		2,285
Cash flows from investing activities					
Interest received		1,216		171	
Acquisition of subsidiary, net of cash acquired		(6,687)		-	
Acquisition of property, plant and equipment		(115,853)		(10,474)	
Proceeds from sale of property, plant and equipment		96		-	
Net cash outflow from investing activities			(121,228)		(10,303)
Cash flows from financing activities					
Proceeds from new loan		104,099		280,000	
Interest paid		(29,682)		(5,492)	
Refinancing transaction costs		(2,888)		(10,783)	
Repayment of borrowings		(25,975)		(298,039)	
Net cash (outflow)/inflow from financing activities			45,554		(34,314)
Net decrease in cash and cash equivalents			(23,089)		(42,332)
Cash and cash equivalents at 1 September	*18*		74,445		-
Cash acquired in common control transactions			-		116,777
Effect of exchange rate fluctuations on cash held			9,617		-
Cash and cash equivalents at 31 August 2016	*18*		60,973		74,445

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

General information

Cognita Bondco Parent Limited (the "Company") is a Company incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Cognita Midco Limited. The ultimate controlling party is Cognita Topco Limited, a company incorporated in Jersey which is jointly controlled by The Bregal Fund III LP and Crimson Cayman Holding Limited which is controlled by KKR European Fund III LP.

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

Basis of preparation

Both the Company and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

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

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

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

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

Basis of consolidation

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

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

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

Common control accounting has been applied in respect of the acquisition of the Cognita Holdings Limited Group in the period ended 31 August 2015, on the basis that both entities were under the common ownership of the ultimate parent company, Cognita Topco Limited.

The income statement effect of common control accounting is to combine the post-acquisition results of the acquired company with the results of the Company. Goodwill is not calculated under this method of accounting. The balance sheet is brought into the consolidation at book values with any pre-acquisition reserves of the acquired company being held in a merger reserve.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Going concern

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

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

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

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

Foreign currency

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

i) Foreign currency transactions

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

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

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

ii) Foreign operations

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments

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

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

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

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

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

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

Non-derivative financial instruments

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

Investments in equity securities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. In the cash flow statement, cash and cash equivalents includes bank overdrafts that are repayable on demand.

Trade and other receivables

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

Trade and other payables

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

Interest-bearing borrowings

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Derivative financial instruments and hedging

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

Property, plant and equipment

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

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

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

Depreciation

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

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

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

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

Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Acquisitions and disposals of non-controlling interests

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

Goodwill and Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Intangible assets

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

Amortisation

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

The estimated useful lives of other intangibles are as follows:

Computer software	- 3 years
Customer contracts	- average tenure of a student at relevant school
School licences	- over the length of the licence
Brands	- 20 years
Favourable leases	- over the remaining length of the lease

Inventories

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

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

Non-financial assets

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

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

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

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

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

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Revenue

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

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

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

- Holiday camp revenue

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

- Other revenue

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

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

Employee benefits

Defined contribution plans

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Employee benefits (continued)

Multi-employer plans

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), in respect of certain teaching staff. This is a multi-employer defined benefit pension plan and it is not possible for the Group to use defined benefit accounting as sufficient information is not available. Accordingly no provision can be made for any under or over provision of funding within the plan as required under IAS 19. For further detail on the TPS see note 22.

Short-term benefits

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

Share based payment transactions

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

Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 9.

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

Provisions

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

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

Expenses

Operating lease payments

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

Finance lease payments

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Expenses (continued)

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

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

Taxation

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

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

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

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

Standards issued but not yet effective

The Group has considered all new standards and interpretations that are endorsed but not yet effective at the year end and views that there will be no significant impact on the financial statements next year.

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries

Acquisitions in the current period

During the year the Group acquired two schools, one in Spain and one in Thailand. The Group incurred costs related to these acquisitions of £932,000 relating to legal and financial due diligence and transaction costs during the year ended 31 August 2016. These costs have been included in non-underlying costs in the Group's consolidated statement of comprehensive income.

In the period from acquisition to 31 August 2016, the schools contributed £275,000 net loss to the consolidated net loss for the year. If the acquisition had occurred on 1 September 2015, the impact on Group revenue would have been an increase of £3,908,000 and the impact on the Group net loss would been an estimated £553,600. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition occurred on 1 September 2015.

More detail is provided on each acquisition below:

Spain

On 1 January 2016, the Group acquired 100% of the trade and assets of the International School of Barcelona, Sitges.

The primary reason for the business combination is to facilitate further expansion of the British School of Barcelona (BSB), by integrating the acquired site and providing service provision across both campuses. The acquired school already has an established reputation and academic track record and historically has been one of BSB's main competitors.

Effect of acquisitions

The acquisition had the following effect on the Group's assets and liabilities.

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree’s net assets at the acquisition date:			
Property, plant and equipment	42	-	42
Fair value of intangible assets:			
Customer contracts	-	692	692
Favourable lease	-	469	469
Inventories	111	(111)	-
Trade and other receivables	37	(19)	18
Trade and other payables	(40)	14	(26)
Provisions	(26)	26	-
Deferred income	(744)	344	(400)
Net identifiable (liabilities)/assets acquired	(620)	1,415	795
Cash consideration relating to business combination and acquisition payment			1,806
Deferred consideration at fair value			364
Total consideration			2,170
Value of consideration in excess of net assets acquired attributed to Goodwill			1,375

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

Thailand

On 26 February 2016, the Group acquired 70% of the share capital of St. Andrews Dusit Co., Ltd for a total consideration of THB 100m (c. £2m).

The entity acquired holds the trade and assets of a school based in Bangkok, Thailand, branded as St Andrews International School Bangkok Dusit Campus. The primary reason for the business combination is that it complements the Group's existing portfolio. The acquired school already has an established reputation and is located in central Bangkok in a high growing catchment area. There is high demand for places at the school and Cognita will enable capacity expansion whilst further building the reputation and academic record of the school.

Effect of acquisitions

The acquisition had the following effect on the Group's assets and liabilities.

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	689	-	689
Fair value of intangible assets			
Customer contracts	-	274	274
School licence	-	71	71
Favourable lease	-	663	663
Inventories	7	-	7
Trade and other receivables	19	-	19
Cash and cash equivalents	361	-	361
Trade and other payables	(1,257)	-	(1,257)
Provisions	(1)	-	(1)
Deferred income	(142)	-	(142)
Net (liabilities)/assets acquired	(324)	1,008	684
Purchase consideration			2,008
Total consideration			2,008
Net liabilities attributable to minority interest (30%)			205
Value of consideration in excess of net assets acquired attributed to Goodwill			1,529

Goodwill arising on acquisitions in Spain and Thailand represents value arising from intangible assets that are not separately identifiable under IFRS3. These items include the value of synergies of combining the operations of the business with those of the Group as well as the skills and knowledge of the employees of the schools acquired.

Cash outflows from acquisitions are reflected in the consolidated cash flow statement on page 21. Cash outflows relating to acquisitions are shown net of cash acquired and include deferred consideration paid in respect of prior year investments.

Notes to the Financial Statements *(continued)*

3 Revenue

	2016	60 day period ended 31 August 2015
	£000	£000
School fees and related services	325,205	35,884
Sale of goods	840	92
Total revenue	326,045	35,976

4 Operating Segments

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

At the year end the Group operated 67 (2015: 66) schools across Europe, Asia and Latin America. The Directors consider these three segments as the Group's reportable segments under IFRS 8.

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

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

Notes to the Financial Statements *(continued)*

4 Operating Segments *(continued)*

Segment revenues and results

Operating Segment	Revenue 31 August 2016 £000	Revenue 60 day period ended 31 August 2015 £000	Underlying Adjusted EBITDA 31 August 2016 £000	Underlying Adjusted EBITDA 60 day period ended 31 August 2015 £000
Europe	162,479	19,740	15,816	1,706
Asia	128,954	12,610	37,504	3,160
Latin America	34,612	3,626	6,902	720
Total	326,045	35,976	60,222	5,586
Depreciation and amortisation of other intangibles			(25,756)	(2,763)
Underlying operating profit			34,466	2,823
Non-underlying costs (note 5)			(23,800)	(2,728)
Finance income			29,489	171
Finance expense			(73,483)	(8,675)
Share of profit of joint venture			454	60
Loss before tax			(32,874)	(8,349)

Segment Assets

Operating segment	Total assets 2016 £000	Total assets 2015 £000
Europe	407,153	362,955
Asia	266,791	137,359
Latin America	70,976	95,666
Segment assets	744,920	595,980

Notes to the Financial Statements *(continued)*

5 Non-underlying items

	2016	60 day period ended 31 August 2015
	£000	£000
Impairment	8,172	445
Acquisition and business exploration costs	4,575	1,760
Restructuring and exceptional advisory costs	7,138	336
Share based payments charge	3,954	187
Gain on disposal of fixed assets	(39)	-
	23,800	2,728

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

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

Acquisition and business exploration costs are expenses incurred to seek out and acquire new schools or expansion opportunities including future business development into new countries and regions. These include any legal and due diligence fees relating to potential or actual acquisitions. Although costs relating to projects can span multiple financial years, key components of expenditure for specific projects are non-recurring, for example financial due diligence, legal due diligence, market surveys. These costs have no relation to the operational results of existing schools and are split out to enable the reader of the financial statements to gain greater clarity of the underlying business performance.

Restructuring costs mainly relate to employment cessation and associated legal costs. These costs are incurred annually but relate to different projects and by nature will only occur once. Exceptional advisory costs relate to advisory fees with respect to the review and assessment of the Group's child safeguarding policies and procedures. During the year ended 31 August 2016, two schools were closed in the UK. Costs of £2.2m relating to the closures are disclosed within this category.

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

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

The tax effect of the non-underlying costs in 2016 was a credit of £262,400 (2015: £334,200).

Notes to the Financial Statements *(continued)*

6 Expenses and auditor's remuneration

	2016	60 day period ended 31 August 2015
Expenses:	£000	£000
Cost of inventories recognised as expense	490	66
Impairment loss recognised on trade receivables	661	402
Depreciation of owned property, plant and equipment	19,830	2,683
Depreciation of property, plant and equipment on finance leases	4,801	-
Amortisation of other intangibles	1,125	80
Impairment of freehold land and buildings	2,662	445
Impairment of goodwill	6,628	-
Operating lease costs	9,855	1,032

Auditor's remuneration:

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

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

	2016	60 day period ended 31 August 2015
	£000	£000
Audit of these financial statements	72	40
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	439	383
Audit-related assurance services	35	16
Taxation compliance services	114	18
Other tax advisory services	3	3
All other services	43	11
	706	471

Notes to the Financial Statements *(continued)*

7 Staff numbers and costs

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

	Number of employees	
		60 day period ended 31 August
	2016	2015
Number of teachers	4,189	4,072
Number of administrative staff	1,645	1,558
	5,834	5,630

The aggregate payroll costs of these staff were as follows:

		60 day period ended 31 August
	2016	2015
	£000	£000
Wages and salaries	156,454	17,661
Share based payments (See note 9)	3,954	187
Social security costs	12,071	1,448
Contributions to defined contribution plans	6,901	688
	179,380	19,984

8 Directors' remuneration

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

	2016	60 day period ended 31 August 2015
	£000	£000
Aggregate emoluments and fees (including benefits in kind)	2,190	116
Performance bonuses (inc. social security) and other emoluments	1,041	56
Amounts paid as compensation for loss of office	991	-
	4,222	172
Share based payments	50	89
	4,272	261

No Directors have benefits accruing under defined benefit or defined contribution pension schemes. Under arrangements for selected individuals to subscribe for equity settled shares, a charge has been made to the income statement of £3,954,000 (Period ended 31 August 2015: £187,000) in respect of Directors and managers within non-underlying operating costs. Of this charge, £2,959,000 relates to arrangements which have vested during the periods ended 31 August 2015 and 31 August 2016.

Notes to the Financial Statements *(continued)*

8 Directors' remuneration *(continued)*

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

	2016 £000	60 day period ended 31 August 2015 £000
Aggregate emoluments and fees (including benefits in kind)	615	58
Performance bonuses (inc. social security) and other emoluments	501	31
	1,116	89
Share based payments	21	68
	1,137	157

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

	2016	2015
Has awards received in form of shares under management incentive plan	4	2

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

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

The borrower may prepay the loan in full or in part, under certain circumstances. No prepayments had been made against the loan principal at 31 August 2016.

9 Share based payments

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

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

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

The Group undertook a full review of the MIP during the year ended 31 August 2016 and identified that a number of the participants had left employment. As a result, the charge relating to these employees was accelerated such that the full remaining fair value had been recognised through the Consolidated Income Statement of the Group and has been treated as non-underlying. The vesting period was also reviewed and updated leading to an expected vesting period of 7 years and 3 months from the date of the initial issuance in June 2013.

Notes to the Financial Statements *(continued)*

9 Share based payments *(continued)*

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

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

The following assumptions applied in determining the fair value:

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

10 Finance income and expense

Recognised in income statement

	2016 £000	60 day period ended 31 August 2015 £000
Finance income:		
Bank interest	1,222	138
Other Interest receivable	101	5
Derivatives gain	16	28
Exchange gains	28,150	-
Total finance income	29,489	171

	Group 2016 £000	Company 2016 £000	Group 60 day period ended 31 August 2015 £000	Company 60 day period ended 31 August 2015 £000
Finance expense:				
Interest payable on bank borrowings	3,291	-	2,661	-
Other similar charges payable	2,070	-	1,942	1,519
Interest payable to Group companies	-	23,163	-	-
Finance charges in respect of finance leases	117	-	-	-
Exchange losses	-	-	508	-
Interest payable on Senior Secured Loan Notes	-	-	1,427	-
Payment in kind note interest	-	-	2,137	-
Interest payable on bonds and Revolving Credit Facility	24,020	-	-	-
Loss on fair value of forward contracts	43,985	-	-	-
Total finance expense	73,483	23,163	8,675	1,519

Interest payable on bank borrowing represents interest payable on bank loans held around the Group. Interest accrues at different rates, on a fixed or floating basis, according to the currency and drawdown date of the debt. Further information can be found in note 19.

Notes to the Financial Statements *(continued)*

11 Taxation

Recognised in the income statement

	Group	Group 60 day period ended 31 August
	2016	2015
	£000	£000
Current tax expense		
Current year	6,541	403
Adjustments for prior years	39	-
Current tax expense	6,580	403
Origination and reversal of temporary differences	131	(186)
Reduction in tax rate	(594)	-
Recognition of previously unrecognised tax losses	628	-
Deferred tax expense/(income)	165	(186)
Total tax expense	6,745	217

	Group	60 day period ended 31 August
	2016	2015
	£000	£000
Loss excluding taxation	(32,874)	(8,349)
Tax using the UK corporation tax rate of 20.00 % (2015: 20.00%)	(6,575)	(1,670)
Effect of tax rates in foreign jurisdictions	496	(46)
Reduction in tax rate on deferred tax balances	98	3
Non-deductible expenses	10,142	1,995
Tax exempt revenues	-	(75)
Recognition of previously unrecognised tax losses	(23)	(93)
Current year losses for which no deferred tax asset was recognised	1,558	103
Under provided in prior years	667	-
Unrelieved withholding tax	498	-
Consortium relief	(116)	-
Total tax expense	6,745	217

Reductions on the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015. The deferred tax asset at 31 August 2016 has been calculated based on these rates.

An additional reduction to 17% (effective April 2020) was substantially enacted on 6 September 2016. This will reduce the company's future current tax charge and deferred tax asset accordingly.

Notes to the Financial Statements *(continued)*

12 Property, plant and equipment - Group

	Freehold land and buildings £000	Short leasehold land and buildings £000	Fixtures, Fittings and equipment £000	Computer equipment £000	Assets under construction £000	Total £000
Cost						
Balance at 3 July 2015	-	-	-	-	-	-
Acquisitions through business combinations	151,921	244,582	60,152	26,708	11,221	494,584
Additions	-	2,796	2,142	1,237	4,299	10,474
Balance at 31 August 2015	151,921	247,378	62,294	27,945	15,520	505,058
Balance at 1 September 2015	151,921	247,378	62,294	27,945	15,520	505,058
Acquisitions through business combinations	-	595	95	25	-	715
Additions	4,377	73,022	7,280	3,927	35,729	124,335
Disposals	(27)	(1)	(869)	(1,372)	-	(2,269)
Asset reclassification	6,020	3,448	(2,563)	67	(6,972)	-
Effect of movements in foreign exchange	12,651	45,057	5,351	2,260	5,677	70,996
Balance at 31 August 2016	174,942	369,499	71,588	32,852	49,954	698,835
Depreciation and impairment						
Acquisitions through business combinations	31,860	52,010	25,746	19,326	-	128,942
Depreciation charge for the period	307	1,190	726	460	-	2,683
Impairment losses	202	-	243	-	-	445
Balance at 31 August 2015	32,369	53,200	26,715	19,786	-	132,070
Balance at 1 September 2015	32,369	53,200	26,715	19,786	-	132,070
Depreciation charge for the year	2,456	13,591	4,527	4,057	-	24,631
Impairment losses	2,662	-	-	-	-	2,662
Disposals	(26)	-	(831)	(1,355)	-	(2,212)
Effect of movements in foreign exchange	1,003	6,763	2,826	1,309	-	11,901
Balance at 31 August 2016	38,464	73,554	33,237	23,797	-	169,052
Net book value						
At 3 July 2015	-	-	-	-	-	-
At 31 August 2015	119,552	194,178	35,579	8,159	15,520	372,988
At 31 August 2016	136,478	295,945	38,351	9,055	49,954	529,783

Notes to the Financial Statements *(continued)*

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

During the year, the Group wrote down £2,661,700 (period ended 31 August 2015: £445,400) of tangible fixed assets following a review for impairment. The impairment calculation was performed in line with the Group's impairment accounting policy. Further details of the key assumptions and sensitivities within this calculation are given in note 13. The impairment loss for the year ended 31 August 2016 is allocated against Freehold land and buildings, whilst in the period ended 31 August 2015, the impairment loss was allocated between Freehold and Short leasehold land and buildings and is included in operating loss within the Statement of comprehensive income.

