Parent accounts for subsidiary: St Nicholas Preparatory School Limited - 03622490

Lernen Bidco Limited

Annual Report and Financial Statements
Registered number 11539402
31 August 2020

Company Information
for the year ended 31 August 2020

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Contents

Strategic report

The Directors submit the Strategic Report, the Directors' Report and the audited consolidated financial statements of Lernen Bidco Limited ("the Company") for the year ended 31 August 2020. The Company financial statements for the prior period are presented for the period of one year and 4 days from the date of incorporation, 28 August 2018, to 31 August 2019.

The Company and its subsidiaries are together referred to as the "Group". The consolidated results of the Group are presented for the year ending 31 August 2020. The prior period results of the Group include trading for 10 months and 7 days from 25 October 2018, being the date company acquired its business operations.

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

The Group is a leading global operator of private-pay K-12 schools. Cognita had a strong start to the year, and completed three acquisitions in the first 6 months of FY20. Whilst the year began well, the emergence of a new novel coronavirus ("COVID-19") towards the end of 2019 has had a significant impact on overall performance of the business for the year, affecting all of the Group's operations at a point in time as the pandemic spread across the globe. Performance, and the impact of COVID-19, is discussed further below.

Principal activity and review of the year

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

Our Business

We are a leading global operator of private-pay K12 schools. At the year end, the Group operated 78 schools across Europe, Asia and Latin America with an average total capacity throughout the period of 67,491 places and a total average enrolment of 52,220 FTE students.

Each Cognita school has its own unique ethos, with curricula and programmes tailored to the needs of the parents and students it serves. As a global family, our schools share one common purpose: to create an inspiring world of education that builds self-belief and empowers individuals to succeed. We provide a uniquely global education that goes beyond grades to develop all-round academic excellence – equipping young people with the confidence and resourcefulness that prepares them to grow, thrive and find their success in a fast-changing world. 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 the United Kingdom, Australia and the USA.

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.

Strategic report *(continued)*

Business Overview

The trading performance of the Group has been significantly impacted by COVID-19 during the year.

The impact of the global pandemic began to crystallise in early 2020 as a number of our schools in Asia were closed and at the peak of the pandemic, all Cognita schools were required to close. Throughout periods of closure the schools remained operational with high-quality online learning offered during this period and by the end of the financial year all of our schools now had re-opened, with the exception of some of our schools in India, Brazil and Chile.

Average pupil numbers for the year to 31 August 2020 were 52,220, 6,535 (14%) higher than 31 August 2019. In the year acquisitions contributed 5,051 of these additions. Revenue was £502.1m, an increase of £72.3m (17%) of which an £81.5m increase is due to the prior period only including 10 months' worth of trading results, an additional £22.3m increase was driven by new acquisitions year-on-year, offset by incremental discounts of £31.5m issued as a result of COVID-19.

The Groups statutory loss before taxation for the year was £372.9m (Period ended 2019: £82.7m).

Adjusted EBITDA for the full year was £132.3m (Period ended 2019: £80.7.m) with a corresponding margin of 26.3% (2019: 18.8%). A reconciliation of Adjusted EBITDA is set out on page 8 and in note 4.

Our delivery of synchronous online learning through COVID-19 has been best-in-class and our transition to cloud solutions and remote working tools in recent years have greatly helped us respond to the challenges of online learning. Consequently, we are confident that the Group is well equipped to succeed in the event of any future lockdown periods.

We have made significant investments in IT systems and technology over recent years and this has facilitated an unprecedented level of collaboration between educators across our 78 schools to the benefit of our students. We have also taken a lead on student wellbeing and mental health, a key issue during the pandemic, developing a range of bespoke materials with external experts and investing in tools to track our students' emotional development as well as their academic progress.

The COVID-19 pandemic has had a widespread financial impact on the business. This impact has been monitored carefully and identified as best as possible in order to help the user of the financial statements understand the results. The results presented include key measures by which the business is measured including and excluding identified COVID-19 items, however it is acknowledged that there might be others. The impact on key measures principally include one-off COVID-19 discretionary discounts of £31.5m provided to parents, partially offset by one off supplier rebates and government support credits of £8.6m. Recognising the uniqueness of COVID-19 and to protect the reputation and longer term value of Cognita schools, we offered discounts or credits to parents for the school closures in some markets, in addition to waiving charges for meals and transport. These discounts have varied by market and have been higher (up to 50%) for the youngest children, reflecting the need for parents to be more involved in helping them access the online learning.

The revenue impact of the discounts and credits is partially offset by cost savings in response to the change in activity levels as well as by support from various government schemes. We have taken numerous cost saving measures including the furlough of around 600 non-teaching staff and the negotiation of lower or deferred rents. We have also secured savings in areas such as catering, transport, after school clubs and corporate overheads.

COVID-19 has also adversely affected our Active Learning Group division (ALG), a leading UK provider of outdoor education, which generates most of its revenue during the summer months and has been unable to operate due to the government restrictions. Whilst this business has a high level of variable costs, the temporary shutdown has resulted in a trading loss for ALG which typically comprises around 4% of Group revenues. As a strong operator in an appealing long term market, we expect this business to recover well post the effects of COVID-19.

In light of COVID-19, we have however carried out an extensive review of our development capital projects resulting in a reduction of planned development spend by 30% over the next 3 years.

This re-purposing of funds will allow us to complete the development of high quality premium capacity in Hong Kong, Vietnam, Dubai and London whilst having regard to the near-term reduced liquidity levels as a result of COVID-19.

Similarly, we continue to review of acquisition opportunities as they arise with support from our shareholders who share our long term perspective and commitment to the highest standards of education.

Notwithstanding the immediate challenges of COVID-19, we remain very positive about the longer term outlook for the Group and the K-12 private education sector.

Strategic report *(continued)*

Results and performance

The results of the Group and the Company for the year are set out on pages 22 to 27.

The Group has recognised revenue of £502.1m for the year (Period ended 2019: £429.8m) during the year and the Group's statutory loss before taxation was £372.9m (Period ended 2019: £82.7m).

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

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

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

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

- "EBITDA" means operating profit before depreciation and amortisation of intangibles.
- "Adjusted EBITDA" is EBITDA adjusted for certain items that management considers not to be reflective of the true underlying performance of the Group because of their nature as either non-recurring or non-cash items. A reconciliation of Adjusted EBITDA is set out on page 8 and in note 4.

These items of income or expenditure are adjusted in order to provide comparability between periods. Adjusting items of income or expenditure include operating income/expenditure which is not related to the core business, including acquisition and business exploration costs, business restructuring costs, impairment of non financial assets, gain or loss on disposal of fixed assets, school pre-opening losses and non-cash share-based payments.

During the year ended 31 August 2020, adjusting items within Adjusted EBITDA include the net impact of COVID-19 discounts provided and savings obtained through government subsidies and other incentives.

- "Regional EBITDA" means EBITDA excluding central costs.

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

- "Constant currency basis" means that the movement in a foreign currency amount has been calculated using a fixed exchange rate for both elements of the calculation.

	Schools		**Average FTE Students**		**Average Student Capacity**		**Utilisation**	
	Year ended 31 August 2020 No.	Period ended 31 August 2019 No.	**Year ended 31 August 2020 No.**	Period ended 31 August 2019 No.	**Year ended 31 August 2020 No.**	Period ended 31 August 2019 No.	**Year ended 31 August 2020**	Period ended 31 August 2019
Europe	48	48	16,347	16,027	21,027	19,922	77.7%	80.4%
Asia	13	11	13,669	10,750	19,783	16,773	69.1%	64.1%
Latin America	17	15	22,204	18,908	26,681	22,536	83.2%	83.9%
Total	**78**	74	**52,220**	45,685	**67,491**	59,231	**77.4%**	77.1%

Strategic report *(continued)*

Results and performance (continued)

The year ended 31 August 2020 delivered strong pupil growth both organically and with continued execution of the M&A strategy; in the first half of the year three transactions have completed adding £5.9m underlying EBITDA and 6,318 student capacity to our portfolio in Latin America and Asia. Good progress has been made on filling capacity in key markets and there has been disciplined deployment of development capex throughout the year. Continually improving the quality of education in its schools is central to Cognita's strategy. The 'Cognita Way' and 'Cognita Education' framework have been embedded across the organisation. Key educational outcomes, attainment and value-added scores are strong and improving and scores for parents, staff and children have never been higher despite the unprecedented challenges of the global pandemic during the year. Student retention is also rising. We continue to build and consolidate our integrated global platform through investment in people, systems and processes.

During the year ended 31 August 2020, the number of schools grew to 78, with the acquisition: Colegio Maxi ("Maxi"), Brazil; CHIREC Educational society and CHIREC International Academy, collectively referred to as ("CHIREC"), India and Pingo De Gente Ltda ("Laviniense"), Brazil.

Average FTE Student numbers increased in the year, including the impact of acquisitions. Europe student growth reflects the annualised impact of the acquisition of British School of Valencia, Colegio Europeo de Madrid and International School Zurich North made in the prior period. Asia student growth is driven by the acquisition of CHIREC, strong organic growth in Vietnam and SAIS continuing to gain market share in Singapore. The growth in Latin America is driven by the acquisition of Maxi and Laviniense, annualised impact of San Francisco Javier acquired in Chile in the prior period, along with growth across our Chile schools portfolio where the bilingual programme continues to attract new students.

The Group's operating loss of £285.0m for the year ending 31 August 2020 (Period ended 2019: £37.2m) includes an impairment charge of £271.1m (2019: £25.6m). Like any portfolio business, and particularly in the unprecedented and challenging environment of a global pandemic, some of our schools are performing more strongly than others.

The impairment loss recognised during the year largely results from the widespread impact COVID-19 has had on the business including resulting changes to business plans, investments in capital projects and growth in student numbers.

The Group uses future cashflow forecasts to calculate the recoverable amount of its non-financial assets for the purpose of impairment testing. These forecasts, which are set for a minimum period of 5 years, are lower in the first 2-3 years than they would have been if it had not been for the global pandemic. Further details of the Group's impairment testing can be found in Note 12.