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

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

Notes to the Financial Statements *(continued)*

13 Intangible assets - Group

	Goodwill	Other intangibles					Total
		Software	Favourable leases	Customer Contracts	Brands and Licences	Other	
	£000	£000	£000	£000	£000	£000	£000
Cost							
Balance at 3 July 2015	-	-	-	-	-	-	-
Acquisitions through business combinations (Restated)	152,056	1,016	-	3,193	548	152	156,965
Balance at 31 August 2015 (Restated)	152,056	1,016	-	3,193	548	152	156,965
Balance at 1 September 2015 (Restated)	152,056	1,016	-	3,193	548	152	156,965
Additions	-	1,173	-	-	-	-	1,173
Acquisitions through business combinations	2,170	-	1,415	1,083	101	-	4,769
Effect of movements in foreign exchange	4,047	188	163	1,021	123	1	5,543
Balance at 31 August 2016	158,273	2,377	1,578	5,297	772	153	168,450
Amortisation and impairment							
Balance at 3 July 2015	-	-	-	-	-	-	-
Amortisation for the period	-	18	-	48	8	6	80
Acquisitions through common control transaction (Restated)	75,625	741	-	475	85	126	77,052
Balance at 31 August 2015 (Restated)	75,625	759	-	523	93	132	77,132
Balance at 1 September 2015 (Restated)	75,625	759	-	523	93	132	77,132
Amortisation for the year	-	230	39	751	88	17	1,125
Impairment charge	6,628	-	-	-	-	-	6,628
Effect of movements in foreign exchange	858	137	4	99	8	-	1,106
Balance at 31 August 2016 (Restated)	83,111	1,126	43	1,373	189	149	85,991
Net book value							
At 3 July 2015	-	-	-	-	-	-	-
At 31 August 2015 (Restated)	76,431	257	-	2,670	455	20	79,833
At 31 August 2016	75,162	1,251	1,535	3,924	583	4	82,459

The restatement represents a correction to the prior year classification of Goodwill and Other intangibles. The adjustment has no impact on the net book value and no impact in the consolidated income and other comprehensive statement of comprehensive income statement.

Notes to the Financial Statements *(continued)*

13 Intangible assets - Group *(continued)*

Goodwill and other intangible assets are spread across the Group's regions. The carrying value of intangible assets is monitored by reference to Cash Generating Units ("CGUs"). A CGU is typically a school or limited company for non-school business units. The key assumptions for the value in use calculations are discount and growth rates. The Group considers that all CGU's operate in a similar sector being education, but acknowledge that the countries in which the Group operates need to be considered in the calculation of discount rate. Therefore this year's impairment reviews adopted discount rates ranging between 8.7% and 18.0%. For all CGU's a growth rate of 2.25% is applied.

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

As part of the review for impairment, the carrying value of goodwill in two schools in Brazil were identified as being impaired and an adjustment of £6,628,000 (period ended 31 August 2015: £nil) was made by the Group to write down the value of intangible consolidated goodwill.

Sensitivity analysis

Following the impairment losses recognised in the Group's UK and Brazil schools and reported in tangible and intangible assets respectively, recoverable amounts were equal to carrying amounts. Therefore, any adverse movement in a key assumption would lead to further impairment in the UK and Brazil CGU's.

The sensitivity of goodwill carrying values to possible changes in key assumptions has been performed on the remaining CGU's in the UK and Brazil. In the UK, an increase in discount rate of 0.4% (2015: 1.5%) and a decrease in growth rate of 0.5 % (2015: 1.9%) would be required for the carrying value of further CGU's to equal their recoverable amount. In Brazil, an increase in discount rate of 1.0% and a decrease in growth rate of 1.9% would be required for the carrying value of further CGU's to be impaired.

14 Investments in equity accounted investees

	2016 £000	2015 £000
At beginning of period	2,397	-
Acquisitions through common control transaction	-	2,337
Interest in joint venture arising in year	454	60
At end of period	2,851	2,397

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

The Joint Venture is structured as a separate vehicle and the Group has a residual interest in the net assets. The Group owns 50% of the share capital (2015: 50%) and the articles of association require unanimous consent amongst the two owners for resolutions to be passed.

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

Notes to the Financial Statements *(continued)*

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

	2016 £000	2015 £000
Non-current assets	2,677	2,704
Current assets	6,216	5,503
Non-current liabilities	(8)	(18)
Current liabilities	(3,573)	(3,785)
Net Assets (100%)	5,312	4,404
Group's share of net assets (50%)	2,656	2,202
Goodwill	195	195
Carrying amount of interest in joint venture	2,851	2,397

	2016 £000	60 day period ended 31 August 2015 £000
Income	4,888	551
Expenses	(3,758)	(400)
Profit before tax	1,130	151
Tax	(222)	(31)
Profit after tax	908	120
Group's share of profit and total comprehensive income (50%)	454	60

Notes to the Financial Statements *(continued)*

15 Deferred tax assets and liabilities - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2016 £000	2015 £000	2016 £000	2015 £000
Property, plant and equipment	3,568	3,720	(3,383)	(4,261)
Intangible assets	16	-	(790)	(472)
Provisions	2,541	-	(11)	-
Tax losses	834	1,165	-	-
Other	2,244	4,445	-	(240)
Tax assets/(liabilities)	9,203	9,330	(4,184)	(4,973)
Net of tax (liabilities)/assets	(1,498)	(1,651)	1,498	1,651
Net tax assets/(liabilities)	7,705	7,679	(2,686)	(3,322)

Movement in deferred tax during the year

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

Movement in deferred tax during the prior period

	3 July 2015 £000	Recognised in income statement £000	31 August 2015 £000
Property, plant and equipment	(780)	239	(541)
Intangible assets	(498)	26	(472)
Tax value of loss carry-forwards utilised	1,165	-	1,165
Other	4,284	(79)	4,205
	4,171	186	4,357
Total amount recognised in income		186	

The deferred tax asset not recognised is approximately £7,551,500 (2015: £4,528,000) and remains available to offset against future taxable profits.

Notes to the Financial Statements *(continued)*

16 Inventories

	Group	
	2016	2015
	£000	£000
Goods for resale	430	630
	430	630

17 Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Non-current				
Trade receivables	-	30	-	-
Other receivables	2,799	1,768	-	-
Prepayments and accrued income	6,005	6,031	-	-
Amounts owed by subsidiary undertakings	-	-	60	6,628
Financial assets	-	964	-	-
	8,804	8,793	60	6,628
Current				
Trade receivables	42,971	39,380	-	-
Other receivables	4,093	4,136	-	-
Prepayments and accrued income	3,705	3,274	-	-
Amounts owed by joint venture	323	127	-	-
Tax recoverable	-	77	-	-
Financial assets	-	218	-	-
	51,092	47,212	-	-

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

18 Cash and cash equivalents

	Group	
	2016	2015
	£000	£000
Cash and cash equivalents per balance sheet	60,973	75,952
Bank overdrafts	-	(1,507)
Cash and cash equivalents per cash flow statements	60,973	74,445

Notes to the Financial Statements *(continued)*

19 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 25.

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Non-current liabilities				
Secured bank loans	79,244	33,791	-	-
Finance lease liabilities	3,335	3,088	-	-
Loans from subsidiary undertakings	-	-	271,465	274,532
Senior Secured Loan Notes	268,539	269,177	-	-
	351,118	306,056	271,465	274,532
Current liabilities				
Secured bank loans	4,879	3,435	-	-
Finance lease liabilities	39	169	-	-
Senior Secured Loan Notes	2,762	1,535	-	-
Revolving Credit Facility	43,889	-	-	-
	51,569	5,139	-	-
Total interest-bearing loans and borrowings	402,687	311,195	271,465	274,532

Cognita Financing plc issued Senior Secured Loan Notes of £280m during the year ended 31 August 2015.

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

Included in non-current liabilities within Senior Secured Loan Notes is £9,214,000 (2015: £10,783,000) of debt issue costs. Included in current liabilities within Senior Secured Loan Notes is accrued interest of £515,000 (2015: £1,495,000).

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

Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2016 £000	Carrying amount 2015 £000
Secured bank loan	BRL	Fixed 12.25%/ Brazil CDI +3-3.75%	Jun 20	11,902	11,622
Secured bank loans	CLP	Fixed 4.7% to 5.4%	Apr 27/ May 29	31,426	25,604
Secured bank loans	HKD	Hong Kong CDI +2.75-3%	Apr 21	40,795	-
Senior Secured Loan notes	GBP	Fixed 7.75%	Aug 21	271,301	270,712
				355,424	307,938

Notes to the Financial Statements *(continued)*

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

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Present value of minimum lease payments 2016 £000	Interest 2016 £000	Future minimum lease payments 2016 £000	Present value of minimum lease payments 2015 £000	Interest 2015 £000	Future minimum lease payments 2015 £000
Less than one year	221	116	337	169	108	277
Between one and five years	1,225	345	1,570	1,146	358	1,504
More than five years	1,928	2,799	4,727	1,942	3,441	5,383
	3,374	3,260	6,634	3,257	3,907	7,164

20 Trade and other payables

	Group 2016 £000	Group 2015 £000
Current		
Trade payables	12,835	6,679
Other taxes and social security	4,337	3,399
Other creditors	3,599	6,833
Deferred consideration	4,530	-
Accruals	40,448	29,536
Deposits	11,006	11,628
	76,755	58,075
Non-current		
Other payables	-	404
Deferred consideration	3,790	7,607
Accruals	4,427	2,691
Deposits	-	58
Other taxes and social security	298	280
	8,515	11,040

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

Notes to the Financial Statements *(continued)*

21 Other financial liabilities

	2016 £000	2015 £000
Non-current		
Financial liabilities designated as fair value through profit or loss	43,985	-
	43,985	-
Current		
Financial liabilities designated as fair value through profit or loss	-	17
	-	17
	43,985	17

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

Provider	Contract Amount Local currency	Trade Date	Maturity Date	Contract Amount £000	Fair value 2016 £000
HSBC	EUR 25,664,000	6 Oct 2015	8 Oct 2020	20,000	2,636
HSBC	SGD 226,497,000	7 Oct 2015	8 Oct 2020	100,000	20,622
Morgan Stanley	SGD 226,694,000	9 Oct 2015	8 Oct 2020	100,000	20,727
				220,000	43,985

22 Employee benefits - Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £6,901,000 (Period ended 31 August 2015: £688,432) (see note 7).

Multi-employer defined benefit plan

Teachers' Pension Scheme

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS") for its teaching staff. The pension charge for the period includes contributions payable to the TPS of £5,456,700 (Period ended 31 August 2015 £499,500) and at the year end £697,500 (2015: £589,000) was accrued in respect of contributions to this scheme.

Notes to the Financial Statements *(continued)*

22 Employee benefits - Pension plans *(continued)*

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

The employer contribution rate was set following scheme valuations undertaken by the Government Actuary Department. The latest actuarial valuation of the TPS was prepared at 31 March 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%.

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

23 Provisions

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

Notes to the Financial Statements *(continued)*

23 Provisions *(continued)*

Group	Property £000	Severance Allowance and Non -compulsory insurance £000	Other £000	Total £000
Amounts arising from acquisitions through common control transactions	273	635	1,021	1,929
Balance at 31 August 2015	273	635	1,021	1,929
Non-current	273	635	929	1,837
Current	-	-	92	92
	273	635	1,021	1,929

Property

The property provision represents the anticipated costs of returning operating lease premises to their original state as required by the terms of the related lease. The leases are due to expire within two to three years and therefore the provision is expected to be utilised within this period. The level of provision is based upon an annual review of the current condition of the building. The review is based upon internal and external examinations of the property.

Severance allowance and Non-compulsory insurance

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

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

Other

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

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

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

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

Notes to the Financial Statements *(continued)*

24 Capital and reserves

Share capital

Authorised called up and fully paid

Class of share	Number 2016	Number 2015	Nominal value per share	Total share nominal value 2016	Total share nominal value 2015	Share consideration 2016	Share consideration 2015
				£	£	£000	£000
Ordinary	1	300	£1	300	300	1,669	500,577
				300	300	1,669	500,577

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

Merger reserve

The merger reserve arose as a result of common control accounting upon the Company acquisition of Cognita Holdings Limited and its subsidiaries during the period ended 31 August 2015. The merger reserve represents the cumulative reserves of that group prior to the acquisition date.

Equity reserve

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

Translation reserve

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

Rights of share

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

Notes to the Financial Statements *(continued)*

25 Financial instruments

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

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

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

a) Fair values of financial instruments

Fair values

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

	2016 £000	2015 £000
Group - Carrying amount and fair value		
IAS 39 categories of financial assets		
Loans and receivables (including cash and cash equivalents)	111,159	122,575
Total financial assets	111,159	122,575

Group - carrying amounts and fair value

	2016 £000	2015 £000
Financial liabilities measured at amortised cost		
Bank overdraft (note 18)	-	1,507
Interest-bearing loans and borrowings (note 19)	402,687	311,195
Trade and other payables excluding accruals and deferred consideration (note 20)	27,439	25,882
Provisions (note 23)	3,507	1,929
Financial liability measured at fair value		
Forward currency contracts and interest rate swaps (note 21)	43,985	17
Total financial liabilities	477,618	340,530
Total net financial instruments	366,459	217,955

Effect of change of inputs used in fair value measurement

As the possibility of obtaining unadjusted quoted prices for identical assets in active markets is remote, no analysis of the effect of changing one or more of the inputs used in fair value measurement to another reasonably possible assumption has been prepared.

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

b) Credit risk

Financial risk management

Group

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

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

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

Company

The Company had no external receivables at the year end (2015: £nil) and so has no exposure to credit risk.

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

Group	Gross 2016 £000	Impairment loss provision 2016 £000	Total 2016 £000	Gross 2015 £000	Impairment loss provision 2015 £000	Total 2015 £000
Not past due	35,347	-	35,347	35,655	-	35,655
Past due 0-30 days	5,268	(170)	5,098	974	(83)	891
Past due 31-120 days	2,442	(467)	1,975	1,793	(216)	1,577
Past due by more than 120 days	4,897	(4,346)	551	5,092	(3,805)	1,287
	47,954	(4,983)	42,971	43,514	(4,104)	39,410

The Company had no trade receivables at the balance sheet date (2015: £nil).

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

	2016 £000	2015 £000
Balance at 1 September	(4,104)	(4,051)
Provisions made during the year	(632)	(120)
Provisions used during the year	337	48
Provisions reversed during the year	(29)	2
Foreign exchange movement	(555)	17
Balance at 31 August	(4,983)	(4,104)

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

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

c) Liquidity risk

Financial risk management

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

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. The Group's policy has been to ensure continuity of funding and where possible has relocated debt closer to operational activities in appropriate local currencies.

During the period ended 31 August 2015, the Group refinanced all debt other than that held in Brazil and Chile. As part of this refinancing, on 21 July 2015 Cognita Bondco Parent Limited and Cognita Midco Limited were inserted between Cognita Topco Limited and Cognita Holdings Limited. Other new companies were also incorporated including Cognita Financing plc which issued Senior Secured Loan Notes of £280m. The Group secured a £60m Super Senior Revolving Credit Facility to fund future borrowing requirements which can be drawn down in a number of different currencies as required. During the year ended 31 August 2016 the Super Senior Revolving Credit Facility was increased by £20m to £80m.

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

The net proceeds were used to invest in equity of Cognita Holdings Limited and these funds were used to repay a number of outstanding external loans within the Group along with related accrued interest and break costs, to settle costs related to the termination of interest rate swaps and pay fees and expenses in connection with the transactions.

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

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

c) Liquidity risk (continued)

Liquidity risk - *Group*

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

			2016 Phasing of contractual cash flows		
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	2 to 5years £000	More than 5 years £000
Non-derivative financial liabilities					
Secured bank loans	355,424	477,162	28,695	427,210	21,257
Other loans	3,374	3,374	221	1,225	1,928
Revolving Credit Facility	43,889	43,889	43,889	-	-
Trade and other payables*	85,270	85,270	85,270	-	-
	487,957	609,695	158,075	428,435	23,185

			2015 Phasing of contractual cash flows		
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	2 to 5years £000	More than 5 years £000
Non-derivative financial liabilities					
Secured bank loans	307,938	496,696	27,919	106,426	362,351
Other loans	3,257	7,164	277	1,504	5,383
Bank overdrafts	1,507	1,507	1,507	-	-
Trade and other payables*	69,115	69,115	69,115	-	-
	381,817	574,482	98,818	107,930	367,734

* Excludes derivatives (shown in note 20).

d) Market risk

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

Market risk - Foreign exchange risk

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

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

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

d) Market risk (continued)

Group

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

31 August 2016

	Sterling £000	Euro £000	Singapore Dollar £000	Chilean Peso £000	Brazilian Real £000	Vietnamese Dong £000	Thailand Baht £000	Hong Kong Dollar £000	Total £000
Cash and cash equivalents	9,984	11,212	11,507	1,522	2,362	19,232	3,815	1,339	60,973
Trade receivables	30,554	60	1,759	9,335	240	317	706	-	42,971
Other receivables	1,824	770	1,081	73	79	2,798	80	187	6,892
Prepayments	3,191	504	269	21	93	4,756	445	431	9,710
Trade payables	(2,077)	(1,301)	(7,224)	(574)	(463)	(268)	(620)	(308)	(12,835)
Other payables	(1,004)	(204)	(1,135)	(86)	(51)	(885)	(234)	-	(3,599)
Tax	(2,432)	(542)	(387)	(285)	(436)	(526)	(27)	-	(4,635)
Provisions	(860)	(578)	(28)	-	(636)	(1,131)	(138)	(136)	(3,507)
Accruals	(14,145)	(2,584)	(14,261)	(2,630)	(2,234)	(3,051)	(5,460)	(510)	(44,875)
Deposits	(10,383)	-	(30)	-	-	(1)	(592)	-	(11,006)
External loans < 1 year	(25,291)	(9,615)	(11,752)	(1,814)	(2,913)	-	-	(184)	(51,569)
External loans > 1 year	(270,490)	-	-	(31,029)	(8,988)	-	-	(40,611)	(351,118)
Net exposure	(281,129)	(2,278)	(20,201)	(25,467)	(12,947)	21,241	(2,025)	(39,792)	(362,598)

31 August 2015

	Sterling £000	Euro £000	Singapore Dollar £000	Chilean Peso £000	Brazilian Real £000	Vietnamese Dong £000	Thailand Baht £000	Total £000
Cash and cash equivalents	25,838	2,168	18,481	1,914	3,516	21,100	2,935	75,952
Trade receivables	29,093	101	2,658	6,279	257	318	704	39,410
Other receivables	1,246	1,424	1,511	157	461	1,345	55	6,199
Trade payables	(1,629)	(671)	(2,831)	(482)	(412)	(414)	(240)	(6,679)
Other Payables	(1,376)	(265)	(5,059)	(29)	-	(459)	(49)	(7,237)
Tax	(2,241)	(498)	(167)	(202)	(299)	(172)	(100)	(3,679)
Provisions	(467)	(63)	(658)	-	(741)	-	-	(1,929)
Accruals	(12,367)	(1,088)	(9,436)	(1,623)	(1,474)	(2,311)	(3,928)	(32,227)
Deposits	(11,102)	-	(31)	-	-	-	(553)	(11,686)
Bank overdrafts	(1,374)	-	-	(133)	-	-	-	(1,507)
External loans < 1 Year	(1,538)	-	-	(1,447)	(2,152)	(2)	-	(5,139)
External loans > 1 Year	(271,135)	-	-	(25,450)	(9,471)	-	-	(306,056)
Net exposure	(247,052)	1,108	4,468	(21,016)	(10,315)	19,405	(1,176)	(254,578)

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

d) Market risk (continued)

Company

The Company had no exposure to foreign currency risk at 31 August 2016 or at 31 August 2015.

Sensitivity analysis - Group

If sterling had been 10% stronger / weaker at 31 August, Group equity would have decreased / increased by £8,735,000 (2015: £4,073,000). This calculation assumes that the change occurred at the Balance Sheet date and had been applied to risk exposures existing at that date.

Market risk – Interest rate risk

The Group finances its operations through third party borrowings and in the form of Senior Secured Loan Notes which carry a fixed rate of interest of 7.75%. The Group's exposure to interest rate fluctuations on its variable interest rate bank borrowings is managed by the use of hedging. It is the Group's policy to use fixed interest rate hedging instruments to hedge at least 50% of its bank borrowings.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2016 is shown in the table below. The table includes trade debtors and creditors which do not attract interest but are subject to fair value interest rate risk.

	Interest rate - 2016				Interest rate - 2015			
	Fixed	Floating	Zero	Total	Fixed	Floating	Zero	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Financial assets:								
Cash	-	60,973	-	60,973	-	75,952	-	75,952
Trade receivables	-	-	49,863	49,863	-	-	45,318	45,318
Interest rate swaps	-	-	-	-	-	3	-	3
Financial liabilities:								
Overdrafts	-	-	-	-	-	(1,507)	-	(1,507)
Bank loans	-	(84,123)	-	(84,123)	-	(37,226)	-	(37,226)
Trade and other payables	-	-	(23,841)	(23,841)	-	-	(29,281)	(29,281)
Revolving Credit Facility	-	(43,889)	-	(43,889)	-	-	-	-
Senior Secured Loan Notes	(271,301)	-	-	(271,301)	(270,713)	-	-	(270,713)
Other loans	(3,374)	-	-	(3,374)	(3,257)	-	-	(3,257)
Interest rate swaps	-	-	-	-	-	(17)	-	(17)

All financial assets and liabilities identified as fixed rate instruments in the above table are accruing interest at rates that are fixed for the life of the instrument. Interest rate swaps are disclosed above at fair value as fixed rate instruments, whilst the loans that they are hedging are disclosed as variable rate instruments.

Sensitivity analysis

At 31 August 2016, the Group had exposure to interest rate sensitivity in respect of variable rate loans held in Brazil. In respect of the floating rate loans held in Brazil, an interest rate SWAP is in place to cover exposure to interest rate fluctuations. In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have increased / decreased the result for the year by £305,528 (2015: £279,000).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates. The analysis is performed on the same basis for 2015.

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

e) Capital management

Group and Company

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 19 after deducting cash and cash equivalents, and equity attributable to the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of changes in equity.

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

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Property 2016 £000	Other 2016 £000	Total 2016 £000	Property 2015 £000	Other 2015 £000	Total 2015 £000
Less than one year	8,485	1,345	9,830	8,356	795	9,151
Between one and five years	41,226	4,879	46,105	33,281	377	33,658
More than five years	193,771	5,542	199,313	115,014	-	115,014
	243,482	11,766	255,248	156,651	1,172	157,823

Group

During the year £9,855,000 was recognised as an expense in the income statement in respect of operating leases (2015: £1,032,000)

27 Capital Commitments

Group

During the year, the Group entered into contracts to purchase property, plant and equipment for £11,671,000 (2015: £7,402,000). These commitments are expected to be settled within twelve months of the balance sheet date.

The Group entered into a development contract for an early childhood facility at Lorong Chuan campus in Singapore, which is due to open in August 2017. As at 31 August 2016, a commitment of £58,750,000 (2015: £75,529,000) remains.

The Group entered into a contract in Hong Kong for a brownfield school development during the year. The development is due to be completed for opening in August 2017. As at 31 August 2016 there was a capital commitment of £3,699,000.

The Group entered into a contract in Thailand for a campus development during the period ended 31 August 2015. The development was completed during the year and therefore as at 31 August 2016 there was no capital commitment (2015: £840,000).

In December 2014, the Group entered into a promise to purchase agreement with a real estate developer to construct a school in Chile. The development was completed during the year and was opened to students in March 2016. Under the terms of the agreement, the Group will be required to purchase the school and the freehold property should certain performance criteria be met, the aggregate contractual commitment at 31 August 2016 is £6,431,000 (2015: £5,700,000).

Notes to the Financial Statements *(continued)*

28 Contingencies

Group Guarantees

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

The total gross exposure in relation to the Senior Secured Loan Notes was £280.5m (2015: £281.5m) including accrued interest at the end of the year. The Guarantors also grant a senior guarantee of a Super Senior Revolving Credit Facility agreement concurrently with the Senior Secured Loan Notes guarantee. The Group also guarantees the loan facilities and deferred consideration in Brazil, Chile and Hong Kong, with a total exposure of £94.0m (2015: £45.8m).

Reinstatement of leased land

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

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

It has been estimated that the maximum liability at 31 August 2016 should a reinstatement be required would be £3,804,000 (2015: £5,516,000). This estimated contingent liability represents the cost of demolition of the entire area of construction including substructure, extraction of piles, back filling to original levels and re-turfing.

Litigation

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

Tax claims

The Group has received assessments from HMRC in the aggregate amount of £1,179,000 with respect to PAYE and NI in connection with the operation of a former management securities plan in the tax years between 2009/2010 and 2012/2013. The net exposure arising from the assessment is deemed to be £500,000. The Group has appealed these assessments on the basis of guidance from their advisors and no provision has been made.

Notes to the Financial Statements *(continued)*

29 Related parties

Group

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint venture, St Nicholas Preparatory School Limited are disclosed below:

	Sales to 2016 £000	Sales to 60 day period ended 31 August 2015 £000	Expenses incurred from 2016 £000	Expenses incurred from 60 day period ended 31 August 2015 £000
Joint venture	57	-		
Joint venture - administration expenses	-	-	-	8
Joint venture - consortium relief payments	-	-	116	16
	57	-	116	24

	Payables outstanding 2016 £000	Payables outstanding 2015 £000
Joint venture	323	265
	323	265

Company

During the year ended 31 August 2016, subsidiary undertaking Cognita Financing PLC loaned £271,381,000 (2015: £274,532,000) to the Company. The loan carries a fixed rate of interest of 8.25% and is repayable in August 2021.

Also during the year ended 31 August 2016, subsidiary undertaking Cognita Holdings Limited loaned £83,000 to the Company (2015: £6,628,000 was loaned by the Company to the subsidiary undertaking). The loan is non-interest bearing.

30 Ultimate parent company and parent company of larger group

The immediate parent company is Cognita Midco Limited, a company registered in England and Wales which is a wholly owned subsidiary of Cognita Topco Limited, a company registered in Jersey.

The ultimate controlling parties are The Bregal Fund III LP and Crimson Cayman Holding Limited, who jointly control the Company. On 9 October 2015, a share rebalancing agreement was executed between the ultimate parent company's shareholders Crimson Cayman Holding Limited, which is controlled by KKR European Fund III LP and The Bregal Fund III LP. The effect of this agreement was to both equalise the economic and voting rights in the Company between these shareholders.

Notes to the Financial Statements *(continued)*

31 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

Classification of Singapore land lease – decommission liability

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

Revenue recognition – Development/facility fees

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

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

Key sources of estimation uncertainty

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

Share based payments

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

Notes to the Financial Statements *(continued)*

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

Fair value of assets and liabilities attributable to business combinations

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

Impairment of goodwill

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

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

Provisions

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

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

Recoverability of trade receivables

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

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

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

Deferred tax assets

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

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

Notes to the Financial Statements *(continued)*

32 Investments in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
Balance at 1 September 2015 and 31 August 2016	766,962

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

Subsidiary undertaking	Class of share capital held	% held	Country of incorporation	Nature of business
Cognita Financing PLC*	Ordinary	100%	England & Wales	Loan issuing Company
Cognita Holdings Limited*	Ordinary	100%	England & Wales	Holding/ Loan issuing Company
Cognita UK Holdings Limited	Ordinary	100%	England & Wales	Holding Company
Cognita Limited	Ordinary	100%	England & Wales	Management/ Holding Company
Cognita Schools Limited	Ordinary	100%	England & Wales	Education
Cognita International Holdings Limited	Ordinary	100%	England & Wales	Holding Company
Super Camps Limited	Ordinary	100%	England & Wales	Education
Cognita Funding 1 Limited	Ordinary	100%	England & Wales	Holding Company
Cognita UK Mexico Holdings Ltd	Ordinary	100%	England & Wales	Holding Company
Cognita UK Brazil Holdings Ltd	Ordinary	100%	England & Wales	Holding Company
Cognita Spain Holdings S.L.	Ordinary	100%	Spain	Management/ Holding Company
British School of Barcelona S.L.	Ordinary	100%	Spain	Education
Cognita BSB Sitges S.L.	Ordinary	100%	Spain	Education
ELIS Cognita S.L.	Ordinary	100%	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	Spain	Holding Company
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
Cognita Hastings Holdings S.L.	Ordinary	100%	Spain	Holding Company
Cognita Singapore Holdings Pte Limited	Ordinary	100%	Singapore	Management Company
Cognita Centre for Leadership and Learning Limited	Ordinary	100%	Singapore	Education
Australian International School Singapore Pte Limited	Ordinary	100%	Singapore	Education
Cognita Asia Holdings Pte Limited	Ordinary	100%	Singapore	Holding Company
Stamford American International School Pte Limited	Ordinary	100%	Singapore	Education
Camp Asia Cognita Pte Limited	Ordinary	100%	Singapore	Education
Silom Education Company Limited	Ordinary	100%	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	Thailand	Education
British Education Management Systems Company Limited	Ordinary	100%	Thailand	Education
St Andrews Dusit Thailand Pte Limited	Ordinary	100%	Thailand	Education
St Andrews Dusit Campus Company Limited ***	Ordinary	70%	Thailand	Management / Holding Company
International Education Corporation Joint Stock Company	Ordinary	100%	Vietnam	Education

Notes to the Financial Statements *(continued)*

32 Investments in subsidiaries *(continued)*

Subsidiary undertaking	Class of share capital held	% held	Country of incorporation	Nature of business
Cognita Brasil Participacoes Ltda	Ordinary	100%	Brazil	Holding Company
Cognita Brasil Locadora de Imoveis Ltda	Ordinary	100%	Brazil	Property
Cognita Brasil Locadora de Imoveis 2 Ltda	Ordinary	100%	Brazil	Property
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	Brazil	Education
GRS2 Empreendimentos Imobiliarios S/A	Ordinary	100%	Brazil	Property
Escola Cidade Jardim - Playpen Ltda	Ordinary	100%	Brazil	Education
Cognita Chile SPA	Ordinary	100%	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	Chile	Holding Company
Desarrollos Educacionales, SA**	Ordinary	51%	Chile	Management/ 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
Soc. Educacional Chicauma, SA**	Ordinary	51%	Chile	Education
Immobiliaria Tierra Fertil, SA**	Ordinary	51%	Chile	Holding Company
Servicos Educacionales, SA**	Ordinary	51%	Chile	Holding Company
Gestion Educativa, SA**	Ordinary	51%	Chile	Holding Company
Bauhinia Education and Training Company Limited	Ordinary	100%	Hong Kong	Holding Company
Spring Blossom Education Limited	Ordinary	100%	Hong Kong	Education
Flora Education Limited	Ordinary	100%	Hong Kong	Holding Company
Cognita MH SA de CV	Ordinary	100%	Mexico	Holding Company
Cognita Mexico Service Provider SC	Ordinary	100%	Mexico	Management Company
Vanguard Era Investments Limited	Ordinary	100%	British Virgin Islands	Dormant
VOF PE Holding 1 Limited	Ordinary	100%	British Virgin Islands	Dormant
International Schools Limited	Ordinary	100%	British Virgin Islands	Dormant
Lotus Education and Training Company (ISSP)	Ordinary	100%	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	Vietnam	Holding Company
Global Education Network Lotus Company Limited	Ordinary	100%	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	99.99%	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	96%	Vietnam	Holding Company

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

* Directly held

** The Group holds 51% in Desarrollos Educacionales, S.A., a company incorporated in Chile. The non-controlling interest held the remaining 49% of the share capital at 31 August 2016 and is also incorporated in Chile. Desarrollos Educacionales, S.A. holds a number of wholly owned subsidiary undertakings which are detailed above. Adjustment has been made for the 49% minority interests of these undertakings, where applicable. Following the year end, Cognita Chile Limitada acquired the remaining 49% and Desarrollos Educacionales, S.A. became a wholly owned subsidiary.

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

Notes to the Financial Statements *(continued)*

33 Joint Ventures

The Group also participated in a Joint Venture during the year:

Joint Venture	Class of share capital held	% held	Country of incorporation	Nature of business
St Nicholas Preparatory School Limited	Ordinary	50%	England & Wales	Education

34 **Post balance sheet events**

On 6 September 2016, the Group acquired 100% shareholding in The English Montessori School, a school based in Madrid, Spain. The consideration, which was funded following a drawdown on the Revolving Credit Facility, was approximately €10.1m (c. £8.6m).

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

On 19 September 2016, the Super Senior Revolving Credit Facility was increased by £20m from £80m at 31 August 2016 to £100m.

On 26 September 2016, the Cognita Group acquired the remaining 49% of share capital in the Desarrollos Educacionales group. This led to a £7.7m increase in the company investment in Cognita Funding 1 Limited.

On 4 October 2016, Cognita Financing plc, a Cognita Group subsidiary undertaking, made a further issue of £45m of Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange - Euro MTF Market. These Loan 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 recognised upon the issuance of these instruments. The guarantor status of the company applies to both the initial and subsequent issuances.

Cognita Holdings Limited

Annual report and financial statements

Registered number 05281013

31 August 2015

Company Information
for the year ended 31August 2015

DIRECTORS:	R Withers E Lazarus P Johnson C Ollig B Carroll G Narunsky (resigned 6 January 2015)
SECRETARY:	EMW Secretaries Limited
REGISTERED OFFICE:	Seebeck House One Seebeck Place Knowlhill Milton Keynes Buckinghamshire MK5 8FR
REGISTERED NUMBER:	05281013
AUDITOR:	KPMG LLP Chartered Accountants Altius House One North Fourth Street Milton Keynes Buckinghamshire MK9 1NE

Contents

Strategic report

The Directors submit the Strategic Report, the Report of the Directors and the audited consolidated financial statements of the Cognita Holdings Limited Group (the "Group") for the year ended 31 August 2015.

The Group is a leading global operator of private-pay K-12 schools. The Directors are pleased with the performance during the year to 31 August 2015 which was in line with expectations. At the year end, the Group operated 66 schools across Europe, Asia and Latin America with an average total capacity of 42,063 places and a total average enrolment of 31,764 FTE students.

Cognita Holdings Limited (the "Company") is a wholly owned subsidiary of Cognita Bondco Parent Limited and was formerly owned by Cognita Topco Limited, a company registered in Jersey and incorporated under Companies (Jersey) Law 1991. During the year, the Cognita Topco Limited Group restructured its financing. As part of this arrangement, new companies were formed within its Group. Cognita Bondco Parent Limited was formed on 3 July 2015 and became the immediate parent company of Cognita Holdings Limited on 21 July 2015. Cognita Topco Limited is jointly controlled by The Bregal Fund III LP and Kohlberg Kravis Roberts & Co LLP. Cognita Topco Limited is the ultimate parent company.

The audited, consolidated financial statements of Cognita Topco Limited are not publicly available.