The statutory revenue and operating result for each of our geographical regions is set out in the table below, as well as a reconciliation of the Group's statutory result to the APM's detailed above:

	Revenue		**Operating (loss)/profit**	
	Year ended 31 August 2020	Period ended 31 August 2019	**Year ended 31 August 2020**	Period ended 31 August 2019
	£'000	£'000	**£'000**	£'000
Europe	202,870	190,266	(10,531)	8,612
Asia	230,596	180,680	27,200	4,092
Latin America	68,645	58,844	11,757	14,663
Middle East	-	-	(850)	-
Group	-	-	(312,558)	(64,610)
Total	**502,111**	429,790	**(284,982)**	(37,243)

Strategic report *(continued)*

Reconciliation of above measures to APM's

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Operating Loss	**(284,982)**	(37,243)
Add back:		
Depreciation and amortisation of other intangibles	**95,139**	60,032
EBITDA	**(189,843)**	22,789
Impairment of non financial assets	**271,077**	25,616
Acquisition and business exploration costs	**11,900**	21,370
Restructuring costs	**4,653**	4,115
Share based payments	**10,544**	8,112
Loss/(gain) on disposal of fixed assets	**959**	(1,348)
COVID-19 one off revenue discounts	**31,564**	-
Other COVID-19 support and credits	**(8,602)**	-
Adjusted EBITDA	**132,252**	80,654

Adjusted EBITDA excludes items which, in Management's opinion, are not considered to be reflective of the underlying performance of the Group.

In the current year adjustments include the impact of COVID-19. Only items that are directly attributable to the COVID-19 pandemic and are separately identifiable have been adjusted for. This includes clearly identifiable revenue contract modifications relating to specific one-off COVID-19 discretionary discounts of £31.5m provided by the group to parents during the year as a result of the global pandemic, offset by one off supplier rebates and government support credits of £8.6m.

COVID-19 had wide-ranging impacts on business performance during the year, including lower enrolments during the summer months when most schools were physically closed, lower income from ancillary activities (such as catering, transport, trips and extra-curricular activities) and a higher bad debt provision. The negative financial impact from these COVID-19 factors remains within the Adjusted EBITDA metric.

Further details of the above APM's are provided in Note 4 of these financial statements.

Capital expenditure

During the year, the Group had additions of £90.6m in capital expenditure (2019: £51.9m) net of right of use assets worth £22.5m with £46.5m relating to lease modifications and new leases entered into offset by £24m worth of pre existing right of use assets and £8.6m intangibles, including software consisting of £7.8m(2019: £6.6m). The capital expenditure includes operating capital expenditure which is the investment in ensuring our schools maintain their standards and compliance with all regulations. It also includes development capital expenditure which represents investment made to expand capacity at the Group's schools and for construction and development of other facilities which do not directly result in capacity expansion. Additions related to development capital expenditure represented £72.8m (2019: £28.8m) in total compared to operating capital expenditure of £26.4m (2019: £29.7m).

During the year, the Group successfully completed the launch of a new school in Singapore ("Brighton College") in August 2020 and the construction of a carbon neutral impact campus for the ELIS school in Spain with a capacity of 430 pupils in September 2020. Currently, the new building for our innnovative new school in Kensington, London ("Prince's Garden Preparatory School") is expected to be completed in January 2021.

Developments during the year

Acquisition of Maxi, Brazil

On 12 September 2019, Cognita completed the acquisition of Colegio Maxi, Brazil. Founded in 1986, the well-established school has c. 1,800 students, aged between 3 and 18 years old. Considered one of the highest performing schools in the city of Londrina, Colegio Maxi boasts strong academic results in the Brazilian Entrance Exams (ENEM) and high-quality English teaching.

Strategic report *(continued)*

Developments during the year *(continued)*

Acquisition of CHIREC, Hyderabad, India

On 18 November 2019, the Group completed the acquisition of CHIREC, a high-quality school located in Hyderabad, India catering for students aged 3 to 18. On acquisition, the school had c. 3,700 students with a capacity of c. 3,800. This is Cognita's first acquisition in India and helps further diversify the portfolio geographically.

Acquisition of Laviniense, Brazil

On 6 December 2019, Cognita acquired Laviniense, a local curriculum K12 school located in Manaus, Brazil. On acquisition, the school had c. 1,000 students with a capacity of c. 1,300. Laviniense is Cognita's fourth school in Brazil.

Establishment of Royal Grammar School Guildford Dubai, UAE

During 2019, Cognita agreed a partnership with RGS Guildford to establish a new school in Dubai, opening in August 2021. Royal Grammar School Guildford Dubai, will have a capacity for c. 2,100 pupils aged 3 to 18 years and will share the ethos and academic rigour of its parent school in the UK. Established in 1509, RGS Guildford is one of the most prestigious schools in the UK, known for its track record in academic excellence and innovative approach that prepares young people for life. Development of the school sources has continued well throughout the year despite the challenging external environment and the project is on budget and on track for opening in September 2021. At 31 August 2020, AED 174.0m (£35.0m) of the planned AED 366.0m (£75.0m) had been utilised.

Group

Equity injection and incremental financing activities bolster liquidity

On 3 December 2019, Lernen Bidco Limited received a £62.7m loan from its parent company, Lernen Bondco PLC, the proceeds of which were used to partially repay the Revolving Credit Facility which had been drawn to fund the acquisition of CHIREC. The loan was repaid by the issuance of £62.7m new ordinary shares in Lernen Bidco Limited on 19 December 2019.

On 10 December 2019, the company increased its Senior Facility Agreement by €60.0m, the proceeds from which were used to repay the remaining drawn Revolving Credit Facility. The remaining cash was retained on balance sheet to provide liquidity to support our growth programme.

On 28 May 2020, the company further increased its Senior Facility Agreement by €81.0m, the proceeds from which were used to pay down the Revolving Credit Facility (RCF) in early June 2020.

Events after the Balance Sheet date

Acquisitions

Acquisition of Mirasur, Spain

On 19 December 2019, the Group exchanged contracts with the owners of Mirasur, a school in Madrid, Spain for 75% of the shareholding in exchange for an estimated consideration of £3.2 million. Completion took place on 4 September 2020 and the group is in the process of integrating the acquisition. Mirasur is a Spanish National Curriculum school, with over 1,000 pupils and a capacity of c. 1,450.

Other acquisitions

In December 2020, the Group entered into an agreement to exchange contracts on the acquisition of 100% of a school in Chile. On 18 December 2020 the Group also exchanged contracts to acquire 100% of a school in Brazil. Due to the confidential nature of these transactions, the schools cannot be named until the acquisitions have completed. Both acquisitions are expected to complete in January 2021.

Future developments

The Group will continue to invest in its existing schools, with some strategic development projects planned for the year ended 31 August 2020 and beyond. The Group will continue to develop opportunities in all regions.

Strategic report *(continued)*

Statement of Going Concern

The Directors have assessed the ability of the Group and parent company to continue operating as a going concern, taking into account the current financial position and potential impact of principal risks, particularly in light of the uncertainty that continues to exist as a result of the coronavirus pandemic.

The Group held cash balances of £96.3m and had fully utilised Term Loan B and Second Lien debt facilities (of £640m and £227.5m respectively) at 31 August 2020. Additionally, the Group had access to a Revolving Credit Facility ("RCF") of £100m which was undrawn at the balance sheet date although this is forecast to be partially utilised in the forecast period.

Four financing covenants apply to the Group's debt facilities, however only one of these covenants - the priority net debt covenant - is required to be monitored at certain points throughout the year. The covenant is considered a maintenance covenant and states that the Group's priority net debt should not exceed 7.4x EBITDA. The covenant is measured at the relevant quarter end dates and applies only once the RCF facility is 40% drawn. The remaining three covenants are relevant and required to be complied with only if the Group initiates a process to raise additional debt funding. These covenants have not been discussed further for the purpose of the going concern assessment as the cashflow forecasts considered do not incorporate the need to raise additional funding through debt.

In assessing the position of the Group, the Directors have prepared detailed cashflow forecasts to 31 August 2022. These cashflow projections are derived largely from the Board approved business plan which extends to 2025, however the near term period is considered the most appropriate base for assessing the Group's status and stress testing forecast assumptions against any severe but plausible downside scenarios.

The base case forecast cashflows to 31 August 2021 incorporate Management's up to date view of the most sensitive factor in the group's projections, that of pupil numbers. For our schools operating in the Northern Hemisphere where the new academic year is in progress at the date of signing this report, pupil numbers represent confirmed actuals. Opening pupil numbers in our Southern Hemisphere schools for the period to 31 August 2021, and for all schools from 1 September 2021 to 31 August 2022, reflect the expected impact of coronavirus, in particular the travel restrictions impacting ex-pat schools. The reduced revenue over this period is partially offset by a number of cost mitigation actions in the schools and regional offices that were implemented in the year ending 31 August 2020. The cashflow forecasts also benefit from innovative revenue enhancing opportunities that were launched at the end of the year such as the 'Transition To Campus' program in Singapore and Vietnam. This enabled around 500 pupils to join lessons online whilst they were unable to physically join the school due to border restrictions.

Although not required to comply with our financing covenants, the base case cashflow forecasts prepared also assume an injection of equity from our shareholders in the year to 31 August 2021. The primary purpose of the equity injection will be the funding of any committed or potential acquisition opportunities. Our shareholders have also indicated that they could provide this funding at an appropriate time to ensure that the Group remains compliant with its lending covenant requirements. On this basis, the Directors believe it is appropriate to consider the additional funding in both the cashflow forecasts and the overall going concern assessment.

In addition to the base case projections which incorporate the additional equity funding, the Directors have considered the potential for further downside risk and considered the following severe but plausible downside scenarios:

- The occurrence of a second wave of coronavirus and the likelihood of any further fee discounting
- The projected cost savings as a result of mitigation actions already underway do not fully materialise and the cost base increases

If one of the above scenarios were to materialise, Management would firstly define a further set of mitigating actions, such as a reduction in capital development spend and alternative cost reduction exercises over and above those implemented to date to re-align the cost base of the group with a reduced level of activity. Management also continually manages and monitors its short term financing arrangements including use of the Revolving Credit Facility. The group has the ability to actively manage use of this facility below the covenant threshold by extracting and transferring cash funds between territories to mitigate the risk of any covenant breach.