Principal activity and review of the year

The principal activity of Cognita Holdings Limited was previously to act as a non-trading holding company, however following the Group refinancing it will act in the capacity of a Group financing company. The principal activity of the Group during the year was the operation of private-pay K-12 schools and related education activities.

Our Strategy

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

Results and performance

The results of the Group for the year are set out on pages 11 to 17. These highlight a 12.3% growth in revenue from £263.4m in 2014 to £295.8m in 2015.

Underlying Employee benefits expense increased by 12.4% from £143.7m in 2014 to £161.5m in 2015.

Group EBITDA (see note 4) increased by 19.4% from £33.3m in 2014 to £39.8m in 2015. These results comprise an increase in underlying Adjusted EBITDA of 12.9% from £45.2m in 2014 to £52.1m in 2015 and an increase in non-underlying costs of 4.2% from £11.8m in 2014 to £12.3m in 2015.

Loss for the year before taxation

The Group's loss before tax has increased from £55.7m in 2014 to £59.8m for the year ended 31 August 2015.

Group refinancing

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

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

The net proceeds were used to invest in equity of Cognita Holdings Limited and these funds were used to repay a number of outstanding external loans within the Group along with related accrued interest and break costs, to settle costs related to the termination of interest rate swaps and pay fees and expenses in connection with the transactions.

The net assets of the Group were £364.7m at the year end (2014: net liabilities of £284.3m). The movement of £649.0m is partly attributable to the Group refinancing arrangements.

During the year, the Group invested £42.0m in capital expenditure (2014: £59.8m).

Strategic report (continued)

Acquisitions

During the year, the Group acquired its eleventh school in Latin America, GayLussac School in Niterói, Brazil.

The acquisition was made through the subsidiary company Cognita Brasil Participacoes Ltda, which acquired 100% of the shares of GayLussac Empreendimentos Educacionais Ltda and 100% of the shares of GRS2 Empreendimentos Imobiliarios S/A. The school assets are held by GayLussac Empreendimentos Educacionais Ltda, while the real estate and brand are held by GRS2 Empreendimentos Imobiliarios S/A.

Recent Developments

Changes in Senior Management

On 1 June 2015 the Group appointed David Pearce as Group Chief Financial Officer, effective from 1 October 2015.

On 6 July 2015 the Group appointed Max Vialou-Clark as Chief Executive Officer Europe, which was effective immediately.

On 19 October 2015 the Group appointed Chris Jansen as Group Chief Executive Officer to replace Rees Withers who is retiring at the end of the 2015 calendar year. Mr Jansen assumed the role of Group Chief Executive Officer from 1 December 2015.

Future developments

The Group will continue to invest in its existing schools, with some strategic development projects planned for the year ended 31 August 2016 and beyond.

The Group will continue to develop opportunities in all regions with specific focus on acquisitions in South East Asia and Latin America.

Post balance sheet events

Details of events since the balance sheet date are contained within note 33 to the financial statements.

Statement of Going Concern

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

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

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

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

Strategic report (continued)

Principal Risks and Uncertainties

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

Child protection and safeguarding

The Group may be liable for certain acts that affect the health and safety of students and staff at schools, or which breach the duty of care towards students, which may harm the Group's reputation and adversely affect the business and financial results. The Group has policies and procedures in place which are aligned to regulatory standards and are globally consistent.

Health and safety

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

Market forces

Market forces have implications on pricing, demand for the Group’s services and ultimately the Group’s return on investment. The Group therefore recognises the risks associated with market forces and the Group’s aim is to provide educational excellence to ensure we can compete in the private schools market in all economic conditions.

Political environment

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

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

ICT systems and infrastructure

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

Cyber risk

The Group collect and retain personal data and unauthorised disclosure of this data due to a systems failure or otherwise could have a damaging effect on the business. The Group has policies and procedures in place which are aligned to regulatory standards.

Human resources

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

Supporting growth

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

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

Financial capital risk

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

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

Strategic report (continued)

Financial capital risk *(continued)*

In order to manage the Group's exposure to those risks, in particular the Group's exposure to interest rate risk, the Group enters into a number of derivative transactions including, but not limited to, variable to fixed rate interest rate swaps.

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

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

Liquidity risk

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

The Group is supported by its ultimate parent, whose policy has been to ensure continuity of funding and has taken steps during the year to secure funding by issuing £280m of Senior Secured Loan Notes. This will provide sufficient liquidity to the Cognita Topco Limited Group through to the maturity of the Senior Secured Loan Notes on 15 August 2021. The Group has also secured a £60m Super Senior Revolving Credit Facility to fund future borrowing requirements which can be drawn down in a number of different currencies as required.

The maturity of borrowings at the balance sheet date is set out in note 20 to the financial statements. In total, the Cognita Topco Limited group has access to committed borrowing facilities of £311.2m (2014: £330.8m), of which £296.3m mature beyond 2020. In addition, the Group has access to a Super Senior Revolving Credit Facility of £60m.

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

Foreign exchange risk

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

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

The Group reassessed its hedging arrangements following the Group refinancing to cover its sterling exposure on the Senior Secured Loan Notes by entering into forward currency contracts. Further details are disclosed in note 33 of the financial statements

Interest rate risk

The Cognita Topco Limited Group finances its operations through fixed rate Senior Secured Loan Notes, bank borrowings and retained credit facilities. The Group's exposure to interest rate fluctuations on its bank borrowings is managed by the use of hedging or fixed interest rate instruments. It is the Cognita Topco Limited Group's policy to use fixed interest rate hedging instruments to hedge at least 50% of its bank borrowings.

Credit risk

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

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

By Order of the Board

/s/ Rees Withers

Rees Withers
Director
11 December 2015

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

Report of the Directors

The Directors submit their report together with the audited financial statements of Cognita Holdings Limited for the year ended 31 August 2015.

Loss for the year

The loss for the financial year amounted to £63.0m (2014: £58.6m). The Directors do not recommend the payment of a final dividend (2014: £nil).

Directors

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

R Withers
E Lazarus
P Johnson
C Ollig
B Carroll
G Narunsky (resigned 6 January 2015)

Directors' third party indemnity insurance

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

Political contributions

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

Independent auditor and disclosure of information to auditor

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

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

Grant Thornton resigned as auditor with effect from 17 March 2015 and KPMG LLP was appointed from the same date. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

/s/ Rees Withers

Rees Withers
Director
11 December 2015

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

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

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

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Cognita Holdings Limited

We have audited the financial statements of Cognita Holdings Limited for the year ended 31 August 2015 set out on pages 11 to 70. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

As explained more fully in the Directors' Responsibilities Statement 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, 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 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 Financial Reporting Council'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 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report 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

/s/ David Neale

David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Forth street
Milton Keynes
MK9 1NE

11 December 2015

Consolidated Income and Other Comprehensive Income Statement
for the year ended 31 August 2015

	Note	**2015** Underlying £000	**2015** Non-underlying £000	**2015** Total £000	2014 Underlying £000	2014 Non-underlying £000	2014 Total £000
Revenue	*1,3*	**295,789**	**-**	**295,789**	263,417	-	263,417
Employee benefits expense	*5,7,8*	**(161,451)**	**(1,627)**	**(163,078)**	(143,660)	(1,967)	(145,627)
Other operating expenses	*5*	**(82,220)**	**(198)**	**(82,418)**	(74,591)	(743)	(75,334)
Acquisitions & business exploration	*5*	**-**	**(6,585)**	**(6,585)**	-	(6,291)	(6,291)
Restructuring & exceptional advisory costs	*5*	**-**	**(3,919)**	**(3,919)**	-	(2,832)	(2,832)
Adjusted EBITDA*		**52,118**	**(12,329)**	**39,789**	45,166	(11,833)	33,333
Impairment	*5*	**-**	**(12,243)**	**(12,243)**	-	(982)	(982)
Depreciation & Amortisation of other Intangibles	*6*	**(24,011)**	**-**	**(24,011)**	(19,578)	-	(19,578)
Operating profit		**28,107**	**(24,572)**	**3,535**	25,588	(12,815)	12,773
Finance income	*10*			**1,486**			1,655
Finance expenses	*10*			**(65,333)**			(70,429)
Share of profit of joint venture	*14*			**518**			331
Loss before tax				**(59,794)**			(55,670)
Taxation	*11*			**(3,201)**			(2,952)
Loss for the year				**(62,995)**			(58,622)
Profit/ (loss) attributable to:							
Equity holders of the parent				**(64,066)**			(59,127)
Non-controlling interest				**1,071**			505
Loss for the year				**(62,995)**			(58,622)
Other comprehensive (loss)/ income							
Items that are or may be reclassified to profit or loss:							
Foreign currency translation differences				**(1,256)**			1,135
Other comprehensive (expense)/ income for the year				**(1,256)**			1,135
Total comprehensive loss for the year				**(64,251)**			(57,487)
Attributable to:							
Equity holders of the parent				**(65,322)**			(57,992)
Non-controlling interest				**1,071**			505
				(64,251)			(57,487)

*Excludes the joint venture portion of Adjusted EBITDA.

Non-underlying costs and Adjusted EBITDA is explained in note 5.

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
at 31 August 2015

	Note	**2015**	2014
		£000	£000
Non-current assets			
Property, plant and equipment	*12*	**372,988**	375,263
Intangible assets	*13*	**79,832**	69,382
Trade and other receivables	*18*	**8,793**	5,149
Investments in equity-accounted investees	*14*	**2,397**	1,879
Deferred tax assets	*16*	**7,679**	6,035
		471,689	457,708
Current assets			
Inventories	*17*	**630**	847
Tax receivable		**492**	155
Trade and other receivables	*18*	**47,217**	52,559
Cash and cash equivalents	*19*	**75,952**	83,835
		124,291	137,396
Total assets		**595,980**	595,104
Current liabilities			
Bank overdraft	*19*	**(1,507)**	(582)
Other interest-bearing loans and borrowings	*20*	**(3,604)**	(177,156)
Trade and other payables	*21*	**(60,917)**	(57,672)
Deferred revenue		**(104,207)**	(98,979)
Tax payable		**(3,896)**	(1,841)
Provisions	*23*	**(92)**	(186)
Other financial liabilities	*15*	**(17)**	(576)
		(174,240)	(336,992)
Non-current liabilities			
Other interest-bearing loans and borrowings	*20*	**(36,878)**	(532,819)
Other payables	*21*	**(11,041)**	(3,998)
Deferred revenue		**(3,992)**	(476)
Provisions	*23*	**(1,837)**	(1,474)
Other financial liabilities	*15*	**-**	(287)
Deferred tax liabilities	*16*	**(3,322)**	(3,314)
		(57,070)	(542,368)
Total liabilities		**(231,310)**	(879,360)
Net assets/(liabilities)		**364,670**	(284,256)
Equity attributable to equity holders of the parent			
Share capital	*24*	**3,065**	466
Share premium	*24*	**755,038**	46,087
Reserves	*24*	**6,589**	6,218
Retained deficit		**(406,251)**	(342,431)
		358,441	(289,660)
Non-controlling interest		**6,229**	5,404
Total equity		**364,670**	(284,256)

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of Directors on 11 December 2015 and were signed on its behalf by:

/s/ Rees Withers

Rees Withers, *Director*
Company registered number: 05281013

Company Balance Sheet
at 31 August 2015

	Note	**2015**	2014
		£000	£000
Non-current assets			
Investments in subsidiaries	*32*	**522,526**	85,426
Trade and other receivables		**964**	-
		523,490	85,426
Current assets			
Trade and other receivables	*18*	**260,749**	1,184
		260,749	1,184
Total assets		**784,239**	86,610
Current liabilities			
Trade and other payables	*21*	**(24,492)**	(40,057)
Total liabilities		**(24,492)**	(40,057)
Net assets		**759,747**	46,553
Equity attributable to equity holders of the parent			
Share capital	*24*	**3,065**	466
Share premium	*24*	**755,038**	46,087
Retained Earnings		**1,644**	-
Total equity		**759,747**	46,553

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of Directors on 11 December 2015 and were signed on its behalf by:

/s/ Rees Withers

Rees Withers
Director

Company registered number: 05281013

Consolidated Statement of Changes in Equity

Group

	Share capital £000	Share premium £000	IFRS Transition Translation reserve £000	Merger reserve £000	Translation reserve £000	Equity reserve £000	Retained deficit £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2013	198	19,572	2,075	1,041	-	-	(283,304)	(260,418)	6,238	(254,180)
Total comprehensive income/ (expense) for the year										
Profit/ (loss)	-	-	-	-	-	-	(59,127)	(59,127)	505	(58,622)
Other comprehensive income	-	-	-	-	1,135	-	-	1,135	-	1,135
Total comprehensive income/ (expense) for the year	-	-	-	-	1,135	-	(59,127)	(57,992)	505	(57,487)
Transactions with owners, recorded directly in equity										
Issue of shares	268	26,515	-	-	-	-	-	26,783	-	26,783
Equity-settled share based payment transactions	-	-	-	-	-	1,967	-	1,967	-	1,967
Total contributions by and distributions to owners	268	26,515	-	-	-	1,967	-	28,750	-	28,750
Changes in ownership interests										
Adjustment to fair value on acquisition	-	-	-	-	-	-	-	-	(1,339)	(1,339)
Balance at 31 August 2014	466	46,087	2,075	1,041	1,135	1,967	(342,431)	(289,660)	5,404	(284,256)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity *(continued)*

Group

	Share capital £000	Share premium £000	IFRS Transition Translation reserve £000	Merger reserve £000	Translation reserve £000	Equity reserve £000	Retained deficit £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2014	**466**	**46,087**	**2,075**	**1,041**	**1,135**	**1,967**	**(342,431)**	**(289,660)**	**5,404**	**(284,256)**
Total comprehensive income/ (expense) for the year										
Profit/ (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**(64,066)**	**(64,066)**	**1,071**	**(62,995)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(1,256)**	**-**	**-**	**(1,256)**	**-**	**(1,256)**
Total comprehensive income/ (expense) for the year	**-**	**-**	**-**	**-**	**(1,256)**	**-**	**(64,066)**	**(65,322)**	**1,071**	**(64,251)**
Transactions with owners, recorded directly in equity										
Issue of shares	**2,599**	**708,951**	**-**	**-**	**-**	**-**	**-**	**711,550**	**-**	**711,550**
Gain/ (loss) arising from change in non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**246**	**246**	**(246)**	**-**
Equity-settled share based payment transactions	**-**	**-**	**-**	**-**	**-**	**1,627**	**-**	**1,627**	**-**	**1,627**
Total contributions by and distributions to owners	**2,599**	**708,951**	**-**	**-**	**-**	**1,627**	**246**	**713,423**	**(246)**	**713,177**
Balance at 31 August 2015	**3,065**	**755,038**	**2,075**	**1,041**	**(121)**	**3,594**	**(406,251)**	**358,441**	**6,229**	**364,670**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity *(continued)*

Company

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 September 2014	**466**	**46,087**	**-**	**46,553**
Total comprehensive income for the year				
Profit	**-**	**-**	**1,644**	**1,644**
Total comprehensive income/ (expense) for the year	**466**	**46,087**	**1,644**	**48,197**
Transactions with owners, recorded directly in equity				
Issue of shares	**2,599**	**708,951**	**-**	**711,550**
Total contributions by owners	**2,599**	**708,951**	**-**	**711,550**
Balance at 31 August 2015	**3,065**	**755,038**	**1,644**	**759,747**

	Share capital £000	Share premium £000	Total parent equity £000
Balance at 1 September 2013	198	19,572	19,770
Transactions with owners, recorded directly in equity			
Issue of shares	268	26,515	26,783
Total contributions by owners	268	26,515	26,783
Balance at 31 August 2014	466	46,087	46,553

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statements
for year ended 31 August 2015

	Note	**2015**		2014	
		£000	**£000**	£000	£000
Cash flows from operating activities					
Loss for the year		**(62,995)**		(58,622)	
Depreciation, amortisation and impairment		**36,254**		20,560	
Net finance costs		**63,847**		68,774	
Non cash movements		**(6,890)**		-	
Share of profit of equity-accounted investee, net of tax		**(518)**		(331)	
Equity settled share-based payment expense		**1,627**		1,967	
Loss on sale of property, plant and equipment		**198**		743	
Tax expense		**3,201**		2,952	
			34,724		36,043
Decrease/(increase) in trade and other receivables		**2,299**		(3,845)	
Decrease/(increase) in inventories		**205**		(287)	
Increase in trade and other payables		**12,767**		11,390	
			15,271		7,258
(Decrease)/increase in provisions			**(519)**		576
Decrease in financial liabilities			**(617)**		-
Taxation paid			**(2,955)**		(2,343)
Net cash from operating activities			**45,904**		41,534
Cash flows from investing activities					
Interest received		**1,240**		1,028	
Acquisition of property, plant and equipment		**(38,929)**		(58,595)	
Acquisition of subsidiary, net of cash acquired		**(17,471)**		(4,038)	
Proceeds from sale of property, plant and equipment		**118**		40	
Net cash outflow from investing activities			**(55,042)**		(61,565)
Cash flows from financing activities					
Proceeds from new loan		**91,629**		30,592	
Interest paid		**(18,115)**		(16,942)	
Refinancing transaction costs		**(6,089)**		-	
Repayment of borrowings		**(364,465)**		(14,357)	
Increase in loan from parent company		**6,628**		-	
Proceeds from issue of shares*		**292,461**		26,783	
Net cash (outflow)/inflow from financing activities			**2,049**		26,076
Net (decrease)/ increase in cash and cash equivalents			**(7,089)**		6,045
Cash and cash equivalents at 1 September 2014	*19*		**83,253**		77,189
Effect of exchange rate fluctuations on cash held			**(1,719)**		19
Cash and cash equivalents at 31 August 2015	*19*		**74,445**		83,253

*The total consideration of shares issued by the Company was £711.6m of which £292.5m was settled by cash.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
for the year ended 31 August 2015

1 Accounting policies

General information

Cognita Holdings Limited (the "Company") is a Company incorporated and domiciled in the UK. The principal activity of the Company and its subsidiaries (together referred to as the "Group") during the year was the operation of private-pay K-12 schools and related education activities.

The Company is a wholly owned subsidiary of Cognita Bondco Parent Limited. The ultimate controlling party is Cognita Topco Limited, a company registered in Jersey, which is jointly controlled by The Bregal Fund III LP and Crimson Cayman Holding Limited which is controlled by KKR European Fund III LP. The audited, consolidated financial statements of Cognita Bondco Parent Limited are publicly available.

Basis of preparation

Both the Company and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 September 2013 for the purposes of the transition to Adopted IFRSs.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

Basis of consolidation

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

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

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

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. This treatment was maintained upon adoption of IFRS.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Transition to Adopted IFRSs

The financial statements, for the year ended 31 August 2015, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 August 2014, the Group prepared its financial statements in accordance with UK GAAP.

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 August 2015, together with the comparative period data as at and for the year ended 31 August 2014, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening balance sheet was prepared at 1 September 2013, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP financial statements including the balance sheet as at 1 September 2013 and the financial statements as at and for the year ended 31 August 2014.

IFRS 1 allows first time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has elected to apply the following exemptions:

- *Business Combinations*

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries and joint ventures which occurred before 1 September 2013. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the UK GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial positions (apart from adjustments for goodwill impairment and recognition or de-recognition of intangible assets). In accordance with IFRS1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 September 2013.

The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquired entity. Therefore, assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- *Cumulative translation differences*

The Group has adopted the exemption relating to IAS 21 cumulative translation differences. Therefore cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 September 2013.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Going concern

The Group has continued to expand both organically and through acquisition 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 generated 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.

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

Foreign currency

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

i) Foreign currency transactions

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

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

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

ii) Foreign operations

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

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

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs, 1 September 2013.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments

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

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

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

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

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

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

Non-derivative financial instruments

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

Investments in equity securities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. In the cash flow statement, cash and cash equivalents includes bank overdrafts that are repayable on demand.

Trade and other receivables

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

Trade and other payables

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

Interest-bearing borrowings

Deep discount bonds, loan notes and bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Where amortised cost using straight line amortisation approximates the outcome under the effective interest method, the straight line method is adopted.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Derivative financial instruments and hedging

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

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

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 buildings	- the remaining life of the lease
Fixtures, fittings and equipment	- 1 to 10 years
Computer equipment	- 2 to 10 years

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

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

Business combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Business combinations *(continued)*

Acquisitions on or after 1 September 2013

For acquisitions on or after 1 September 2013, the Group measures goodwill at the acquisition date as:

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

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

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

Acquisitions and disposals of non-controlling interests

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

Goodwill and Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Intangible assets

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

Amortisation

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

The estimated useful lives of intangibles are as follows:

Computer software	- 3 years
Customer contracts	- average tenure of a student at relevant school
Brands	- 20 years

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Inventories

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

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

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

Non-financial assets

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

Indications of impairment are identified by reviewing events or changes in circumstance which suggest that the carrying amount of 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.

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

The discount rate applied is based on the post-tax weighted average cost of capital of the Group's operations in the country the asset sits. Estimated future cash flows are based on Board approved budgets which represent our best estimate of future performance, supported by historical trends, known operating margins and achievable growth or cost saving targets. An inflationary growth rate of 2.25% (2014: 2.25%) was used to extrapolate beyond the most recent forecasts, representing the inflation rate for the business based on latest economic information.

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

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Revenue

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

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

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. This represents a change in accounting approach.

- **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, the recognition of which is consistent with the related revenue stream.

Employee benefits

Defined contribution plans

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Employee benefits *(continued)*

Multi-employer plans

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), in respect of certain teaching staff. This is a multi-employer defined benefit pension plan and it is not possible for the Group to use defined benefit accounting as sufficient information is not available. Accordingly no provision can be made for any under or over provision of funding within the plan as required under IAS 19. For further detail on the TPS see note 22.

Short-term benefits

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

Share-based payment transactions

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

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 9.

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

Provisions

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

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

Expenses

Operating lease payments

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

Finance lease payments

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

***Expenses** (continued)*

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

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

Taxation

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is not longer probable that the related tax benefit will be realised.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group and Company's financial statements are disclosed below. The Group and Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date.

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Standards issued but not yet effective *(continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group will assess the impact of this new standard and will take appropriate action.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Standards issued but not yet effective *(continued)*

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Standards issued but not yet effective *(continued)*

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Notes to the Financial Statements *(continued)*

2 *Acquisitions of subsidiaries*

Acquisitions in the current period

On 1 December 2014, the Group acquired 100% of the share capital of GayLussac Empreendimentos Educacionais Ltda and GRS2 Empreendimentos Imobiliarios S/A.

The entities purchased hold the trade and assets of a school based in Niterói, Brazil branded as Instituto GayLussac and Jardim GayLussac. The primary reason for the business combination is that it complements the Group's portfolio. The acquired school already has an established reputation, brand and academic track record having consistently ranked amongst the top 50 schools in Brazil (via ENEM) and the best school in Niteroi over recent years. There is high demand for places at the school and Cognita will aim to enable capacity enhancement whilst further building the reputation and academic record of the school.

Also during the year, the Group acquired the remaining 20% minority interest in British Education Management System Company Limited in Thailand. The cash consideration has been attributed to goodwill.

The Group also paid deferred consideration in respect of a prior year investment in Spanish subsidiary, Hastings.

Effect of acquisitions

The acquisitions had the following effect on the Group's assets and liabilities.	**Recognised values on acquisition £000**
Acquiree's net assets at the acquisition date:	
Property, plant and equipment (including fair value adjustments)	**5,619**
Fair value of intangibles assets:	
Customer contracts	**3,395**
Brands	**518**
Inventories	**12**
Trade and other receivables	**662**
Cash and cash equivalents	**938**
Deferred tax assets	**340**
Trade and other payables	**(576)**
Provisions	**(706)**
Deferred revenue	**(275)**
Other taxes and social security	**(133)**
Net identifiable assets and liabilities	**9,794**
Cash consideration relating to business combination and acquisition payment	**17,471**
Deferred consideration at fair value	**7,609**
Total consideration	**25,080**
Value of consideration in excess of assets acquired attributed to:	
Goodwill	**15,286**

Goodwill arose on acquisition because consideration paid is in excess of fair value of net assets acquired. Goodwill represents the value of synergies of combining the operations of the business with those of the Group.

The Group incurred costs related to this acquisition of £883,000 relating to legal and financial due diligence and transaction costs during the year ended 31 August 2015. These costs have been included in non-underlying costs in the Group's consolidated statement of comprehensive income.

Notes to the Financial Statements *(continued)*

3 Revenue

	2015	2014
	£000	£000
School fees and related services	**294,993**	262,293
Sale of goods	**796**	1,124
Total revenues	**295,789**	263,417

4 Operating Segments

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

At the year end the Group operated 66 schools across Europe, Asia and Latin America. The Directors consider these three segments as the Group's reportable segments under IFRS 8.

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

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

Segment revenues and results

Operating Segment (including central costs)	**Revenue 2015 £'000**	Revenue 2014 £'000	**Adjusted EBITDA 2015 £'000**	Adjusted EBITDA 2014 £'000
Europe	**154,683**	146,717	**16,018**	16,066
Asia	**109,590**	91,100	**29,400**	24,700
Latin America	**31,516**	25,600	**6,700**	4,400
Total	**295,789**	263,417	**52,118**	45,166
Depreciation and amortisation of other intangibles			**(24,011)**	(19,578)
Underlying profit from operations			**28,107**	25,588
Non-underlying costs			**(24,572)**	(12,815)
Finance income			**1,486**	1,655
Finance costs			**(65,333)**	(70,429)
Share of profit of joint venture			**518**	331
Loss before Tax			**(59,794)**	(55,670)

Notes to the Financial Statements *(continued)*

5 Non-underlying items

	2015	2014
	£000	£000
Impairment costs	**12,243**	982
Acquisition and business exploration costs	**6,585**	6,291
Restructuring and exceptional advisory costs	**3,919**	2,832
Share based payments	**1,627**	1,967
Other expenses	**198**	743
	24,572	12,815

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

Impairment costs relate to the write down of assets identified as being impaired. Each year all CGU's are reviewed for indicators of impairment, if identified as being impaired, an impairment charge will be made to the income statement. The impairment charge for an individual CGU is generally one-off in nature and therefore is not considered to be a recurring item. In the event that an impairment loss is subsequently reversed, the reversal is treated consistently with the initial write down and would be recognised within non-underlying items. A significant reversal included within non-underlying items would be disclosed separately for enhanced clarity.

Acquisition and business exploration costs are expenses incurred to seek out and acquire new schools or expansion opportunities including future business development into new countries and regions. These include any legal and due diligence fees relating to potential or actual acquisitions. Although costs relating to projects can span multiple financial years, key components of expenditure for specific projects are non-recurring, for example financial due diligence, legal due diligence, market surveys. These costs have no relation to the operational results of existing schools and are therefore split out to enable the reader of the financial statements to gain greater clarity of the underlying schools operations.

Restructuring costs incurred during the year of £2,300,000 (2014: £1,657,000) mainly relate to employment cessation and associated legal costs. These costs are incurred annually but relate to different projects and by nature will only occur once. Exceptional advisory costs incurred during the year of £1,619,000 (2014: £1,175,000), relate to advisory fees with respect to the review and assessment of the Group's child safeguarding policies and procedures.

Share based payment costs represent the income statement charge relating to the management incentive plan (MIP). This charge relates to the MIP put in place in June 2013, described in note 9. This charge in the prior year includes a cumulative adjustment for the 15 months to 31 August 2014. This charge does not result in a cash cost to the business and has therefore been shown as non-underlying.

Other expenses relate to losses incurred on disposal of fixed assets. This is included as a non-underlying item as the disposal of assets does not form part of the normal operational function of the business. Any significant loss generated will therefore reflect a one-off disposal. Similarly any gain experienced on a disposal would also be included within this category and separately disclosed if material. The Group does not acquire or retain assets with the intention of disposal and such activity represents a non-recurring event such as the sale, relocation or downsizing of a school.

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

Notes to the Financial Statements *(continued)*

6 Expenses and auditor's remuneration

Expenses:	**2015 £000**	2014 £000
Cost of inventories recognised as expense	**266**	641
Impairment loss recognised on trade receivables	**4,104**	3,591
Depreciation of owned fixed assets	**23,204**	19,172
Depreciation of fixed assets on finance leases	**106**	86
Amortisation of other intangibles	**701**	320
Impairment of property, plant and equipment	**9,930**	982
Impairment of intangibles	**2,322**	-
Operating lease costs	**8,968**	7,006
Loss on disposal of property, plant and equipment	**198**	743

Auditor's remuneration:

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

KPMG LLP were appointed as auditor for the August 2015 financial statements. The remuneration to KPMG LLP reflected in these financial statements is shown below:

	2015 £000	2014 £000
Audit of these financial statements	**70**	-
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**313**	-
Audit-related assurance services	**140**	-
Taxation compliance services	**153**	-
Other tax advisory services	**27**	-
All other services	**97**	99
	800	99

Grant Thornton UK LLP were resigned as auditor with effect from 17 March 2015. The remuneration to Grant Thornton UK LLP during their period as auditor reflected in these financial statements is shown below:

	2015 £000	2014 £000
Audit of these financial statements	**-**	160
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**-**	280
Audit-related assurance services	**-**	5
Taxation compliance services	**-**	75
Other tax advisory services	**99**	262
Other assurance services	**50**	45
	149	827

Notes to the Financial Statements *(continued)*

7 Staff numbers and costs

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

	Number of employees	
	2015	2014
Number of teachers	**4,020**	3,756
Number of administrative staff	**1,610**	1,425
	5,630	5,181

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**143,950**	127,744
Share based payments (see note 9)	**1,627**	1,967
Social security costs	**11,518**	10,667
Contributions to defined contribution plans	**5,983**	5,249
	163,078	145,627

8 Directors' remuneration

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

	2015	2014
	£000	£000
Aggregate emoluments and fees (including benefits in kind)	**612**	880
Performance bonuses (inc. employers NIC) and other emoluments	**313**	365
Termination benefits	**289**	-
	1,214	1,245
Share-based payment charge	**682**	1,045
	1,896	2,290

No Directors have benefits accruing under defined benefit or defined contribution pension schemes. Under arrangements for selected individuals to subscribe for equity settled shares, a charge has been made to the income statement of £1,627,000 (2014: £1,966,000) in respect of Directors and managers within non-underlying operating costs.

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

	2015	2014
	£000	£000
Aggregate emoluments and fees (including benefits in kind)	**505**	464
Performance bonuses and other emoluments	**270**	236
Total emoluments	**775**	700
Share-based payment charge	**592**	715
	1,367	1,415

Notes to the Financial Statements *(continued)*

8 Directors' remuneration *(continued)*

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

	2015	2014
Had awards receivable in form of shares under a long-term incentive plan	**2**	2

9 Shared based payments

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

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

Due to the complex features of the awards the fair value of these shares at the grant date, have 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 5 years and 3 months after the grant date
- 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.

The fair value of the shares at the grant date was not considered material and nothing has been recognised in the Group financial statements.

In conjunction with the restructuring in June 2013, certain senior managers were also granted loans by Cognita Topco Limited. The settlement or repayment of these loans by the employees 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 £8.7m 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 5 years and 3 months. The charge is treated as non-underlying in the Consolidated Income Statement of the Group.

Notes to the Financial Statements *(continued)*

10 Finance income and expense

Recognised in profit or loss

	2015	2014
	£000	£000
Finance income		
Bank interest	**1,196**	1,022
Other Interest receivable	**44**	3
Derivatives gain	**246**	630
Total finance income	**1,486**	1,655

	2015	2014
	£000	£000
Finance expense		
Interest payable on bank borrowings	**17,523**	12,953
Other similar charges payable	**1,548**	3,841
Unwinding discount on loan notes	**36,474**	43,664
Payment in kind note interest	**3,456**	5,321
Unwinding of debt costs	**5,081**	783
Finance charges in respect of finance leases	**49**	134
Exchange loss	**1,202**	3,733
Total finance expense	**65,333**	70,429

Interest payable on bank borrowing represents interest payable on bank loans around the Group. Interest accrues at different rates, on both a fixed and floating basis, according to the currency and location of the debt. Further information can be found in note 20.

Unwinding discount on loan notes represents the current year interest expense relating to Deep Discount Bonds (DDB's). DDB's are liabilities to the Group's ultimate parent undertaking, Cognita Topco Limited and interest accrues at a rate of 15.25%. During the year the DDB's were repaid as part of the group refinancing arrangements.

Payments in kind (PIK) note interest represents interest accruing at 15.25% on the PIK notes which are liabilities owed to the Group's ultimate parent undertaking. The liabilities arising from these notes were satisfied by the issue of £233,877,675 and £185,210,517 of new ordinary shares on 31 March 2015 and 21 August 2015 respectively.

Notes to the Financial Statements *(continued)*

11 Taxation

Recognised in the income statement

	2015 £000	2014 £000
Current tax expense		
Current year	**5,123**	2,896
Adjustments for prior years	**(300)**	(1,025)
Current tax expense	**4,823**	1,871
Deferred tax expense		
Current year	**(1,622)**	1,081
Total tax expense	**3,201**	2,952

Income tax recognised in other comprehensive income

	2015 £000	2014 £000
Foreign exchange translation differences	**-**	115
	-	115

	2015 £000	2014 £000
Loss excluding taxation	**(59,794)**	(55,670)
Tax using the UK corporation tax rate of 20.61 % (2014: 22.16%)	**(12,324)**	(12,334)
Effect of tax rates in foreign jurisdictions	**(409)**	(572)
Reduction in tax rate on deferred tax balances	**28**	114
Non-deductible expenses	**17,093**	16,305
Tax exempt revenues	**(668)**	(287)
Recognition of previously unrecognised tax losses	**(829)**	(706)
Current year losses for which no deferred tax asset was recognised	**610**	789
Over provided in prior years	**(300)**	(357)
Total tax expense	**3,201**	2,952

Notes to the Financial Statements *(continued)*

12 Property, plant and equipment - Group

	Freehold land and buildings £000	Short leasehold land and buildings £000	Fixtures, Fittings and equipment £000	Computer equipment £000	Assets under construction £000	Total £000
Cost						
Balance at 1 September 2013	155,656	193,250	46,824	19,904	27,359	442,993
Acquisitions through business combinations	-	-	157	34	-	191
Additions	564	2,140	7,365	4,654	45,045	59,768
Disposals	(1,170)	(448)	(2,783)	(787)	-	(5,188)
Asset reclassification	1,935	56,054	3,860	-	(61,849)	-
Effect of movements in foreign exchange	(9,733)	(7,293)	(2,198)	(116)	(1,277)	(20,617)
Balance at 31 August 2014	147,252	243,703	53,225	23,687	9,278	477,145
Balance at 1 September 2014	**147,252**	**243,703**	**53,225**	**23,687**	**9,278**	**477,145**
Acquisitions through business combinations	**5,310**	**103**	**180**	**26**	**-**	**5,619**
Additions	**-**	**10,750**	**9,105**	**5,187**	**16,914**	**41,956**
Disposals	**(9)**	**(484)**	**(185)**	**(362)**	**-**	**(1,040)**
Asset reclassification	**6,168**	**2,499**	**1,583**	**-**	**(10,250)**	**-**
Effect of movements in foreign exchange	**(6,800)**	**(9,193)**	**(1,614)**	**(593)**	**(422)**	**(18,622)**
Balance at 31 August 2015	**151,921**	**247,378**	**62,294**	**27,945**	**15,520**	**505,058**
Depreciation and impairment						
Balance at 1 September 2013	19,418	37,318	17,975	13,841	-	88,552
Depreciation charge for the year	2,547	8,265	5,307	3,139	-	19,258
Impairment losses	982	-	-	-	-	982
Disposals	(646)	(448)	(2,749)	(562)	-	(4,405)
Effect of movements in foreign exchange	(200)	(879)	(1,358)	(68)	-	(2,505)
Balance at 31 August 2014	22,101	44,256	19,175	16,350	-	101,882
Balance at 1 September 2014	**22,101**	**44,256**	**19,175**	**16,350**	**-**	**101,882**
Depreciation charge for the year	**2,676**	**10,338**	**6,303**	**3,993**	**-**	**23,310**
Impairment losses	**7,794**	**86**	**1,970**	**80**	**-**	**9,930**
Disposals	**(3)**	**(286)**	**(114)**	**(321)**	**-**	**(724)**
Effect of movements in foreign exchange	**(199)**	**(1,194)**	**(619)**	**(316)**	**-**	**(2,328)**
Balance at 31 August 2015	**32,369**	**53,200**	**26,715**	**19,786**	**-**	**132,070**
Net book value						
At 1 September 2013	136,238	155,932	28,849	6,063	27,359	354,439
At 31 August 2014 and 1 September 2014	125,151	199,447	34,050	7,337	9,278	375,263
At 31 August 2015	**119,552**	**194,178**	**35,579**	**8,159**	**15,520**	**372,988**

Notes to the Financial Statements *(continued)*

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

During the year, Cognita Schools Limited wrote down £9,930,000 (2014: £982,000) 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 9.3% (2014: 8.4%). This year's impairment loss is allocated against Property, plant and equipment as detailed above whilst in 2014 the impairment loss was allocated entirely against Freehold land and buildings.