In the base case forecast and each of the severe but plausible downside scenarios including the injection of additional funding from shareholders, the Lernen Bidco group is expected to have sufficient cash to meet its liabilities as they fall due, remain in compliance with covenant requirements and continue operating as a going concern. Only in the absence of additional equity funding under a severe but plausible downside scenario would the Group risk breaching its priority debt covenant detailed above.

The proposed additional funding from shareholders means that in each of the severe plausible downside scenarios above, there would be limited impact on the required drawdown of facilities and as such liquidity would be maintained. In circumstances where the drawdown was sufficient to cause the covenant to take effect, taking into account the proposed equity funding, the group would still not exceed the ratio threshold within the forecast period.

Strategic report *(continued)*

Statement of Going Concern *(continued)*

As outlined above, the financial statements have been prepared on the going concern basis as detailed further in the Basis of Preparation. Whilst the Directors are in active discussions with shareholders and an indication of support has been provided, the dependency of the group on incremental equity funding from its shareholders in a severe but plausible downside scenario does give rise to a material uncertainty that may cast significant doubt around going concern specific to these circumstances.

Section 172 statement

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

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

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

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

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

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

Having regard to the interests of the Company's employees

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

In addition to the above:

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

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

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

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

Health and safety

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

Strategic report *(continued)*

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

Our pupils

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

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

Child protection and safeguarding

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

Our suppliers

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

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

Cognita is committed to supporting environmental and social initiatives both though our schools and as a business.

In the past year, our pupil centred initiatives include:

- Our schools in Asia providing solar lights for children living in challenging environments without electricity
- Groups of our students taking part in the global drive to remove plastic from our oceans, rivers and lakes
- Our students participating in the UN Climate Change Conference, sharing views, interviewing attendees and highlighting the impact of plastic pollution

We also consider the environmental impact of all of our business operations:

- By operating an active waste management policy in our schools and our regional offices, through approved suppliers;
- Building our new schools, including RGS Dubai, on sustainability and environmental principles including energy generation.

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

Authorisation to operate as an education provider

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

Political environment

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

Strategic report *(continued)*

Anti-bribery and corruption

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

IT infrastructure, cyber risk and data protection

The Directors understand the importance of ICT within the business. The Group has controls and disaster recovery plans in place in case of a significant system failure. The Group is also committed to enhancing the current provision of ICT systems through ongoing investment into the business, including investment in new systems for Finance, HR, Learning development and customer relationship management.

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

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

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

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

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

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

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

Principal and Emerging Risks and Uncertainties

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

COVID-19 pandemic

Since the outbreak of the COVID-19 pandemic, we have focused on a number of key priorities: (1) coordinating our response globally, leveraging the best practice from our network of 78 schools; (2) supporting our team of over 7,000 colleagues with continuous and clear communications; (3) delivering quality education for our 53,000 students; (4) safeguarding our finances and bolstering our cash resources; (5) protecting and building our reputation as a high quality schools operator.

Despite our schools buildings being closed at times during the year, the schools remained open from an educational perspective and our teachers continued to deliver the learning to our students via online means. As far as possible, online learning has been delivered in real-time with pupil-teacher interaction via technologies such as Microsoft Teams, Google Suite and SeeSaw. We have developed consistent quality assurance criteria for online learning and have been seeking regular feedback from our parents, teachers and students so we can continually improve our performance. For the re-opening of schools, we produced an operational playbook for colleagues and a return to school brochure for parents to assist with the changes. The survey feedback from parents and students on the operation of our schools and delivery of online education during the lockdowns has been generally very positive.

In the delivery of online learning, we have greatly benefited from both our strong presence in Asia, where schools closed earlier, and our recent investment in our technology platform. The former allowed us to share with our schools in Europe and Latin America learnings and best practice on coping with closure. The latter, which included investment in cloud solutions and remote working tools, enabled a smooth transition to online learning.

Strategic report *(continued)*

Principal Risks and Uncertainties *(continued)*

COVID-19 pandemic *(continued)*

Management continues to monitor the impact of COVID-19 on the business including from a liquidity perspective closely. Notwithstanding the immediate challenges of COVID-19, we remain very positive about the longer term outlook for Cognita and for the K-12 education sector. Historically, school enrolments and pricing have been resilient to external shocks and high quality schools are in demand through the cycle. The investments we have made in building an integrated global platform, including in new technology, have improved our operations and made us more robust during the pandemic. Our schools enjoy high and increasing parent and staff satisfaction scores and we expect this to be of benefit in a challenging market. We have also taken appropriate measures to safeguard our financial position, including bolstering our liquidity and reviewing our capex programme. As a well-resourced global schools group, we are focused on delivering the best education for our students and ensuring that we offer the maximum care and support for our whole community through the COVID-19 crisis and beyond.

British referendum on Europe ("Brexit")

As a UK based organisation with global operations, management recognises that the business may be impacted by the implications of the UK's withdrawal from the EU. At present, there are no significant adverse implications to business operations to report. However, management have identified some areas that could have an impact on the business going forward, which we continue to monitor closely:

Currency exposure: Fluctuations in exchange rates will impact Group results which are reported in pounds sterling. The exposure to foreign exchange risks has been assessed by shareholders and management and the company holds cross-currency coupon-only interest rate swaps to manage the foreign exchange and interest rate risk in relation to debt service costs.

Student and staffing recruitment and retention: London's status as a financial centre could be compromised, which in turn may affect demand for international schools. However, the weakening of the pound sterling against other major currencies may make Cognita's UK independent schools more competitive internationally as tuition fees become more affordable for foreign families currently educating their children in the UK, or looking to in the future. 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. Likewise, recruiting UK teachers into our Cognita schools in Europe could become more difficult and costly.

Regulatory changes: Cognita is working closely with the National Association of British Schools in Spain, the Council of British International Schools 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.

Downturn in the UK or European Economy: With operations in the UK and Spain, a downturn in the economies of mainland Europe or the UK following Brexit could result in reduced demand for school places and lower student enrolments.

Management's view is that the Group's diverse global portfolio and robust operating model will provide resilience against the current political uncertainties during the Brexit transition period.

Market forces

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

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

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 and interest rate risk, the Group has entered into cross-currency coupon-only interest rate swaps.

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

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

Macroeconomic environment

Our operations are affected by the general economic conditions in each of the countries in which we operate. These macroeconomic conditions are monitored on an ongoing basis along with the impact on our current and future financial performance. Risks considered during the year included the potential impact of the UK's withdrawal from the EU and ongoing social unrest in Hong Kong, Barcelona (Spain) and Santiago (Chile).

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. More recently, we have observed the impact of COVID-19 on our operations, as detailed throughout this report. Whilst we expect any future impact will be less significant than that experienced in FY20, management continuously assess the risk posed by the ongoing pandemic, including the reflection of up to date judgements in our expected credit loss provisioning amongst other things. Management believes our revenue and profitability are relatively resilient to fluctuations as a result of macroeconomic conditions, however, we will continue to monitor developments and the potential related risks.

Foreign exchange risk

The Group's results are reported in pounds sterling. The Group has assessed its hedging arrangements and in July 2019 entered cross-currency coupon-only interest rate swaps to manage foreign exchange and interest rate risk in relation to debt service costs. Further details are disclosed in note 19 of the financial statements.

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

Strategic report *(continued)*

Principal Risks and Uncertainties *(continued)*

Liquidity risk

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

The Group is supported by its ultimate parent company and other minority shareholders to ensure continuity of funding.

On 3 December 2019, Lernen Bidco Limited received a £62.7m loan from its parent company, Lernen Bondco PLC, the proceeds of which were used to partially repay the Revolving Credit Facility which had been drawn to fund the acquisition of CHIREC. The loan was repaid by the issuance of £62.7m new ordinary shares in Lernen Bidco Limited on 19 December 2019.

On 10 December 2019, the company increased its Senior Facility Agreement by €60.0m, the proceeds from which were used to repay the remaining drawn Revolving Credit Facility. The remaining cash was retained on balance sheet to provide liquidity to support our growth programme.

On 28 May 2020, the company further increased its Senior Facility Agreement by €81.0m, the proceeds from which were used to pay down the RCF in early June 2020.

The maturity of borrowings at the Balance Sheet date is set out in note 17 to the financial statements. In total, as at 31 August 2020, the Lernen Bidco Limited Group had drawn borrowings of £905.5m of which £885.9m would be repayable after 31 August 2021. The Group has a strong working capital position as student contracts require cash payment in advance of tuition services on an annual, termly or monthly basis. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

Interest rate risk

The Group finances its operations through floating rate Second Lien and Senior Facility Agreements, bank borrowings and Revolving Credit Facilities. The Group's exposure to interest rate fluctuations on its bank borrowings is managed with cross-currency coupon-only interest rate swaps. At the date of signing this report, the Group was financed through a Second Lien loan with interest calculated at a margin of 7.5% over EURIBOR, a Senior Facility Agreement with interest calculated at margins of 4.25% and 5.0% over EURIBOR and LIBOR respectively, and local debt facilities totalling £45.7m with interest rates ranging from 4.5% to 5.4%.

Credit risk

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

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

On behalf of the Board

M Uzielli
Director
18 December 2020

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

Directors' Report

The Directors submit their report together with the audited financial statements of Lernen Bidco Limited for the year ended 31 August 2020.

Results and dividends

The Group loss for the financial year amounted to £374.7m (Period ended 2019: £87.8m). The Company loss for the financial year amounted to £425.3m (Period ended 2019: (£11.4m)). The Directors do not recommend the payment of a final dividend.

Directors

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

P De Maeseneire	Appointed 28 August 2018
C T P Jansen	Appointed 1 November 2018
J Pinchbeck	Appointed 1 November 2018
A Tolpeit	Appointed 28 August 2018
M Uzielli	Appointed 1 November 2018

Directors' third party indemnity insurance

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

Political Contributions

The Group made no political donations (2019: £nil) or incurred any political expenditure (2019: £nil) during the financial year.

Environmental Reporting

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

Going concern

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

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

As detailed in the Strategic report, the impact of the COVID-19 pandemic on the Group has been considered in detail, focusing on a base case and relevant severe but plausible downside scenarios, in order to assess the Group's ability to continue in operation.