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

For the prior year, property, plant and equipment with a net book value of £353,000 had been pledged as security for the secured loans. For the current year, refer to note 28 related to Group Guarantees.

For the current year, the Company and certain other fellow subsidiary undertakings are guarantors over Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange - Euro MTF Market. Under this arrangement, the assets of the Company and certain fellow subsidiary undertakings are subject to a fixed and floating charge.

The amount of borrowing costs capitalised during the period was £882,000 (2014: £1,645,000*)* with a capitalisation rate of 100% (2014: 100%).

13 Intangible assets - Group

	Goodwill £000	**Other intangibles £000**	**Total £000**
Cost			
Balance at 1 September 2013	139,672	801	140,473
Acquisitions through business combinations	1,687	975	2,662
Additions	156	301	457
Effect of movements in foreign exchange	-	(26)	(26)
Balance at 31 August 2014	141,515	2,051	143,566
Balance at 1 September 2014	**141,515**	**2,051**	**143,566**
Acquisitions through business combinations	**15,286**	**3,913**	**19,199**
Effect of movements in foreign exchange	**(4,745)**	**(1,031)**	**(5,776)**
Balance at 31 August 2015	**152,056**	**4,933**	**156,989**
Amortisation and impairment			
Balance at 1 September 2013	73,310	577	73,887
Amortisation for the year	-	320	320
Effect of movements in foreign exchange	-	(23)	(23)
Balance at 31 August 2014	73,310	874	74,184
Balance at 1 September 2014	**73,310**	**874**	**74,184**
Amortisation for the year	**-**	**701**	**701**
Impairment charge	**2,315**	**7**	**2,322**
Effect of movements in foreign exchange	**-**	**(50)**	**(50)**
Balance at 31 August 2015	**75,625**	**1,532**	**77,157**
Net book value			
At 1 September 2013	66,362	224	66,586
At 31 August 2014 and 1 September 2014	68,205	1,177	69,382
At 31 August 2015	**76,431**	**3,401**	**79,832**

Notes to the Financial Statements *(continued)*

13 Intangible assets - Group (continued)

Goodwill and other intangible assets are evenly spread across the Group's Europe, Asia and Latin America regions. The carrying value of intangible assets is monitored by reference to Cash Generating Units ("CGUs"). A CGU is typically a school or limited company for non-school business units. The key assumptions for the value in use calculations are discount and growth rates. The Group consider that all CGU's operate in a similar sector being education and therefore adopt a discount rate of between 8.9% and 9.3%. For all CGU's a growth rate of 2.25% is applied.

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

An impairment review was performed during the year. As part of the review, the carrying value of goodwill and other non-current assets in a number of UK schools were identified as being impaired. For certain UK schools, the fair value of assets were determined taking into consideration open market valuations and selling costs. Adjustment was made to write down the carrying amount to recoverable amount.

For other UK and overseas schools, impairment was determined by reference to value in use calculations, These calculations use post-tax cash flow projections based on financial budgets approved by management covering a 5 year period discounted using post-tax discount rates.

Sensitivity analysis

Following the impairment losses recognised in the Group's UK schools, recoverable amounts were equal to carrying amounts. Therefore, any adverse movement in a key assumption would lead to further impairment in UK's cash generating units .

The sensitivity of goodwill carrying values to possible changes in key assumptions has been performed on the remaining CGUs. An increase in discount rate of 1.5% and a decrease in growth rate of 1.9% would be required for the carrying value of further CGUs to equal their recoverable amount.

14 Share of profit of joint venture

	2015	2014
	£000	£000
At 31 August 2014	**1,879**	1,548
Interest in joint venture arising in year	**518**	331
At 31 August 2015	**2,397**	1,879

The interest in joint venture represents the Group’s contribution to the share capital of St Nicholas Preparatory School Limited (the “Joint Venture”), created with a third party to manage the St Nicholas Preparatory School.

The Joint Venture is structured as a separate vehicle and the Group has a residual interest in the net assets. The Group owns 50% of the share capital (2014: 50%) and the articles of association require unanimous consent amongst the two owners for resolutions to be passed.

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

Notes to the Financial Statements *(continued)*

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

	2015	2014
	£000	£000
Non-current assets	**2,704**	2,694
Current assets	**5,503**	4,068
Non-current liabilities	**(18)**	(14)
Current liabilities	**(3,785)**	(3,380)
Net Assets (100%)	**4,404**	3,368
Group's share of net assets (50%)	**2,202**	1,684
Goodwill	**195**	195
Carrying amount of interest in joint venture	**2,397**	1,879
Income	**4,785**	4,243
Expenses	**(3,473)**	(3,419)
Profit before Tax	**1,312**	824
Tax	**(276)**	(162)
Profit after Tax	**1,036**	662
Group's share of profit and total comprehensive income (50%)	**518**	331

15 Other financial liabilities

	Group	
	2015	2014
	£000	£000
Non-current		
Financial liabilities designated as fair value through profit or loss	**-**	287
	-	287
Current		
Financial liabilities designated as fair value through profit or loss	**17**	576
	17	576
	17	863

Other financial liabilities relate to the three interest rate swaps which replace LIBOR and EURIBOR rates on certain of the Group's secured floating rate loans with a fixed rate. The Group has decided not to apply hedge accounting for its interest rate swaps given the additional costs of meeting the extensive documentation requirements of IAS 39. Consequently movements in fair value are recognised in the income statement.

Notes to the Financial Statements *(continued)*

16 Deferred tax assets and liabilities - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Property, plant and equipment	**3,720**	2,352	**(4,261)**	(3,448)
Intangible assets	**-**	-	**(472)**	(418)
Tax losses	**1,165**	390	**-**	-
Other	**4,445**	4,020	**(240)**	(175)
Tax assets/(liabilities)	**9,330**	6,762	**(4,973)**	(4,041)
Net of tax (liabilities)/assets	**(1,651)**	(727)	**1,651**	727
Net tax assets/(liabilities)	**7,679**	6,035	**(3,322)**	(3,314)

Movement in deferred tax during the year

	1 September 2014 £000	**Recognised in income statement £000**	**31 August 2015 £000**
Property, plant and equipment	**(1,095)**	**554**	**(541)**
Intangible assets	**(418)**	**(54)**	**(472)**
Tax value of loss carry-forwards utilised	**390**	**775**	**1,165**
Other	**3,844**	**361**	**4,205**
	2,721	**1,636**	**4,357**
Foreign exchange movement		**(14)**	
Total amount recognised in income		**1,622**	

Movement in deferred tax during the prior year

	1 September 2013 £000	Recognised in income statement £000	31 August 2014 £000
Property, plant and equipment	1,563	(2,658)	(1,095)
Intangible assets	-	(418)	(418)
Tax value of loss carry-forwards utilised	1,240	(850)	390
Other	1,114	2,730	3,844
	3,917	(1,196)	2,721
Foreign exchange movement		115	
Total amount recognised in income		(1,081)	

Notes to the Financial Statements *(continued)*

17 Inventories

	Group	
	2015	2014
	£000	£000
Goods for sale	**630**	847
	630	847

18 Trade and other receivables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Non-current				
Trade receivables	**30**	-	**-**	-
Other receivables	**1,768**	1,615	**-**	-
Prepayments and accrued income	**6,031**	3,534	**-**	-
Financial Assets	**964**	-	**964**	-
	8,793	5,149	**964**	-
Current				
Trade receivables	**39,380**	40,930	**-**	-
Other receivables	**4,141**	4,643	**-**	-
Prepayments and accrued income	**3,274**	6,773	**17**	17
Amounts owed by joint venture	**127**	213	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**260,514**	1,167
Tax recoverable	**77**	-	**-**	-
Financial assets	**218**	-	**218**	-
	47,217	52,559	**260,749**	1,184

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

Financial assets comprise the deferred element of fees relating to a Super Senior Revolving Credit Facility. These fees are being unwound over the term of the facility of 66 months from the date of issue on 31 July 2015.

19 Cash and cash equivalents/ bank overdrafts

	Group	
	2015	2014
	£000	£000
Cash and cash equivalents per balance sheet	**75,952**	83,835
Bank overdrafts	**(1,507)**	(582)
Cash and cash equivalents per cash flow statements	**74,445**	83,253

Notes to the Financial Statements *(continued)*

20 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. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 25.

	Group	
	2015	2014
Non-current liabilities	**£000**	£000
Secured bank loans	**33,790**	216,216
Deep discounted bonds	**-**	177,334
Finance lease liabilities	**3,088**	3,315
Other loans	**-**	95,760
Loan notes	**-**	40,194
	36,878	532,819
Current liabilities		
Secured bank loans	**3,435**	13,899
Deep discounted bonds	**-**	161,638
Finance lease liabilities	**169**	191
Other loans	**-**	1,428
	3,604	177,156
Total interest-bearing loans and borrowings	**40,482**	709,975

During the year, the Group refinanced all debt other than that held in Brazil and Chile. As part of this refinancing, on 21 July 2015 Cognita Bondco Parent Limited was inserted between Cognita Topco Limited and Cognita Holdings Limited. New companies were also incorporated including Cognita Financing PLC which issued Senior Secured Loan Notes of £280m. The Senior Secured Loan Notes mature on 15 August 2021 and carry a fixed rate of interest of 7.75%. The issue has been listed on the Luxembourg Stock Exchange – Euro MTF ("Multilateral Trading Facility").

The net proceeds were used to invest in equity of Cognita Holdings Limited and these funds were used to repay a number of outstanding external loans within the Group along with related accrued interest and break costs, to settle costs related to the termination of interest rate swaps and pay fees and expenses in connection with the transactions.

Included within secured bank loans above is £nil (2014: £954,000) of debt issue costs relating to a bank loan in Singapore.

Notes to the Financial Statements *(continued)*

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

Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2015 £000	Carrying amount 2014 £000
Secured bank loan	GBP	1.395% + 3.90%	Feb 17	-	95,200
Secured bank loan	GBP	LIBOR + 3.90%	Feb 17	-	20,313
Secured bank loan	EUR	EURIBOR + 3.90%	Feb 17	-	22,897
Secured bank loan	SGD	6% FIXED	Dec 19	-	41,806
Secured bank loan	SGD	SIBOR +4.25%	Dec 19	-	11,850
Secured bank loan	EUR	Euribor +3%	Nov 17	-	2,783
Secured bank loan	EUR	Euribor +4.45%	Apr 20	-	948
Secured bank loan	BRL	Fixed 12.45%/ Brazil CDI +3-3.75%	Jul 18	**11,622**	7,638
Secured bank loans	CLP	Fixed 4.7% to 5.4%	Apr 27 May 29	**25,603**	26,680
Deep discounted bonds	GBP	15.25%		-	338,972
PIK Loan notes	GBP	15.25%		-	40,194
EDB Loan	SGD	6.0% Fixed	Sep 20	-	97,188
				37,225	706,469

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Present value of minimum lease payments 2015 £000	Interest 2015 £000	Future minimum lease payments 2015 £000	Present value of minimum lease payments 2014 £000	Interest 2014 £000	Future minimum lease payments 2014 £000
Less than one year	**169**	**108**	**277**	191	125	316
Between one and five years	**1,146**	**358**	**1,504**	748	396	1,144
More than five years	**1,942**	**3,441**	**5,383**	2,567	3,534	6,101
	3,257	**3,907**	**7,164**	3,506	4,055	7,561

Notes to the Financial Statements *(continued)*

21 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Current				
Trade payables	**6,710**	8,871	**-**	-
Other taxes and social security	**3,399**	3,317	**-**	-
Other creditors	**6,802**	4,735	**-**	-
Accruals	**25,750**	28,730	**46**	-
Deposits	**11,628**	11,076	**-**	-
Deferred consideration	**-**	943	**-**	-
Amounts owed to parent/ subsidiary undertakings	**6,628**	-	**24,446**	40,057
	60,917	57,672	**24,492**	40,057
Non-current				
Other payables	**403**	218	**-**	-
Deferred consideration	**7,609**	3,047	**-**	-
Accruals	**2,691**	670	**-**	-
Deposits	**58**	63	**-**	-
Other taxes and social security	**280**	-	**-**	-
	11,041	3,998	**-**	-

22 Employee benefits

Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £5,983,000 (2014: £5,249,000)

Multi-employer defined benefit plan

Teachers' Pension Scheme

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £4,341,000 (2014: £4,242,000) and at the year-end £589,000 (2014 - £521,000) was accrued in respect of contributions to this scheme.

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

The employer contribution rate is set following scheme valuations undertaken by the Government Actuary Department. The latest valuation report in respect of the TPS was prepared at 31 March 2012 and was published in June 2014. This report confirmed that the employer contribution rate for the TPS will increase from 14.1% to 16.4% although, recognising that teaching establishments work on an academic and not financial year, the Government has deferred the implementation of this increase to 1 September 2015. Employers will in addition from 1 September 2015 pay a scheme administration levy of 0.08% of the employers' salary costs which will increase the total employer payment rate from 16.4% to 16.48%.

The next revision to the employer contribution rate is not expected to take effect until 1 April 2019. This will follow on from the next actuarial valuation which is due at 31 March 2016. This valuation will also determine the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

Notes to the Financial Statements *(continued)*

23 Provisions

Group

	Property £000	**Severance Allowance and Non -compulsory insurance £000**	**Other £000**	**Total £000**
Balance at 1 September 2014	**274**	**1,045**	**341**	**1,660**
Amounts arising from acquisitions	**-**	**-**	**706**	**706**
Provisions made during the year	**-**	**215**	**112**	**327**
Provisions used during the year	**-**	**(396)**	**(72)**	**(468)**
Provisions reversed during the year	**-**	**(252)**	**(28)**	**(280)**
Foreign exchange movement	**(1)**	**23**	**(38)**	**(16)**
Balance at 31 August 2015	**273**	**635**	**1,021**	**1,929**
Non-current	**273**	**635**	**929**	**1,837**
Current	**-**	**-**	**92**	**92**
	273	**635**	**1,021**	**1,929**

Group

	Property £000	Severance Allowance and Non -compulsory insurance £000	Other £000	Total £000
Balance at 1 September 2013	-	645	161	806
Provisions made during the year	274	630	251	1,155
Provisions used during the year	-	(174)	(55)	(229)
Provisions reversed during the year	-	-	(11)	(11)
Foreign exchange movement	-	(56)	(5)	(61)
Balance at 31 August 2014	274	1,045	341	1,660
Non-current	274	1,045	155	1,474
Current	-	-	186	186
	274	1,045	341	1,660

Property

The property provision represents the anticipated costs of returning operating lease premises to their original state as required by the terms of the related lease. The leases are due to expire within three years and therefore the provision is expected to be utilised within this period. The level of provision is based upon an annual review of the current condition of the building. The review is based upon internal and external examinations of the property.

Severance allowance and Non-compulsory insurance

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

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

Notes to the Financial Statements *(continued)*

23 Provisions *(continued)*

Other

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

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

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

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

24 Capital and reserves

Share capital

	2015	2014
	£000	£000
Authorised, called up and fully paid		
2015: 306,505,913 (2014: 46,570,421) ordinary shares of 1p each	**3,065**	466
	3,065	466

The Company allotted 259,935,492 (2014: 26,782,690) shares during the year with a total nominal value of £2,599,355 (2014: £267,827). These shares were issued at a premium of £708,951,000 (2014: £26,515,000). This premium was recognised in the share premium account.

Rights of share

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

IFRS Transition Translation reserve

This reserve represents the translation reserve before transition to IFRS on 1 September 2013. This reserve comprises all the foreign exchange differences arising from the consolidated accounts whilst they were prepared under UK GAAP. At transition this reserve was created to retain all historical UK GAAP translation differences. All post-transition translation differences will be disclosed in the Translation reserve.

Merger reserve

The merger reserve arose as a result of the merger accounting 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.