In both severe but plausible downside scenarios considered, the Group would exceed its priority leverage ratio covenant. However, confirmation of continuing support has been provided by the Group's shareholders, therefore, purely in the absence of funds being received at the date of signing these financial statements does a material uncertainty that may cast significant doubt around going concern specific to these circumstances exist.

Engagement with stakeholders

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

Employees

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

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

Directors' report *(continued)*

Engagement with stakeholders *(continued)*

Customers and Suppliers

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

Shareholders

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

Other stakeholders

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

Future developments

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

Independent auditor and disclosure of information to auditor

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

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

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

On behalf of the board

M Uzielli
Director
18 December 2020

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 the group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

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

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

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

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

Opinion

We have audited the financial statements of Lernen Bidco Limited ("the company") for the year ended 31 August 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow *Statement, and related notes, including the accounting policies in note 1.*

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 August 2020 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the UK (IFRSs as adopted by the UK);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the UK and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that an uncommitted equity injection is required from shareholders in order to avoid a covenant breach for the group's debt facilities in a severe but plausible downside forecast scenario which would result in the debt facilities becoming due for repayment. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic Report and Directors' Report

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

David Neale

David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

21 December 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 August 2020

	Note	Year ended 2020 Total £'000	Period ended 2019 Total £'000
Revenue	3	**502,111**	429,790
Employee benefits expense	6,7,8	**(281,492)**	(228,050)
Other operating expense		**(116,616)**	(127,346)
Acquisitions and business exploration costs	4	**(11,900)**	(21,370)
Net impairment of financial assets	23b	**(6,216)**	(504)
Restructuring costs	4	**(4,653)**	(4,115)
Impairment of non financial assets	4	**(271,077)**	(25,616)
EBITDA		**(189,843)**	22,789
Depreciation and amortisation of other intangibles	5	**(95,139)**	(60,032)
Operating loss		**(284,982)**	(37,243)
Finance income	9	**2,054**	1,316
Finance expense	9	**(89,959)**	(46,731)
Loss before taxation		**(372,887)**	(82,658)
Taxation	10	**(1,772)**	(5,116)
Loss for the year/ period		**(374,659)**	(87,774)
Loss attributable to:			
Equity holders of the parent		**(374,577)**	(87,795)
Non-controlling interest		**(82)**	21
Loss for the year/ period		**(374,659)**	(87,774)
Other comprehensive expense			
Items that are or may be reclassified to profit or loss:			
Foreign operations:-			
Foreign currency translation differences		**(123,147)**	40,700
Total comprehensive expense for the year/ period		**(497,806)**	(47,074)
Attributable to:			
Equity holders of the parent		**(497,724)**	(47,095)
Non-controlling interest		**(82)**	21
Total comprehensive expense for the year/ period		**(497,806)**	(47,074)

The accompanying notes on pages 28-84 form part of these financial statements.

The Company was incorporated on 28 August 2018, however it did not trade until it acquired the Cognita Group on 25 October 2018. The comparative trading results presented for period ending 31 August 2019 above are therefore for the ten months and seven days from 25 October 2018 to 31 August 2019. The comparatives within the notes also reflect this when referencing figures from the Consolidated Statement of Comprehensive Income for the period ended 31 August 2019.

Consolidated Balance Sheet
at 31 August 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	11	**1,067,276**	790,287
Intangible assets	12	**1,249,871**	1,525,352
Trade and other receivables	15	**16,010**	22,839
Deferred tax assets	13	**8,297**	11,499
		2,341,454	2,349,977
Current assets			
Inventories	14	**890**	714
Tax receivable		**2,927**	1,022
Trade and other receivables	15	**92,943**	98,002
Cash and cash equivalents	16	**96,321**	128,321
Assets held for sale	11	**175**	606
		193,256	228,665
Total assets		**2,534,710**	2,578,642
Current liabilities			
Other interest-bearing loans and borrowings	17	**(28,401)**	(10,830)
Trade and other payables	18	**(97,513)**	(106,045)
Contract liabilities	3	**(180,464)**	(206,570)
Tax payable		**(12,580)**	(5,223)
Other financial liabilities	19	**(1,252)**	(1,225)
Provisions	21	**(1,263)**	(1,930)
		(321,473)	(331,823)
Non-current liabilities			
Other interest-bearing loans and borrowings	17	**(1,216,219)**	(801,129)
Other payables	18	**(852)**	(11,364)
Contract liabilities	3	**(11,658)**	(13,787)
Provisions	21	**(2,631)**	(1,919)
Other financial liabilities	19	**(1,783)**	(2,888)
Deferred tax liabilities	13	**(43,860)**	(55,669)
		(1,277,003)	(886,756)
Total liabilities		**(1,598,476)**	(1,218,579)
Net assets		**936,234**	1,360,063
Equity attributable to equity holders of the parent			
Share capital	22	**145**	140
Share premium	22	**1,461,794**	1,399,047
Other reserves		**(63,790)**	48,813
Retained deficit		**(461,691)**	(87,795)
		936,458	1,360,205
Non-controlling interest		**(224)**	(142)
Total equity		**936,234**	1,360,063

The accompanying notes on pages 28-84 form part of these financial statements.

These financial statements were approved by the board of Directors on 18 December 2020 and were signed on its behalf by:

M Uzielli
Director

Company registered number: 11539402

Company Balance Sheet
at 31 August 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments in subsidiaries	30	**867,287**	1,321,087
Trade and other receivables	15	**1,672**	2,030
		868,959	1,323,117
Current assets			
Trade and other receivables	15	**1,019,118**	801,040
Cash and cash equivalent		**164**	3,886
		1,019,282	804,926
Total assets		**1,888,241**	2,128,043
Current liabilities			
Other interest bearing loans and borrowings	17	**(11,780)**	(3,901)
Trade and other payables	18	**(156)**	(247)
Other financial liabilities	19	**(1,252)**	(4,113)
		(13,188)	(8,261)
Non-current liabilities			
Other interest bearing loans and borrowings	17	**(847,935)**	(731,949)
Other financial liabilities	19	**(1,783)**	-
		(849,718)	(731,949)
Total liabilities		**(862,906)**	(740,210)
Net assets		**1,025,335**	1,387,833
Equity attributable to equity holders of the parent			
Share capital	22	**145**	140
Share premium	22	**1,461,794**	1,399,047
Retained deficit	22	**(436,604)**	(11,354)
Total equity		**1,025,335**	1,387,833

The accompanying notes on pages 28-84 form part of these financial statements.

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

The loss for the Parent Company for the year was £425.3m (Period ended 2019: £11.4m).

These financial statements were approved by the board of Directors on 18 December 2020 and were signed on its behalf by:

M Uzielli
Director

Company registered number: 11539402

Consolidated Statement of Changes in Equity

Group

	Share capital £'000	Share premium £'000	Translation reserve £'000	Equity reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 25 October 2018	-	-	-	-	-	-	-	-
Total comprehensive expense for the period								
Loss for the period	-	-	-	-	(87,795)	(87,795)	21	(87,774)
Other comprehensive income	-		40,700	-	-	40,700	-	40,700
Transactions with owners, recorded directly in equity								
Issue of shares	140	1,399,047	-	-	-	1,399,187	-	1,399,187
Equity-settled share based payment transactions	-	-	-	8,113	-	8,113	-	8,113
Total contributions by and distributions to owners	**140**	**1,399,047**	**-**	**8,113**	**-**	**1,407,300**	**-**	**1,407,300**
Changes in ownership interest in subsidiaries								
Acquisition of non-controlling interest without a change in control	-	-	-	-	-	-	(163)	(163)
Balance at 31 August 2019	**140**	**1,399,047**	**40,700**	**8,113**	**(87,795)**	**1,360,205**	**(142)**	**1,360,063**
Adjustment on Application of IFRS 16 [1]	-	-	-	-	681	681	-	681
Total comprehensive expense for the year								
Loss for the year	-	-	-	-	(374,577)	(374,577)	(82)	(374,659)
Other comprehensive expense	-	-	(123,147)	-	-	(123,147)	-	(123,147)
Transactions with owners, recorded directly in equity								
Issue of shares	5	62,747	-	-	-	62,752	-	62,752
Equity-settled share based payment transactions	-	-	-	10,544	-	10,544	-	10,544
Total contributions by and distributions to owners	**5**	**62,747**	**-**	**10,544**	**-**	**73,296**	**-**	**73,296**
Balance at 31 August 2020	**145**	**1,461,794**	**(82,447)**	**18,657**	**(461,691)**	**936,458**	**(224)**	**936,234**

The accompanying notes on pages 28-84 form part of these financial statements.

[1] See IFRS 16 transition note at Note 1 for further details.