Equity reserve

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

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 September 2013, the transition date to Adopted IFRSs, from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Notes to the Financial Statements *(continued)*

25 Financial instruments

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

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

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

25 (a) Fair values of financial instruments

Fair values

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

	2015	2014
	£000	£000
Group - Carrying amount and fair value		
IAS 39 categories of financial assets		
Loans and receivables (including cash and cash equivalents)	**122,651**	131,236
Total financial assets	**122,651**	131,236

Group – carrying amounts and fair value		
	2015	2014
	£000	£000
Financial liabilities measured at amortised cost		
Bank overdraft (note 19)	**(1,507)**	(582)
Interest-bearing loans and borrowings (note 20)	**(40,482)**	(709,975)
Trade and other payables (note 21)	**(13,915)**	(13,824)
Provisions (note 23)	**(1,929)**	(1,660)
Interest rate swaps (note 15)	**(17)**	(863)
Total financial liabilities	**(57,850)**	(726,904)
Total net financial instruments	**64,801**	(595,668)

Effect of change of inputs used in fair value measurement

As the possibility of quoted prices (unadjusted) in active markets for identical assets being available for these assets is remote, no analysis of the effect of changing one or more of the inputs used in fair value measurement to another reasonably possible assumption has been prepared.

Notes to the Financial Statements *(continued)*

25 *(b) Credit risk*

Financial risk management

Group

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

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

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

Company

The Company had no external receivables at the year-end (2014: £nil) and so has no exposure to credit risk.

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

Group	**Gross 2015 £000**	**Impairment loss provision 2015 £000**	**Total 2015 £000**	Gross 2014 £000	Impairment loss provision 2014 £000	Total 2014 £000
Not past due	**35,655**	**-**	**35,655**	34,361	-	34,361
Past due 0-30 days	**974**	**(83)**	**891**	772	(67)	705
Past due 31-120 days	**1,793**	**(216)**	**1,577**	4,116	(216)	3,900
Past due by more than 120 days	**5,092**	**(3,805)**	**1,287**	5,272	(3,308)	1,964
	43,514	**(4,104)**	**39,410**	44,521	(3,591)	40,930

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

	2015 £000	2014 £000
Balance at 1 September	**(3,591)**	(3,223)
Provisions made during the year	**(1,041)**	(1,189)
Provisions used during the year	**421**	439
Provisions reversed during the year	**14**	215
Amounts arising from acquisition of companies	**(55)**	(36)
Amounts written off	**-**	46
Foreign exchange movement	**148**	157
Balance at 31 August	**(4,104)**	(3,591)

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

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

25 *(c)* Liquidity risk

Financial risk management

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

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. The Group's policy has been to ensure continuity of funding and where possible has relocated debt closer to operational activities in appropriate local currencies.

During the year, the Group refinanced all debt other than that held in Brazil and Chile. As part of this refinancing, on 21 July 2015 Cognita Bondco Parent Limited was inserted between Cognita Topco Limited and Cognita Holdings Limited. New companies were also incorporated including Cognita Financing PLC which issued Senior Secured Loan Notes of £280m. The Group has also secured a £60m Super Senior Revolving Credit Facility to fund future borrowing requirements which can be drawn down in a number of different currencies as required.

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

The net proceeds were used to invest in equity of Cognita Holdings Limited and these funds were used to repay a number of outstanding external loans within the Group along with related accrued interest and break costs, to settle costs related to the termination of interest rate swaps and pay fees and expenses in connection with the transactions.

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

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

25 *(c)* Liquidity risk *(continued)*

Liquidity risk - *Group*

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

			2015 Phasing of contractual cash flows		
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**2 to 5years £000**	**More than 5 years £000**
Non-derivative financial liabilities					
Secured bank loans	**37,225**	**85,842**	**4,733**	**19,626**	**61,483**
Other loans	**3,257**	**7,164**	**277**	**1,504**	**5,383**
Bank overdrafts	**1,507**	**-**	**-**	**-**	**-**
Trade and other payables*	**35,908**	**-**	**-**	**-**	**-**
	77,897	**93,006**	**5,010**	**21,130**	**66,866**

			2014 Phasing of contractual cash flows		
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	2 to 5years £000	More than 5 years £000
Non-derivative financial liabilities					
Secured bank loans	230,115	265,032	142,346	99,657	23,029
Other loans	97,188	130,957	5,766	49,413	75,778
Bank overdrafts	582	-	-	-	-
Trade and other payables*	28,280	-	-	-	-
	356,165	395,989	148,112	149,070	98,807

* Excludes accruals and deferred consideration.

25 *(d) Market risk*

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

Market risk - Foreign exchange risk

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

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

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

25 (d) Market risk *(continued)*

Group

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

31 August 2015

	Sterling £000	**Euro £000**	**Singapore Dollar £000**	**Chilean Peso £000**	**Brazilian Real £000**	**Vietnamese Dong £000**	**Thailand Baht £000**	**Total £000**
Cash and cash equivalents	**25,838**	**2,168**	**18,481**	**1,914**	**3,516**	**21,100**	**2,935**	**75,952**
Trade receivables	**29,093**	**101**	**2,658**	**6,279**	**257**	**318**	**704**	**39,410**
Other receivables	**956**	**1,424**	**1,511**	**157**	**461**	**1,345**	**55**	**5,909**
Trade payables	**(1,660)**	**(671)**	**(2,831)**	**(482)**	**(412)**	**(414)**	**(240)**	**(6,710)**
Other payables < 1 Year	**(941)**	**(265)**	**(5,059)**	**(29)**	**-**	**(459)**	**(49)**	**(6,802)**
Other payables > 1 Year	**(403)**	**-**	**-**	**-**	**-**	**-**	**-**	**(403)**
Accruals	**(8,583)**	**(1,088)**	**(9,434)**	**(1,623)**	**(1,474)**	**(2,311)**	**(3,928)**	**(28,441)**
External loans < 1 Year	**(3)**	**-**	**-**	**(1,447)**	**(2,152)**	**(2)**	**-**	**(3,604)**
External loans > 1 Year	**(1,957)**	**-**	**-**	**(25,450)**	**(9,471)**	**-**	**-**	**(36,878)**
Net exposure	**42,340**	**1,669**	**5,326**	**(20,681)**	**(9,275)**	**19,577**	**(523)**	**38,433**

31 August 2014

	Sterling £000	Euro £000	Singapore Dollar £000	Chilean Peso £000	Brazilian Real £000	Vietnamese Dong £000	Thailand Baht £000	Total £000
Cash and cash equivalents	10,609	2,356	49,200	78	1,467	17,345	2,780	83,835
Trade receivables	28,612	228	4,024	6,439	66	1,031	530	40,930
Other receivables	851	1,549	2,190	190	314	948	216	6,258
Trade payables	(1,132)	(865)	(5,863)	(336)	(216)	(275)	(184)	(8,871)
Other Payables < 1 Year	(237)	(960)	(3,190)	-	(105)	(137)	(106)	(4,735)
Other Payables > 1 Year	(218)	-	-	-	-	-	-	(218)
Accruals	(14,002)	(346)	(7,368)	(1,345)	(762)	(1,399)	(4,178)	(29,400)
External loans < 1 Year	(163,718)	(994)	(7,882)	(3,030)	(1,510)	-	(22)	(177,156)
External loans > 1 Year	(332,504)	(25,634)	(142,966)	(25,586)	(6,129)	-	-	(532,819)
Net exposure	(471,739)	(24,666)	(111,855)	(23,590)	(6,875)	17,513	(964)	(622,176)

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

25 *(d) Market risk* (continued)

Company

The Company changed its activity during the year from an investment holding entity to a financing Company for the Group.

The Company has provided loans to certain subsidiary undertakings as part of the Group refinancing in the year ended 31 August 2015. These loans were denominated in the currency of the borrowing company. The Company's exposure to foreign currency risk is as follows:

31 August 2015

	Sterling	Euro	Singapore Dollar	Total
	£000	£000	£000	£000
Trade and other receivables	**122,698**	**24,904**	**114,111**	**261,713**

The Company had no exposure to foreign currency risk at 31 August 2014.

Sensitivity analysis - Group

A 10% strengthening of all currencies against the pound sterling over the year would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

If sterling had been 10% stronger / weaker at 31 August, Group equity would have decreased / increased by £4,073,000 (2014: £3,179,000). This calculation assumes that the change occurred at the Balance Sheet date and had been applied to risk exposures existing at that date.

Sensitivity analysis - Company

Closing exchange rates have been used to translate the receivable from foreign subsidiaries. If sterling had been 10% stronger/ weaker against all foreign currencies at the balance sheet date, Trade and other receivables would have decreased / increased by £13,902,000.

Details of measures taken to mitigate the Company's foreign exchange risk are set out in the post-balance sheet events at note 33.

Market risk – Interest rate risk

The Group finances its operations through third party borrowings and equity investment from the immediate parent company, Cognita Bondco Parent Limited, in the form of Senior Secured Loan Notes which carry a fixed rate of interest of 7.75%. The Group's exposure to interest rate fluctuations on its variable interest rate bank borrowings is managed by the use of hedging. It is the Group's policy to use fixed interest rate hedging instruments to hedge at least 50% of its bank borrowings.

Notes to the Financial Statements *(continued)*

25 Financial instruments *(continued)*

25 (d) Market risk (continued)

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2015 is shown in the table below. The table includes trade debtors and creditors which do not attract interest but are subject to fair value interest rate risk.

	2015				2014			
		Interest rate				Interest rate		
	Fixed £000	**Floating £000**	**Zero £000**	**Total £000**	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets:								
Cash	**-**	**75,952**	**-**	**75,952**	-	83,835	-	83,835
Trade receivables	**-**	**-**	**39,410**	**39,410**	-	-	40,930	40,930
Interest rate swaps	**-**	**4**	**-**	**4**	-	-	-	-
Financial liabilities:								
Overdrafts	**-**	**(1,507)**	**-**	**(1,507)**	-	(582)	-	(582)
Bank loans	**-**	**(37,225)**	**-**	**(37,225)**	(137,006)	(93,109)	-	(230,115)
Trade payables	**-**	**-**	**(6,710)**	**(6,710)**	-	-	(8,871)	(8,871)
Deep discount bonds	**-**	**-**	**-**	**-**	(338,972)	-	-	(338,972)
Loan notes	**-**	**-**	**-**	**-**	(40,194)	-	-	(40,194)
Other loans	**(3,257)**	**-**	**-**	**(3,257)**	(97,188)	-	-	(97,188)
Interest rate swaps	**-**	**(17)**	**-**	**(17)**	-	(863)	-	(863)

All financial assets and liabilities identified as fixed rate instruments in the above table are accruing interest at rates that are fixed for the life of the instrument. Interest rate swaps are disclosed above at fair value as fixed rate instruments, whilst the loans that they are hedging are disclosed as variable rate instruments.

Sensitivity analysis

At 31 August 2015, the Group had exposure to interest rate sensitivity in respect of variable rate loans held in Brazil. In respect of the floating rate loans held in Brazil, an interest rate SWAP is in place to cover exposure to interest rate fluctuations.

In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have increased / decreased the result for the year by £279,000 (2014: £137,000*)*.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates. The analysis is performed on the same basis for 2014.

25 (e) Capital management

Group and Company

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 20 after deducting cash and cash equivalents, and equity attributable to the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of changes in equity.

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

Notes to the Financial Statements *(continued)*

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Property 2015 £000	**Other 2015 £000**	**Total 2015 £000**	Property 2014 £000	Other 2014 £000	Total 2014 £000
Less than one year	**8,356**	**795**	**9,151**	6,048	1,037	7,085
Between one and five years	**33,281**	**377**	**33,658**	21,400	725	22,125
More than five years	**115,014**	**-**	**115,014**	75,556	-	75,556
	156,651	**1,172**	**157,823**	103,004	1,762	104,766

Group

During the year £8,968,000 was recognised as an expense in the income statement in respect of operating leases (2014: £7,006,000).

27 Capital Commitments

Group

During the year ended 31 August 2015, the Group entered into contracts to purchase property, plant and equipment for £7,402,000 (2014: £3,886,000). These commitments are expected to be settled within twelve months of the balance sheet date.

The Group entered into a development contract for an early childhood facility at Lorong Chuan campus in Singapore, which is due to open in August 2017. As at 31 August 2015, a commitment of £75,529,000 remains.

The Group entered into a contract in Thailand for a campus development. As at 31 August 2015 a capital commitment of £840,000 had been made.

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 £5.7m.

28 Contingencies

Group Guarantees

During the year the Cognita Topco Limited Group restructured its debt which involved the formation of new companies within the Group, including the immediate parent undertaking Cognita Bondco Parent Limited and its subsidiary, Cognita Financing PLC. Cognita Financing PLC issued Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange – Euro MTF Market. Cognita Holdings Limited is a guarantor on a senior basis along with certain other subsidiary undertakings. Under this arrangement, the assets of the Company are subject to a fixed and floating charge.

Notes to the Financial Statements *(continued)*

28 Contingencies *(continued)*

Group Guarantees *(continued)*

The total gross exposure in relation to the Senior Secured Loan Notes was £281.4m including accrued interest at 31 August 2015. The Guarantors also grant a senior guarantee of a Super Senior Revolving Credit Facility agreement concurrently with the Senior Secured Loan Notes guarantee. The Group also guarantee the loan facilities and deferred consideration in Brazil and Chile, with a total exposure of £44.8m.

Reinstatement of leased land

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

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

It has been estimated that the maximum liability at 31 August 2015 should a reinstatement be required would be £5,516,000 (2014: £5,766,000). This estimated contingent liability represents the cost of demolition of the entire area of construction including substructure, extraction of piles, backfilling to original levels and re-turfing.

Litigation

The Group received claims in respect of a potential litigation associated with the criminal conduct of a former teacher at Southbank International School. The Group is unable to assess the likely outcome associated with such claims. The Group maintains insurance cover and considers such cover will be adequate to cover the full amount of any potential claims. However, the full extent of claims could not be ascertained at the date of signing these accounts and therefore the Group cannot be certain of the adequacy of the insurance cover.

Tax claims

The Group has received assessments from HMRC in the aggregate amount of £500,000 with respect to PAYE in connection with the operation of a former management securities plan in the tax years 2009/2010 and 2010/2011. The Group has appealed these assessments on the basis of guidance from their advisors and no provision has been made.

Notes to the Financial Statements *(continued)*

29 Related parties

Group

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint venture, St Nicholas Preparatory School Limited are disclosed below.

	Sales to 2015 £000	Sales to 2014 £000	**Expenses incurred from 2015 £000**	Expenses incurred from 2014 £000
Joint venture	**-**	56	**-**	-
Joint venture - admin expenses	**-**	-	**68**	14
Joint venture - consortium relief payments	**-**	-	**136**	97
	-	56	**204**	111

	Receivables outstanding 2015 £000	Receivables outstanding 2014 £000	**Payables outstanding 2015 £000**	Payables outstanding 2014 £000
Joint venture	**-**	116	**265**	13
	-	116	**265**	13

During the year, subsidiary company Cognita Schools Limited made payments of school fees of £4,985 (2014: £19,325) on behalf of Director Mr G Narunsky.

Company

The Company has a related party relationship with its subsidiaries and parent. At 31 August 2015, outstanding balances were as follows:

	Receivables outstanding 2015 £000	Receivables outstanding 2014 £000	**Payables outstanding 2015 £000**	Payables outstanding 2014 £000
Cognita Bondco Parent Limited	**-**	-	**(6,627)**	-
Cognita UK Holdings Limited	**-**	-	**(6,178)**	(5,767)
Cognita Funding 1 Limited	**3,267**	-	**(11,641)**	(34,290)
Cognita Limited	**118,644**	1,167	**-**	-
Stamford American International School Pte Limited	**78,359**	-	**-**	-
Australian International School Singapore Pte Limited	**35,752**	-	**-**	-
Cognita Spain Holdings S.L.	**21,136**	-	**-**	-
Cognita Hastings Holdings S.L.	**2,542**	-	**-**	-
Cognita BSB Property S.L.	**812**	-	**-**	-
	260,512	1,167	**(24,446)**	(40,057)

The Company's related party payables are non-interest bearing.

Notes to the Financial Statements *(continued)*

29 Related parties (continued)

The Company has provided financing to certain subsidiary undertakings in the form of interest bearing loans. These loans accrue interest at a rate of 8.25% and 8.68%. For 2014, there were no similar loans to the Group from the Company. The Company's financial statements include finance interest income in relation to the loans as detailed below.

Interest has been charged by the Company on interest bearing loans to the following subsidiary undertakings:

	2015 £000
Cognita Limited	**650**
Stamford American International School Pte Limited	**388**
Australian International School Singapore Pte Limited	**177**
Cognita Hastings Holdings S.L.	**14**
Cognita Spain Holdings S.L.	**117**
Cognita BSB Property S.L.	**4**
	1,350

Transactions with related parties during the year consisted of the following:

	Funding to 2015 £000	Funding to 2014 £000	**Funding from 2015 £000**	Funding from 2014 £000
Cognita Bondco Parent Limited	**-**	-	**6,627**	-
Cognita UK Holdings Limited	**(410)**	(4,674)	**-**	-
Cognita Funding 1 Limited	**-**	-	**25,916**	17,264
Cognita Limited	**(117,477)**	-	**-**	-
Stamford American International School Pte Limited	**(78,359)**	-	**-**	-
Australian International School Singapore Pte Limited	**(35,752)**	-	**-**	-
Cognita Spain Holdings S.L.	**(21,136)**	-	**-**	-
Cognita Hastings Holdings S.L.	**(2,542)**	-	**-**	-
Cognita BSB Property S.L.	**(812)**	-	**-**	-
	(256,488)	(4,674)	**32,543**	17,264

30 Ultimate parent company and parent company of larger group

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

With effect from 21 July 2015, the immediate parent company was Cognita Bondco Parent Limited. Prior to this date, the immediate parent company was Cognita Topco Limited.

31 Critical accounting judgements and key sources of estimation uncertainty

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

Notes to the Financial Statements *(continued)*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

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

Classification of Singapore land lease – decommission liability

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

Revenue recognition – Development/facility fees

The Group recognises development and facility fees over the tenure or expected tenure of a student within a school. As disclosed in note 1 this treatment represents a change in accounting approach and was first adopted in the 31 August 2014 financial statements.

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

Key sources of estimation uncertainty

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

Expected tenure of a student

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

Share-based payments

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

Fair value of assets and liabilities attributable to business combinations

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

Notes to the Financial Statements *(continued)*

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

Impairment of goodwill

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

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

Provisions

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

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

Recoverability of trade receivables

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

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

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

Deferred tax assets

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

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

Notes to the Financial Statements *(continued)*

32 Investments in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
Balance at 31 August 2014	85,426
Investments during the year	**437,100**
Balance at 31 August 2015	**522,526**

During the year the Company increased its investment in Cognita Funding 1 Limited by £248,003,000 and in Cognita UK Holdings Limited by £189,097,000.

In February 2015, Cognita Asia Holdings Pte Limited acquired the 20% minority interest in the Group's subsidiary undertaking British Education Management Systems Company Limited ("BEMS"), incorporated in Thailand. Following this acquisition, BEMS became a wholly owned subsidiary of the Group. BEMS owns 100% of the share capital of its subsidiaries Silom Education Company Limited and Rayong Education Company Limited. These companies also became wholly owned subsidiaries of the Group following acquisition.

During the year, Cognita Brasil Participacoes Ltda acquired 100% of the share capital of GayLussac Empreendimentos Educacionais Ltda and GRS2 Empreendimetos Imobiliarios S/A. Both companies are incorporated in Brazil. Cognita Brasil Locadora de Imoveis 2 Ltda, also incorporated in Brazil, was created as part of the acquisition process.

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

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/ Holding Company
Cognita Schools Limited	Ordinary	100%	England & Wales	Education
Cognita International Holdings Limited	Ordinary	100%	England & Wales	Holding Company
Super Camps Limited	Ordinary	100%	England & Wales	Education
Cognita Funding 1 Limited	Ordinary	100%	England & Wales	Holding Company
Cognita UK Mexico Holdings Ltd	Ordinary	100%	England & Wales	Holding Company
Cognita UK Brazil Holdings Ltd	Ordinary	100%	England & Wales	Holding Company
Cognita Spain Holdings S.L.	Ordinary	100%	Spain	Management/ Holding Company
British School of Barcelona S.A.	Ordinary	100%	Spain	Education
Cognita ELIS S.L.	Ordinary	100%	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	Spain	Holding Company
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
Cognita Hastings Holdings S.L.	Ordinary	100%	Spain	Holding Company
Cognita Singapore Holdings Pte Limited	Ordinary	100%	Singapore	Management Company

Notes to the Financial Statements *(continued)*

32 Investments in subsidiaries *(continued)*

Subsidiary undertaking	Class of share capital held	% held	Country of incorporation	Nature of business
Australian International School Singapore Pte Limited	Ordinary	100%	Singapore	Education
Cognita Asia Holdings Pte Limited	Ordinary	100%	Singapore	Management/ Holding Company
Stamford American International School Pte Limited	Ordinary	100%	Singapore	Education
Camp Asia Cognita Pte Ltd	Ordinary	100%	Singapore	Education
British Education Management Systems Company Limited	Ordinary	100%	Thailand	Education
Silom Education Company Limited	Ordinary	100%	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	Thailand	Education
International Education Corporation Joint Stock Company	Ordinary	100%	Vietnam	Education
Cognita Brasil Participacoes Ltda	Ordinary	100%	Brazil	Holding Company
Cognita Brasil Locadora de Imoveis Ltda	Ordinary	100%	Brazil	Property
Cognita Brasil Escolas Partipacoes Ltda	Ordinary	100%	Brazil	Education
Cognita Brasil Locadora de Imoveis 2 Ltda	Ordinary	100%	Brazil	Property
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	Brazil	Education
GRS2 Empreendimetos Imobiliarios S/A	Ordinary	100%	Brazil	Property
Escola Cidade Jardim - Playpen Ltda	Ordinary	100%	Brazil	Education
Cognita Chile SPA	Ordinary	100%	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	Chile	Holding Company
Desarrollos Educacionales, SA*	Ordinary	51%	Chile	Management/ 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
Immobiliaria Tierra Fertil, SA*	Ordinary	51%	Chile	Holding Company
Servicos Educacionales, SA*	Ordinary	51%	Chile	Holding Company
Gestion Educativa, SA*	Ordinary	51%	Chile	Holding Company
Bauhinia Education and Training Company Limited	Ordinary	100%	Hong Kong	Holding Company
Cognita MH SA de CV	Ordinary	100%	Mexico	Holding Company
Cognita Mexico Service Provider SC	Ordinary	100%	Mexico	Management Company
Vanguard Era Investments Limited	Ordinary	100%	British Virgin Islands	Dormant
VOF PE Holding 1 Limited	Ordinary	100%	British Virgin Islands	Dormant
International Schools Limited	Ordinary	100%	British Virgin Islands	Dormant
Lotus Education and Training Company (ISSP)	Ordinary	100%	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	Vietnam	Holding Company
Global Education Network Lotus Company Limited	Ordinary	100%	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	99.99%	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	96%	Vietnam	Holding Company

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

* The Group holds 51% in Desarrollos Educacionales, S.A., a company incorporated in Chile. The non-controlling interest holds the remaining 49% of the share capital and is also incorporated in Chile. Desarrollos Educacionales, S.A. holds a number of wholly owned subsidiary undertakings which are detailed above. Adjustment has been made for the 49% minority interests of these undertakings, where applicable.

Notes to the Financial Statements *(continued)*

33 Post balance sheet events

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 Euro/GBP and Singapore Dollar/GBP exchange rates, respectively. On 6 October 2015, the Company entered into a forward currency contract with HSBC plc to buy £20,000,000 and sell €25,664,000 on 8 October 2020. On 7 October 2015, the Company entered into a forward currency contract with HSBC plc to buy £100,000,000 and sell SGD 226,497,000 on 8 October 2020. On 9 October 2015, the Company entered into a forward currency contract with Morgan Stanley to buy £100,000,000 and sell SGD 226,694,000 on 8 October 2020.

On 9 October 2015, a share rebalancing agreement was executed between the ultimate parent company's shareholders Crimson Cayman Holding Limited, which is controlled by KKR European Fund III LP and The Bregal Fund III LP. The effect of this agreement was to both equalise the economic and voting rights in the Company between these shareholders.

34 Explanation of transition to Adopted IFRSs - Group

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 August 2015, the comparative information presented in these financial statements for the year ended 31 August 2014 and in the preparation of an opening IFRS balance sheet at 1 September 2013 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the Financial Statements *(continued)*

34 Explanation of transition to Adopted IFRSs - Group *(continued)*

Reconciliation of equity		1 September 2013			31 August 2014		
		UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
	Note	£000	£000	£000	£000	£000	£000
Non-current assets							
Property, plant and equipment	A,B,C	351,088	3,572	354,660	370,624	4,639	375,263
Intangible assets	C,D	66,362	-	66,362	55,788	13,594	69,382
Trade and other receivables	E	-	-	-	-	5,149	5,149
Investments in equity accounted investees	D	1,546	-	1,546	1,724	155	1,879
Deferred tax asset	E,F	-	7,248	7,248	-	6,035	6,035
		418,996	10,820	429,816	428,136	29,572	457,708
Current assets							
Inventories		554	-	554	847	-	847
Trade and other receivables	E,G	54,650	(1,387)	53,263	59,157	(6,598)	52,559
Cash and cash equivalents		84,694	-	84,694	83,835	-	83,835
Tax receivable	H	206	-	206	207	(52)	155
Deferred tax asset	E,F	7,107	(7,107)	-	6,411	(6,411)	-
		147,211	(8,494)	138,717	150,457	(13,061)	137,396
Total assets		566,207	2,326	568,533	578,593	16,511	595,104
Bank overdraft		(7,505)	-	(7,505)	(582)	-	(582)
Other interest-bearing loans and borrowings	B,I	(11,305)	-	(11,305)	(175,724)	(1,432)	(177,156)
Trade and other payables	J,K,L,M	(136,766)	94,088	(42,678)	(148,404)	101,808	(46,596)
Deferred revenue	K,L	-	(102,747)	(102,747)	-	(110,055)	(110,055)
Tax payable	F	(2,311)	-	(2,311)	(1,841)	-	(1,841)
Provisions	P	-	-	-	-	(186)	(186)
Other financial liabilities	E	-	-	-	-	(576)	(576)
		(157,887)	(8,659)	(166,546)	(326,551)	(10,441)	(336,992)
Non-current liabilities							
Other interest-bearing loans and borrowings	B,I,N	(640,867)	-	(640,867)	(530,858)	(1,961)	(532,819)
Other payables	B	(6,626)	(2,200)	(8,826)	(3,265)	(733)	(3,998)
Deferred revenue	K,L	(547)	-	(547)	(540)	64	(476)
Provisions	O,P	(810)	(275)	(1,085)	(1,385)	(89)	(1,474)
Other financial liabilities	M	-	(1,512)	(1,512)	-	(287)	(287)
Deferred tax liabilities	E,F	(3,785)	455	(3,330)	(3,759)	445	(3,314)
		(652,635)	(3,532)	(656,167)	(539,807)	(2,561)	(542,368)
Total liabilities		(810,522)	(12,191)	(822,713)	(866,358)	(13,002)	(879,360)
Net assets		(244,315)	(9,865)	(254,180)	(287,765)	3,509	(284,256)

Notes to the Financial Statements *(continued)*

35 Explanation of transition to Adopted IFRSs - Group *(continued)*

Reconciliation of equity (continued)

	Note	1 September 2013 UK GAAP £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000	31 August 2014 UK GAAP £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Equity attributable to equity holders of the parent							
Share capital		198	-	198	466	-	466
Share premium		19,572	-	19,572	46,087	-	46,087
Translation reserve	Q	2,075	(2,075)	-	2,391	(1,256)	1,135
Other reserve		1,041	-	1,041	3,008	-	3,008
IFRS translation reserve	R	-	2,075	2,075	-	2,075	2,075
Retained earnings		(273,157)	(10,147)	(283,304)	(345,350)	2,919	(342,431)
		(250,271)	(10,147)	(260,418)	(293,398)	3,738	(289,660)
Non-controlling interest		5,956	282	6,238	5,633	(229)	5,404
Total equity		(244,315)	(9,865)	(254,180)	(287,765)	3,509	(284,256)

Notes to the reconciliation of equity

A) In accordance with IAS 23 ‘Borrowing costs’, borrowing costs that are directly attributable to the acquisition of a qualifying asset are required to be capitalised as part of the cost of that asset. Under UK GAAP, these costs were expensed to the income statement. As a result property, plant and equipment increased by £2.6m on transition at 1 September 2013 with a subsequent £1.6m increase in the year ended 31 August 2014. In the income statement for the year ended 31 August 2014, interest payable decreased by £1.6m.

B) Under IFRS the criteria for the recognition of a finance rather than an operating lease are different than those for UK GAAP. As a result a lease premium was reclassified from finance lease to operating leases and an operating lease was reclassified to a finance lease. As a result the cost of property, plant and equipment increased by £1m as at 1 September 2013 and 31 August 2014.

C) In accordance with IFRS, capitalised software costs have been reclassified from property, plant and equipment to intangible assets. The impact of the reclassification on transition was £0.36m. The software depreciation charge has been reclassified as amortisation with no net effect on the Group’s income statement.

D) On transition to IFRS, the Group has adopted the exemption from IFRS 3 ‘Business Combinations’ provided in IFRS 1 ‘First time adoption of International Financial Reporting Standards’. Any unamortised goodwill at 1 September 2013 has been carried forward at cost, subject to impairment testing on transition to IFRS. Under IFRS, goodwill is not amortised but is reviewed annually for impairment, therefore the amortisation charge of £14.4m recognised under UK GAAP in the year ended August 2014 has been reversed for IFRS.

E) Under UK GAAP, all assets were disclosed as current. On transition to IFRS all assets were reviewed and allocated between non-current and current in accordance with the nature of the transaction.

F) Tax adjustments were made on transition to IFRS to deferred tax, tax payable and current tax charge. The tax treatment reflected the change in the accounting treatment.

Notes to the Financial Statements *(continued)*

35 Explanation of transition to Adopted IFRSs - Group *(continued)*

G) Under IFRS, costs relating to business combinations are expensed to the income statement. Under UK GAAP, these amounts were held on the balance sheet as prepaid investment costs and subsequently capitalised as part of the cost of investment. As a result of this adjustment, goodwill was reduced by £0.8m with a corresponding increased charge in the income statement.

H) Reclassification of current tax recoverable.

I) In accordance with IAS 17 'Leases', all guaranteed future rent increases must be spread across the full life of the lease. UK GAAP requires incentives to be spread evenly over the period to the first break clause in the lease. This led to an increase in rental accruals of £1.8m on transition and £0.2m in the year ended 31 August 2014.

J) Under IFRS a holiday pay accrual is required, which was not necessary under UK GAAP. The impact of this adjustment was an increase to accruals at 1 September 2013 of £0.5m.

K) Disclosure of deferred revenue was not separated under UK GAAP. On transition to IFRS, additional disclosure has been provided.

L) Upon conversion to IFRS, all accounting policies were reviewed. In managements judgement the accounting policy relating to upfront fees required updating to ensure it was more appropriate. The new policy is described in more detail in note 1 to the financial statements. This led to an increase in deferred fees on transition of £5.8m, which increased to £6.8m at 31 August 2014.

M) Under IFRS, derivatives are recognised on the balance sheet at fair value, with any gains or losses being reported in profit or loss. An adjustment of £0.9m has been recognised in other financial liabilities.

N) On transition to IFRS interest accruals were reclassified to the related loans and borrowings.

O) In accordance with IFRS, provisions have been split between current and non-current on the face of the balance sheet. As a result, £0.18m has been reclassified as a current provision.

P) A provision relating to lease dilapidations was not recognised in the UK GAAP financial statements but is required for IFRS. Total lease dilapidations recognised amounted to £0.3m.

Q) Foreign exchange gains and losses were recalculated in the year of transition to reflect the adjustment made during the year and changes required by IAS 21.

R) The Group has taken advantage of the relief available in IFRS 1 to deem cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRS.

Notes to the Financial Statements *(continued)*

35 Explanation of transition to Adopted IFRSs - Group *(continued)*

Reconciliation of loss for year ending 31 August 2014

	Note	UK GAAP	2014 Effect of transition to Adopted IFRSs and related accounting adjustments	Adopted IFRSs
		£000	£000	£000
Revenue	A	264,725	(1,308)	263,417
Employee benefits expense	B	(145,578)	(49)	(145,627)
Other operating expenses	C,D	(75,467)	133	(75,334)
Impairment		(982)	-	(982)
Acquisitions & business exploration	C	(5,136)	(1,155)	(6,291)
Restructuring costs	C	(1,976)	(856)	(2,832)
Adjusted EBITDA (after exceptionals)		35,586	(3,235)	32,351
Depreciation & Amortisation of other intangibles	E,F	(33,572)	13,994	(19,578)
Operating Profit/ (Loss)		2,014	10,759	12,773
Financial income	G	1,028	627	1,655
Financial expenses	H	(72,029)	1,600	(70,429)
Share of profit of joint venture	E	57	274	331
Loss before Tax		(68,930)	13,260	(55,670)
Taxation		(2,526)	(426)	(2,952)
Loss for the year		(71,456)	12,834	(58,622)
Attributable to:				
Equity holders of the parent		(72,192)	13,065	(59,127)
Non-controlling interest		736	(231)	505
Loss for the year		(71,456)	12,834	(58,622)

Notes to the reconciliation of loss

A) Upon conversion to IFRS, all accounting policies were reviewed. In managements judgement the accounting approach relating to upfront fees required updating to ensure it was more appropriate. The new policy is described in more detail in note 1 to the financial statements.

B) Under IFRS a holiday pay accrual is required, which was not necessary under UK GAAP.

C) Under IFRS, costs relating to business combinations are expensed to the income statement. Under UK GAAP, these amounts were held on the balance sheet as prepaid investment costs and subsequently capitalised as part of the cost of investment.

Notes to the Financial Statements *(continued)*

35 Explanation of transition to Adopted IFRSs - Group *(continued)*

D) Under IFRS, all future rent increases must be spread across the full life of the lease. UK GAAP requires incentives to be spread evenly over the period to the first break clause in the lease.

E) Under IFRS, goodwill is not amortised but is reviewed annually for impairment. Goodwill has been grandfathered upon adoption of IFRS therefore the amortisation charge recognised under UK GAAP in the year ended August 2014 has been reversed for IFRS.

F) Under IFRS the criteria for the recognition of a finance lease rather than an operating lease are different than those for UK GAAP. As a result a lease premium was reclassified from finance lease to operating leases and an operating lease was reclassified to a finance lease.

G) Under IFRS Derivatives have been recognised on the balance sheet at fair value, with any gains or losses being reported in profit or loss.

H) Under IFRS borrowing costs that are directly attributable to the acquisition of a qualifying asset are required to be capitalised as part of the cost of that asset. Under UK GAAP, these costs were expensed to the P&L. As a result £4.0m has been reclassified from P&L to the balance sheet.

I) Tax adjustments were made on transition to IFRS to deferred tax, tax payable and current tax charge. The tax treatment reflected the change in the accounting treatment.

36 Explanation of transition to Adopted IFRSs - Company

There were no balance sheet differences on transition from UK GAAP to IFRS for the Company to disclose for either the prior year or the opening transitional balance sheet.

Cash flow statement

Under UK GAAP, the parent company was not required to, and did not, prepare a cash flow statement.

Notes to the parents financial statements

There was no impact of IFRS transition on the parent company.