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total parent equity £'000
Balance at 25 October 2018	-	-	-	-
Total comprehensive expense for the period				
Loss for the period	-	-	(11,354)	**(11,354)**
Transactions with owners, recorded directly in equity				
Issue of shares	140	1,399,047	-	**1,399,187**
Total contributions by owners	**140**	**1,399,047**	**(11,354)**	**1,387,833**
Balance at 31 August 2019	**140**	**1,399,047**	**(11,354)**	**1,387,833**
Total comprehensive expense for the year				
Loss for the year	-	-	(425,250)	**(425,250)**
Transactions with owners, recorded directly in equity				
Issue of shares	5	62,747	-	**62,752**
Total contributions by owners	**5**	**62,747**	-	62,752
Balance at 31 August 2020	**145**	**1,461,794**	**(436,604)**	**1,025,335**

The accompanying notes on pages 28-84 form part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 August 2020

	Note	Year ended 2020 £'000	Year ended 2020 £'000	Period ended 2019 £'000	Period ended 2019 £'000
Cash flows from operating activities					
Group operating loss for the year		**(284,982)**		(37,243)	
Add back/(deduct):					
Depreciation, amortisation and impairment	*11,12*	**366,216**		85,649	
(Gain)/loss from sale of property, plant and equipment		**959**		(1,348)	
Effect of exchange rate change		**17**		(182)	
Equity settled share based payment expense	*8*	**10,544**		8,112	
Operating profit before changes in working capital and provisions			**92,754**		54,988
Decrease/(increase) in trade and other receivables		**7,823**		(31,248)	
Increase in inventories		**(224)**		(404)	
Decrease in trade and other payables		**(10,335)**		(5,257)	
(Decrease)/increase in contract liability		**(23,334)**		27,506	
(Decrease)/increase in provisions		**353**		(814)	
Operating cashflows before tax			**67,037**		44,771
Tax paid			**(9,145)**		(8,738)
Net cash inflow from operating activities			**57,892**		36,033
Cash flows from investing activities					
Interest received		**1,622**		1,300	
Acquisition of subsidiary, net of cash acquired	*2,18*	**(95,748)**		(1,312,101)	
Acquisition of property, plant and equipment		**(105,684)**		(56,794)	
Proceeds from sale of property, plant and equipment		**178**		1,967	
Net cash outflow from investing activities			**(199,632)**		(1,365,628)
Cash flows from financing activities					
Proceeds from borrowings	*17*	**324,315**		872,302	
Interest paid	*17*	**(42,100)**		(37,387)	
Refinancing transaction costs	*17*	**(4,639)**		(31,199)	
Capital element of lease payments	*17*	**(23,261)**		(783)	
Repayment of borrowings	*17*	**(198,072)**		(744,204)	
Proceeds from issue of shares		**62,752**		1,399,187	
Net cash inflow from financing activities			**118,995**		1,457,916
Net decrease in cash and cash equivalents			**(22,745)**		128,321
Cash and cash equivalents at beginning of year/period	*16*		**128,321**		-
Effect of changes in exchange rate			**(9,255)**		-
Cash and cash equivalents at 31 August	*16*		**96,321**		128,321

The accompanying notes on pages 28-84 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

(a) General information

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

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

(b) Basis of preparation

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company accounts in accordance with FRS 101, which are presented on page 24. On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

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

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

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

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

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

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

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

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

The principal accounting policies are set out below.

(c) Basis of consolidation

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

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

Notes to the Financial Statements *(continued)*

(d) Going concern

The financial statements have been prepared on a going concern basis, as set out in the statement of Directors responsibilities. Having considered the ability of the Group to continue as a going concern, the Directors have a reasonable expectation that the Group and parent company has adequate resources to continue in existence for the foreseeable future.

The Group held cash balances of £96.3m and had fully utilised Term Loan B and Second Lien debt facilities (of £640m and £227.5m respectively) at 31 August 2020. Additionally, the Group had access to a Revolving Credit Facility ("RCF") of £100m which was undrawn at the balance sheet date although is forecast to be partially utilised in the forecast period.

Four financing covenants apply to the Group's debt facilities, however only one of these covenants - the priority net debt covenant - is required to be monitored at certain points throughout the year. The covenant is considered a maintenance covenant and states that the Group's priority net debt should not exceed 7.4x EBITDA. The covenant is measured at the relevant quarter end dates and applies only once the RCF facility is 40% drawn. The remaining three covenants are relevant and required to be complied with only if the Group initiates a process to raise additional debt funding. These covenants have not been discussed further for the purpose of the going concern assessment as the cashflow forecasts considered do not incorporate the need to raise additional funding through debt.

In making this assessment, the Directors have considered in detail the cashflow forecasts of the Group to 31 August 2022 and additionally considered certain severe but plausible downside scenarios to these base case cashflow forecasts.

The base case forecast cashflows to 31 August 2021 incorporate Management's most up to date view of the most sensitive factor in the group's projections, that of pupil numbers. For our schools operating in the Northern Hemisphere where the new academic year is in progress at the date of signing this report, pupil numbers represent confirmed actuals. Opening pupil numbers in our Southern Hemisphere schools for the period to 31 August 2021, and for all schools from 1 September 2021 to 31 August 2022, reflect the expected impact of coronavirus, in particular the travel restrictions impacting ex-pat schools. The reduced revenue over this period is partially offset by a number of cost mitigation actions in the schools and regional offices that were implemented in the year ending 31 August 2020. The cashflow forecasts also benefit from innovative revenue enhancing opportunities that were launched during the year such as the 'Transition To Campus' programme in Singapore and Vietnam. This enabled around 500 pupils to join lessons online whilst they were unable to physically join the school due to border restrictions.

Although not required to comply with our financing covenants, the base case cashflow forecasts prepared also assume an injection of equity from our shareholders in the year to 31 August 2021. The primary purpose of the equity injection will be the funding of any committed or potential acquisition opportunities. Our shareholders have also indicated that they could provide this funding at an appropriate time to ensure that the Group remains compliant with its lending covenant requirements. On this basis the Directors believe it is appropriate to consider the additional funding in both the cashflow forecasts and the overall going concern assessment.

In addition to the base case projections which incorporate the additional equity funding, the Directors have considered the potential for further downside risk and considered the following severe but plausible downside scenarios:

- The occurrence of a second wave of coronavirus and the likelihood of any further fee discounting
- The projected cost savings as a result of mitigation actions already underway do not fully materialise and the cost base increases

Whilst the Directors believe certain mitigating options are available to address the severe but plausible downside scenarios the Group has considered the impact of the above scenarios on the priority leverage ratio covenant detailed above. In each of the severe but plausible downside scenarios above, there would be limited impact on the required drawdown of facilities and as such liquidity would be maintained and, in circumstances where the drawdown was sufficient to cause the covenant to take effect, taking into account the proposed equity funding, the group would still not exceed the ratio threshold within the forecast period.

Despite the above, the absence of physically receiving additional equity funding from shareholders by the date of signing this annual report gives rise to a material uncertainty, as defined in auditing and accounting standards, related to events or conditions that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. In such circumstances the Group and parent company may therefore be unable to realise its assets, discharge its liabilities and continue operating in its current capacity.

The Directors are confident that in such an event the Group and parent have the support of its shareholders and therefore have adequate resources for at least 12 months from the date of signing these accounts. On this basis the Directors believe it remains appropriate to prepare the accounts on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

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

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

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

Critical judgements in applying the Group's accounting policies

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

Fair value of assets and liabilities attributable to business combinations

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

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

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

The initial identification of intangible assets requires considerable judgment in respect of the classification of the assets and in the assessment of their life. The total value of other intangibles recognised during the year ending 31 August 2020 was £8.6m. The impact of making different judgements regarding these intangible assets would be to increase or decrease goodwill by the equivalent amount.

Key sources of estimation uncertainty

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

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 8.

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

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

Impairment of non-financial assets

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

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

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

The recoverable amounts of the CGUs to which goodwill has been allocated is calculated on a fair value less cost of disposal basis ("FVLCD"). As FVLCD is derived from estimates of future cash flows discounted the cash flows at an appropriate post tax rate, the impairment testing of goodwill is also subject to these estimates.Further details on the Group's goodwill balances, key assumptions used in determining recoverable amounts and the impairment charge recognised during the year is provided in note 12. As impairment calculations are sensitive to changes in key inputs to estimates (such as growth rates and discount rates applied), sensitivity analysis considering the impact of reasonably possible change in these inputs is also provided at note 12.

The total goodwill impairment charge for the year was £207.3m.

The Group's other non-financial assets predominantly relate to our school buildings and associated tangible and intangible assets. Each school is considered a separate CGU for impairment testing purposes and reviewed for indicators of impairment at least annually. An indictor of impairment is usually an actual or forecast decline in pupil numbers or profitability of a school. The recoverable amount of schools that are tested for impairment is usually calculated on a value in use ("VIU") basis which, similar to goodwill impairment testing, utilises estimates of future cashflows and therefore the impairment testing of our schools is subject to these estimates. Further details of impairment testing performed over our schools can be found at note 12.

Recoverability of deferred tax assets

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

The Group has determined that it cannot recognise deferred tax assets of £153.9m. If the Group was able to recognise all unrecognised deferred tax assets equity would have increased by £31.7m net based on the statutory tax rate of each respective country and company where the Directors do not recognise a deferred tax asset. This would lead to a total deferred tax asset of £40.0. Further details on deferred taxes are disclosed in Note 13.

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

(f) Other accounting policies

Foreign currency

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

i) Foreign currency transactions

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

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

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

ii) Foreign operations

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

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

Financial instruments: Classification of financial instruments

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments: Measurement

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

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

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

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

Trade and other receivables

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

Non-derivative financial instruments

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

Investments in equity securities

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

Cash and cash equivalents

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

Trade and other payables

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

Interest-bearing borrowings

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Derivative financial instruments and hedging

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

Property, plant and equipment

Property, plant and equipment 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.

Depreciation

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

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

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

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

Business combinations

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

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

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at 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.

Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Goodwill and Intangible assets

Goodwill

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

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.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Goodwill and Intangible assets *(continued)*

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	- 3-4 years
Customer relationships	- average tenure of a student at relevant school
School licences	- over the length of the licence
Brands	- 10 - 50 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.

Impairment of non-financial assets

Non-financial assets

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

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

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

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to each cash-generating unit ("CGU") or group of cash generating units. Impairment testing is performed at the lowest level at which goodwill is monitored for internal reporting purposes. Therefore a CGU represents each geographical region in which we operate with the exception of a number of schools, as detailed further at note 12.

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Revenue

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

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

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

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

***Revenue** (continued)*

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

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

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

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

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

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Defined contribution plans

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

Multi-employer plans

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), in respect of certain teaching staff. This is a multi-employer defined benefit pension plan and it is not possible for the Group to use defined benefit accounting as sufficient information is not available. Accordingly, no provision can be made for any under or over provision of funding within the plan as required under IAS 19 and the scheme is therefore accounted for in the same way as if it were a defined contribution plan. For further detail on the TPS see note 20.

Short-term benefits

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

Share-based payment transactions

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

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 8.

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.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Expenses

Financing income and expenses

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

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

Taxation

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

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

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

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

Alternative Performance Measures ("APMs")

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

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

In the current year adjustments include the impact of COVID-19. Only items that are directly attributable to the COVID-19 pandemic and are separately identifiable have been adjusted for. This includes specific one-off discretionary discounts provided to parents during the year as a result of the global pandemic, offset by supplier rebates and government support. Other financial impacts of COVID-19, including lower enrolments during the summer months, lower income from ancillary services and higher expected credit losses on trade receivables, have not been adjusted for due to the judgment that would be required to determine the element attributable to COVID-19.

In the prior period, costs associated with the acquisition of the Group by Jacobs Holding AG were included within acquisition and business exploration costs.

APM's are non-GAAP measures.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

(g) Standards issued but not yet effective

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

Application of IFRS 17 (Jan 2021) - Insurance Contracts

Amendments to IAS 1 (Jan 2022) - Classification of liabilities as current or non-current

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

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

Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

(h) Standards that are effective but have not been applied as they are applicable to accounting periods beginning on or after 1 Jan 2020

Amendments to IAS 1 and IAS 8 - Definition of Material

Amendments to IFRS 3 - Definition of a Business

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform

Revised Conceptual Framework for Financial Reporting

(i) Standards that are effective for the first time in these financial statements

IFRS 16 'Leases' is effective for accounting periods beginning on or after 1 January 2019. The Group adopted the Standard from 1 September 2019. Adoption represents a significant change in accounting for lease arrangements in which the Group is a lessee as the standard mandates on balance sheet recognition of all lease liabilities and a corresponding right-of-use asset.

In accordance with the transition provisions of IFRS 16, for contracts entered into before 1 September 2019, the requirements of the standard have been applied only to contracts previously identified as leases in accordance with IAS 17: 'Leases' or IFRIC 4: 'Determining Whether an Arrangement Contains a Lease'. For contracts entered into or modified after that date, the definition of a lease in IFRS 16 has been applied. On application of IFRS 16 comparative information has not been restated.

The standard offers exemptions to application for low value leases and short term leases with a duration of 12 months or less. The Group has applied these exemptions as well as a number of practical expedients to aid transition as detailed below:

- C10(a) application of a single discount rate to a portfolio of lease with reasonably similar characteristics;
- C10(b) reliance on previous assessment of whether leases are onerous in accordance with IAS 37: 'Provisions, Contingent Liabilities and Contingent Assets' immediately before the date of initial application as an alternative to performing an impairment review;
- C10(c) election not to apply the measurement requirements of the standard to leases where the term ends within 12 months of the date of initial application;
- C10(d) exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

On transition, the Group measured lease liabilities for leases previously assessed as operating at the present value of the remaining lease payments and elected to measure the associated right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. For arrangements previously assessed as finance leases, the asset and liability balances at 31 August 2019 were carried forward as the opening IFRS 16 balances and subsequently measured in accordance with the new standard.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Application of IFRS 16 resulted in the recognition of total lease liabilities and right-of-use assets on 1 September 2019 of £308.8m and £332.3m respectively. £284.4m of the lease liability is incremental to the IAS 17 position.

The value of right-of-use assets includes, in addition to amounts relating to prepaid or accrued lease payments, the re-allocation of favourable and unfavourable lease fair value adjustments previously recognised on business combinations giving rise to a total adjustment of £23.5m

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

Key judgements

A key judgement on adoption of IFRS 16 is determining the incremental borrowing rates to be applied as at 1 September 2019. The group engaged external advisors to assist with the determination of appropriate rates to be applied to the lease portfolio on application.

As the majority of the Group lease arrangements relate to property, the most significant judgement in determining the right-of-use asset and lease liability is the assessment of whether options to extend or terminate existing leases will be exercised. The long term duration of most property leases means that this assessment can often have a material impact on the right-of-use assets and lease liabilities recognised on the balance sheet, but may not have a material impact on the income statement.

In determining whether or not an extension or termination option will be exercised, management considers all facts and circumstances including plans and intentions for the school or location under lease, how far into the future the option arises, as well as any factors that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A reconciliation of the operating lease commitment at 31 August 2019 to the opening IFRS 16 lease liability is shown below, along with a summary of the key judgements applied by the Group in determining these opening positions:

	£'000
Operating lease commitment at 31 August 2019	433,003
Extensions options considered reasonably certain to be exercised	68,276
Finance lease liabilities recognised at 31 August 2019	24,349
	525,628
Effects of discounting	**(216,871)**
IFRS 16 Lease Liability at 1 September 2019	**308,757**

The weighted average incremental borrowing rate used by the Group for IFRS 16 is 4.3%.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

IFRS 16: Leases – accounting policy

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

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

This policy is applied to contracts entered into, or changed, on or after 1 September 2019.

Lease components

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

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries

Acquisitions in the current period

During the year, the Group completed three acquisitions: Colegio Maxi in Brazil, CHIREC in India and Laviniense in Brazil.

The Group incurred costs related to these acquisitions of £3.3m relating to legal and financial due diligence and transaction costs during the year ended 31 August 2020. These costs have been included in acquisitions and business exploration costs in the Group's Consolidated Statement of Comprehensive Income.

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

Cash outflows from operations are reflected in the Consolidated Cash flow Statement on page 27. Cash outflows relating to acquisitions are shown net of cash acquired and include deferred consideration of £5.6m paid in respect of previous acquisitions.

If all of the acquisitions had occurred on 1 September 2019, the Group Revenue would have been £505.3m and the Group net loss would have been £373.8m. In determining these amounts, management has assumed that the fair value adjustment that arose on the dates of acquisitions would have been the same if the acquisitions had occurred on the 1 September 2019.

During the year, the Group finalised the acquisition accounting of International School Zurich North in Switzerland, a school acquired on the 18 June 2019.

More detail is provided on each acquisition below:

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

Colegio Maxi, Londrina, Brazil

On 12 September 2019, the Group acquired a 100% shareholding in Sociedade Educacional Maxi Ltda, Neodna Cursos Preparatorios Ltda, and Maxi Distribuidora De Material Didatico Ltda and its subsidiary undertaking Menezes, Mora E Cia Ltda ("Colegio Maxi") for a total consideration of BRL 59.2m.

Colegio Maxi, is a school based in Londrina, Brazil. The school had capacity 1,800 students at the date of the acquisition.

In the period from acquisition to 31 August 2020, Colegio Maxi contributed £4.8m of revenue and £1.1m of losses to the consolidated net loss for the year.

If this acquisition had occurred on 1 September 2019, the contribution to Group revenue and net loss would not have been materially different. In determining these amounts, management has assumed that the fair value adjustment that arose on the date of the acquisition would have been the same if the acquisitions had occurred on 1 September 2019.

Effect of acquisitions

The acquisition of Colegio Maxi 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	2,917	-	**2,917**
Fair value of intangible assets			
Customer relationships	-	3,356	**3,356**
Licence and registration fees	1	-	**1**
Trade and other receivables	394	-	**394**
Cash and cash equivalents	1,066	-	**1,066**
Tax recoverable	131	-	**131**
Trade and other payables	(1,977)	-	**(1,977)**
Loans and borrowings	(2,656)	-	**(2,656)**
Deferred revenue	(393)	-	**(393)**
Deferred tax liabilities	-	(1,141)	**(1,141)**
Current tax liabilities	(298)	-	**(298)**
Net identifiable assets acquired	**(815)**	**2,215**	**1,400**
Cash consideration relating to business combination and acquisition payment			**8,295**
Deferred consideration			**3,516**
Total consideration cash			**11,811**
Value of consideration in excess of net assets acquired attributed to Goodwill			**10,411**

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

CHIREC, Hyderabad, India

On 18 November 2019, the Group acquired a 100% shareholding in Shri Shakti Schools Ltd and Kamalasana Properties & Services Pvt Ltd. These companies have substantive rights in place to control CHIREC Educational Society and CHIREC International Academy ("CHIREC") for a total consideration of INR 7,761m.

CHIREC, is a school based in Hyderabad, India. The school had a capacity of c. 3,800 at the date of the acquisition.

In the period from acquisition to 31 August 2020, CHIREC contributed £8.9m of revenue and £2.5m of profit to the consolidated net loss for the period.

If this acquisition had occurred on 1 September 2019, the contribution to Group revenue would have been £11.2m and to Group net loss would have been £3.2m profit. In determining these amounts, management has assumed that the fair value adjustment that arose on the date of the acquisition would have been the same if the acquisitions had occurred on 1 September 2019.

Effect of acquisitions

The acquisition of CHIREC 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	6,694	24,705	**31,399**
Fair value of intangible assets			
Customer relationships	-	6,206	**6,206**
Brand name	-	8,813	**8,813**
Trade and other receivables	2,926	-	**2,926**
Cash and cash equivalents	11,091	-	**11,091**
Trade and other payables	(2,726)	-	**(2,726)**
Other loans and borrowings	(2,888)	-	**(2,888)**
Deferred revenue	(3,892)	-	**(3,892)**
Deferred tax liabilities	(316)	(3,780)	**(4,096)**
Current tax liabilities	(868)	-	**(868)**
Provisions	(309)	-	**(309)**
Net identifiable assets acquired	**9,712**	**35,944**	**45,656**
Cash consideration relating to business combination and acquisition payment			**84,722**
Total consideration			**84,722**
Value of consideration in excess of net assets acquired attributed to Goodwill			**39,066**

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

Laviniense, Manaus, Brazil

On 6 December 2019, the Group acquired a 100% shareholding of Centro Educacional Pingo De Gente Ltda (Laviniense) for a total consideration of BRL 64.0m

Laviniense, is a school based in Manaus, Brazil. The school had a capacity of around 1,300 at the date of the acquisition.

In the period from acquisition to 31 August 2020, Laviniense contributed £2.1m of revenue and £13k of losses to the consolidated net loss for the period.

If this acquisition had occurred on 1 September 2019, the contribution to Group revenue would have been £3.0m and the contirbution to Group net loss would have been £0.1m profit. In determining these amounts, management has assumed that the fair value adjustment that arose on the date of the acquisition would have been the same if the acquisitions had occurred on 1 September 2019.

Effect of acquisitions

The acquisition of Laviniense 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	1,222	-	**1,222**
Fair value of intangible assets			
Customer relationships	-	4,392	**4,392**
Trade and other receivables	132	-	**132**
Cash and cash equivalents	236	-	**236**
Tax recoverable	8	-	**8**
Trade and other payables	(327)	-	**(327)**
Other loans and borrowings	(1,785)	-	**(1,785)**
Deferred revenue	(480)	-	**(480)**
Current tax liabilities	(92)	-	**(92)**
Deferred tax liability	-	(1,493)	**(1,493)**
Net identifiable assets acquired	**(1,086)**	**2,899**	**1,813**
Cash consideration relating to business combination and acquisition payment			**9,556**
Deferred consideration			**2,234**
Total consideration cash			**11,790**
Value of consideration in excess of net assets acquired attributed to Goodwill			**9,977**

Notes to the Financial Statements *(continued)*

2 Acquisitions of subsidiaries *(continued)*

International School Zurich North, Switzerland

On 17 June 2019, the Group acquired a 100% shareholding in Swiss International School - Zurich North Gmbh ("International School Zurich North") for a total consideration of CHF 12.5m.

International School Zurich North is a school based in Zurich, Switzerland, with a capacity of around 400 students as at the date of acquisition.

Effect of acquisitions

The acquisition of International School Zurich North 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	80	-	**80**
Customer relationships	-	1,046	**1,046**
Trade and other receivables	313	-	**313**
Cash and cash equivalents	3,035	-	**3,035**
Trade and other payables	(427)	-	**(427)**
Current tax liabilities	(2,448)	-	**(2,448)**
Deferred tax liabilities	-	(260)	**(260)**
Other liabilities	(373)	-	**(373)**
Net identifiable assets acquired	**180**	**786**	**966**
Cash consideration relating to business combination and acquisition payment			**6,804**
Deferred consideration			**3,202**
Total consideration cash			**10,006**
Value of consideration in excess of net assets acquired attributed to Goodwill			**9,040**

As the acquisition of International School Zurich North took place towards the end of the prior financial period, provisional fair values were included within the financial statements for the period ended 31 August 2019. In accordance with IFRS 3, the Group finalised the acquisition accounting within the 12 month measurement period post acquisition. The finalisation of the acquisition accounting resulted in an overall decrease in goodwill of £0.1m with material changes related to the recognition of £1m customer relationships and a net increase in liabilities (largely driven by current tax) of £0.9m in the current financial year.

Notes to the Financial Statements *(continued)*

3 Revenue

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
School fees and related services	500,875	428,905
Sale of goods	1,236	885
Total revenue	**502,111**	429,790

The Group's revenue by destination is summarised below:

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Europe	202,870	191,887
Asia	230,596	180,680
Latin America	68,645	57,223
	502,111	429,790

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

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

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Balance at 1 September	220,357	-
New contract liabilities	472,640	649,262
Amounts recognised as revenue in year/period	(500,875)	(428,905)
	192,122	220,357

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Current liabilities	180,464	206,570
Non-current liabilities	11,658	13,787
	192,122	220,357

Notes to the Financial Statements *(continued)*

4 Alternative Performance Measures

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

The COVID-19 pandemic has had a widespread financial impact on the business. This impact has been monitored and identified as best as possible in order to help the user of the financial statements understand the results. The results presented include key measures by which the business is monitored including and excluding identified items, however it is acknowledged that there might be others.

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

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Operating loss	**(284,982)**	(37,243)
Depreciation and amortisation of other intangibles	**95,139**	60,032
EBITDA per income statement	**(189,843)**	22,789
Add back:		
Impairment of non financial assets	**271,077**	25,616
Acquisition and business exploration costs	**11,900**	21,370
Restructuring costs	**4,653**	4,115
Share based payments	**10,544**	8,112
Loss/(gain) on disposal of fixed assets	**959**	(1,348)
COVID-19 one off revenue discounts	**31,564**	-
Other COVID-19 support and credits	**(8,602)**	-
Total adjustments	**322,095**	57,865
Adjusted EBITDA	**132,252**	80,654

Notes to the Financial Statements *(continued)*

4 Alternative Performance Measures *(continued)*

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

Impairment costs relate to write down of certain assets identified as being impaired. Each year, all CGU and their associated assets are tested or reviewed for indicators of impairment, depending on the nature of the asset. If identified as being impaired, an impairment charge will be made to the income statement. The impairment loss recognised during the year largely results from the widespread impact that COVID-19 has had on the business including resulting changes to business plans, investments in capital projects and growth in student numbers. This impairment is significant and considered to be non underlying. The impairment is detailed further at note 12. In the event that an impairment loss is subsequently reversed, the reversal is treated consistently with the initial write down and would be identified separately as an EBIDTA adjusting item.

Acquisition and business exploration costs are expenses incurred to seek out and acquire new schools or expansion opportunities including future business development into new countries and regions. These include any legal and due diligence fees relating to potential or actual acquisitions as well as losses incurred prior to the opening of new schools.

Although costs relating to projects can span multiple financial years, key components of expenditure for specific projects are non-recurring, for example financial due diligence, legal due diligence, and market surveys. These costs bear no relation to the operational results of existing schools and are split out to enable the reader of the financial statements to gain greater clarity of the underlying business performance. £3.3m costs incurred during the year to 31 August 2020 relate to the acquisitions detailed in note 2 of these financial statements. The remaining charge predominantly relates to expenses incurred for future expansion or new schools prior to opening, and also includes exploration costs of potential future opportunities.

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

For more detail on share based payments refer to note 8.

The group did not dispose of any material fixed assets during the year.

In the current year adjustments include the impact of COVID-19. Only items that are directly attributable to the COVID-19 pandemic and are separately identifiable have been adjusted for. This includes clearly identifiable revenue contract modifications relating to specific one-off COVID-19 discretionary discounts of £31.5m provided by the group to parents during the year as a result of the global pandemic, offset by one off supplier rebates and government support credits of £8.6m.

The tax effect of the EBITDA adjustments detailed above in the year ended 31 August 2020 was a credit of £5.5m.

Notes to the Financial Statements *(continued)*

5 Expenses and auditor's remuneration

Expenses:	**Year ended 31 August 2020 £'000**	Period ended 31 August 2019 £'000
Cost of inventories recognised as expense	176	107
Depreciation of property, plant and equipment (Note 11)	76,112	41,426
Amortisation of other intangibles (Note 12)	19,027	16,043
Impairment of goodwill (Note 12)	207,319	25,616
Impairment of other intangible assets (Note12)	6,720	-
Impairment of property, plant and equipment (Note 11)	57,038	-

Auditor's remuneration:

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

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

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Audit of these financial statements	334	220
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	533	513
Audit-related assurance services	86	62
Taxation compliance services	132	99
Other tax advisory services	93	33
All other services	241	121
	1,419	1,048

Notes to the Financial Statements *(continued)*

6 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 2020	Number of employees 2019
Number of teachers	5,410	5,288
Number of administrative staff	3,004	2,965
	8,414	8,253

The aggregate payroll costs of these staff were as follows:

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Wages and salaries	238,043	195,224
Social security costs	21,157	16,652
Contributions to defined contribution plans	11,748	8,062
Share based payments	10,544	8,112
	281,492	228,050

7 Directors' remuneration

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

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Aggregate emoluments and fees (including benefits in kind)	1,503	1,353
Performance bonuses	-	998
	1,503	2,351

No Directors have benefits accruing under defined benefit pension schemes. One Director has benefits accruing under a defined contribution pension scheme. During the period, the Group contributed £7,769 (2019: £4,800) to defined contribution pensions schemes on behalf of the Directors of the Company.

Notes to the Financial Statements *(continued)*

7 Directors' remuneration *(continued)*

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

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Aggregate emoluments and fees (including benefits in kind)	788	720
Performance bonuses	-	600
	788	1,320

8 Share based payments

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

No shares were granted for the year ended 31 August 2020.

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

The following assumptions were applied in determining the fair value of the awards granted during the year:

- An assumed equity value was estimated at each grant date;
- A realisation event was assumed to occur at 25 October 2023;
- A risk free rate of return of 1.01%; and
- A future volatility rate of 52% was estimated based on the historical volatility of comparable public companies adjusted for unique or significant events not expected to affect future volatility.

The weighted average fair value of each share issued was £32.30. The total charge for the shares issued in the prior period was £44.8m which is being spread over the expected vesting period of five years.

The annual vesting charge is not amended for changes in market factors. The amount recognised in the current year was £10.5m (Period ended 2019: £8.1m). This includes the impact of the cancellation of 64,560 shares from the plan following the withdrawal of 5 plan participants which resulted in an accelerated vesting charge of £1.3m.

Notes to the Financial Statements *(continued)*

9 Finance income and expense

Recognised in income statement

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Finance income:		
Bank interest	1,825	533
Other interest receivable	229	783
Total finance income	**2,054**	1,316

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Finance expense:		
Interest payable on bank borrowings	51,732	36,480
Other similar charges payable	3,163	5,015
Finance charges in respect of leases	11,577	599
Exchange losses on foreign currency balances	23,193	524
Loss on fair value of forward contracts	294	4,113
Total finance expense	**89,959**	46,731

Interest payable on bank borrowing represents interest payable on bank loans held around the Group. Interest accrues at different rates, on a fixed or floating basis, according to the currency and draw down date of the debt. Further information can be found in note 17.

Notes to the Financial Statements *(continued)*

10 Taxation

Recognised in the income statement

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Current tax expense		
Current year	14,605	8,434
Adjustments for prior years	(759)	-
Current tax expense	**13,846**	8,434
Origination and reversal of temporary differences	(9,502)	(3,318)
Recognition of previously unrecognised tax losses	(2,572)	-
Deferred tax income	**(12,074)**	(3,318)
Total tax expense	**1,772**	5,116

	Year ended 31 August 2020 £'000	Period ended 31 August 2019 £'000
Loss excluding taxation	(372,887)	(82,658)
Tax using the UK corporation tax rate of 19.00 %	(70,848)	(15,705)
Effect of tax rates in foreign jurisdictions	981	846
Reduction in tax rate on deferred tax balances	1,199	742
Non-deductible expenses- Goodwill impairment	39,391	4,867
Non-deductible expenses-Other	23,365	6,351
Current year losses for which no deferred tax asset was recognised	9,936	8,091
Over provided in prior years	(3,333)	-
Unrelieved withholding tax	1,071	660
Group relief outside consolidation	10	(736)
Total tax expense	**1,772**	5,116

In the current year Non-deductible expenses - Other primarily relates to impairment of non financial assets excluding goodwill.

Notes to the Financial Statements *(continued)*

11 Property, plant and equipment - Group

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Cost						
Acquisitions through business combinations	203,645	451,565	57,776	13,665	28,088	754,739
Additions	3,874	4,908	11,079	9,910	22,117	51,888
Disposals	(253)	(14)	(595)	(870)	-	(1,732)
Asset reclassification	(251)	11,273	(2,809)	(80)	(8,133)	-
Effect of movements in foreign exchange	2,028	24,157	1,281	588	1,195	29,249
Balance at 31 August 2019 and 1 September 2019	209,043	491,889	66,732	23,213	43,267	834,144
Application of IFRS 16 [1]	-	332,156	79	35	-	332,270
Acquisitions through business combinations	17,289	15,735	1,849	274	391	35,538
Additions	13,905	25,831	6,588	6,670	60,148	113,142
Disposals	(182)	(276)	(720)	(187)	(189)	(1,554)
Asset reclassification	4,033	4,757	759	84	(9,633)	-
Effect of movements in foreign exchange	(23,257)	(51,097)	(5,133)	(2,584)	(4,070)	(86,141)
Balance at 31 August 2020	**220,831**	**818,995**	**70,154**	**27,505**	**89,914**	**1,227,399**
Depreciation and impairment						
Depreciation charge for period	3,972	23,655	10,131	6,244	-	44,002
Disposals	(40)	(11)	(547)	(846)	-	(1,444)
Effect of movements in foreign exchange	15	989	168	127	-	1,299
Balance at 31 August 2019 and 1 September 2019	3,947	24,633	9,752	5,525	-	43,857
Depreciation charge for year	6,333	48,655	12,676	8,448	-	76,112
Impairment losses [2]	32,763	20,883	1,756	1,260	376	57,038
Asset reclassification	-	55	(54)	(1)	-	-
Disposals	(132)	(1)	(124)	(159)	-	(416)
Effect of movements in foreign exchange	(1,672)	(9,801)	(3,277)	(1,718)	-	(16,468)
Balance at 31 August 2020	**41,239**	**84,424**	**20,729**	**13,355**	**376**	**160,123**
Net book value						
At 31 August 2019	205,096	467,256	56,980	17,688	43,267	790,287
At 31 August 2020	**179,592**	**734,571**	**49,425**	**14,150**	**89,538**	**1,067,276**

Disclosure of capital commitments can be found in note 25 of the financial statements.

[1] See IFRS 16 transition note at Note 1 for further details.

[2] Refer to Note 12 for details of impairment losses recognised during the year

Notes to the Financial Statements *(continued)*

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

Right-of-use assets included within property, plant and equipment as at 31 August 2020

The table below provides further details of the Group's right-of-use assets for the year ended 31 August 2020:

	Leasehold land and buildings £'000	*Fixtures,* fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost				
Right of use assets recognised at 1 September 2019	332,156	79	35	332,270
Additions [1]	52,451	-	-	52,451
Effect of movements in foreign exchange	(11,902)	(3)	3	(11,902)
As at 31 August 2020	372,705	76	38	372,819
Depreciation				
Depreciation charge for the year	19,114	7	21	19,142
Effect of movements in foreign exchange	(357)	-	-	(357)
As at 31 August 2020	18,757	7	21	18,785
Net Book Value at 31 August 2020	**353,948**	**69**	**17**	**354,034**

[1] Of the additions in the year £42.0m related to lease modifications, £4.5m new Right-of-Use assets acquired through new lease agreements entered into and £6.0m Right-of-Use assets acquired through acquisitions.

Notes to the Financial Statements *(continued)*

12 Intangible assets - Group

	Goodwill	Software	Favourable leases	Customer relationships	Brands and licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Acquisitions through business combinations	1,190,831	4,272	28,395	61,151	216,655	1,501,304
Additions	-	6,627	-	-	243	6,870
Disposals	-	(108)	-	-	-	(108)
Effect of movements in foreign exchange	48,339	(353)	1,257	1,760	8,854	59,857
Balance at 31 August 2019 and 1 September 2019	1,239,170	10,438	29,652	62,911	225,752	1,567,923
Application of IFRS 16 [1]	-	-	(29,179)	-	-	(29,179)
Acquisitions through business combinations	59,454	-	-	13,954	8,814	82,222
Additions	-	7,817	16	259	545	8,637
Disposals	-	(67)	-	-	-	(67)
Effect of movements in foreign exchange	(89,332)	(231)	(9)	(7,016)	(12,230)	(108,818)
Balance at 31 August 2020	**1,209,292**	**17,957**	**480**	**70,108**	**222,881**	**1,520,718**
Amortisation and impairment						
Amortisation for the period	-	2,359	1,869	4,843	6,972	16,043
Impairment charge	25,616	-	-	-	-	25,616
Disposals	-	(7)	-	-	-	(7)
Effect of movements in foreign exchange	934	(2)	58	(61)	(10)	919
Balance at 31 August 2019 and 1 September 2019	26,550	2,350	1,927	4,782	6,962	42,571
Application of IFRS 16 [1]	-	-	(1,886)	-	-	(1,886)
Amortisation for the year	-	3,703	40	6,725	8,559	19,027
Impairment charge	207,319	384	-	440	5,896	214,039
Disposals	-	(67)	-	-	-	(67)
Effect of movements in foreign exchange	(1,390)	(136)	(1)	(823)	(487)	(2,837)
Balance at 31 August 2020	**232,479**	**6,234**	**80**	**11,124**	**20,930**	**270,847**
Net book value						
At 31 August 2019	1,212,620	8,088	27,725	58,129	218,790	1,525,352
At 31 August 2020	**976,813**	**11,723**	**400**	**58,984**	**201,951**	**1,249,871**

[1] Intangible assets arising from favourable lease terms identified on previous business combinations have been transferred to Right-of-use assets on application of IFRS 16. See IFRS 16 transition note at Note 1 for further details.

Notes to the Financial Statements *(continued)*

12 Intangible assets - Group *(continued)*

Impairment testing of CGUs (Group of CGUs) containing goodwill

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

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

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

Key assumptions

Revenue growth is the primary driver of EBITDA growth for each of our CGUs and arises through a combination of increases in pupil numbers and annual increases in tuition fees per pupil. Pupil numbers are determined on the basis of past performance, available capacity and expansion projects in each of the Group's geographical regions. For the Group's schools operating in the Northern Hemisphere, pupil numbers are grounded for the following academic year at the date of performing the impairment test. Annual fee increases vary by country and sometimes by school and are based on the economic and competitive environment in which the school operates.

Notes to the Financial Statements *(continued)*

12 Intangible assets - Group *(continued)*

The revenue growth assumptions considered most significant in the assessment of recoverable amount are detailed in the table below for each of the Group's CGUs where an impairment charge has been recognised:

CGU	Assumptions related to fee increase	Assumptions related to capacity/utilisation increases
All CGUs	Internal forecasts incorporated within the fair value calculations assume annual fee increases over the 5 year period from 2021 to 2025 either consistent with or lower than those achieved during the preceding 3 years. Fee increases for all CGUs are based on inflation, adjusted for circumstances specific to that CGU. The adjustment to inflation varies by CGU and ranges from -0.8% to +3.0%.	• Utilisation assumptions range from a small decline to moderate growth in most of our schools. Exceptions relate to schools where incremental capacity has recently been or is currently being developed, as detailed below:
UK Schools		• Prince's Garden Preparatory school incremental capacity of 380 in 2021 and, Charterhouse Square incremental capacity of 200 in 2021. • The above developments add 4.7% to the UK Schools existing capacity at 31 August 2020.
Spain		• British School Barcelona incremental capacity of 750 in September 2023, an increase of 9% on existing capacity in Spain at 31 August 2020.
Vietnam		• AAVN incremental capacity of 550 in August 2023 • New build Hanoi school incremental capacity 1,500 in August 2022 • The above developments add 68.3% to the existing capacity in Vietnam at 31 August 2020.
Hong Kong Woodland		• Expected return to pre-COVID pupil numbers during 2021 due to changes in the local competitive environment of nurseries in Hong Kong and high levels of demand following the re-opening
CHIREC		• Development of additional campus increasing capacity by 2,000 in June 2023, an increase of 70% on existing capacity in India at 31 August 2020.

Notes to the Financial Statements *(continued)*

12 Intangible assets - Group *(continued)*

The cashflow forecasts utilised by management in determining FVLCD are also sensitive to discount rate and long term growth rate assumptions. The post tax discount rates and long term growth rates applied in each of the FVLCD calculations are detailed in the table below:

	UK Schools	Spain	Chile	Vietnam	Maxi	CHIREC	Active Learning Group	Brazil	Hong Kong Woodland
Discount rate	8.7%	9.6%	11.8%	13.2%	13.8%	13.2%	8.7%	13.8%	8.8%
Growth rate	2.0%	2.4%	3.5%	5.0%	5.0%	5.9%	2.0%	5.0%	3.3%
Cashflow Forecast Period	5 years	8 years	10 years	10 years	5 years	10 years	5 years	5 years	5 years

	Switzerland	Laviniense	Singapore Stamford American International School	Singapore Australian International School	Thailand
Discount rate	8.8%	14.0%	9.0%	9.0%	10.1%
Growth rate	2.5%	3.5%	4.5%	3.6%	5.0%
Cashflow Forecast Period	5 years	5 years	5 years	5 years	5 years

In the prior period, the fair value less costs of disposal calculation for each of the Group's of CGUs was determined using the key assumptions of EBITDA and EBITDA Multiple. This valuation approach was also considered to incorporate level 3 inputs in the fair value hierarchy. The valuation approach has changed this year largely due to the availability of comparable and reliable market data to determine an appropriate EBITDA Multiple.

COVID-19 has impacted the performance of the Group during the year as detailed at Note 4. Whilst the impact of the coronavirus is expected to be temporary and a full recovery is expected, the forecast trading performance and cashflow generation of the Group in the near term is lower than would have been expected prior to the global pandemic. It is largely due to these reduced cashflow forecasts that, as part of the review for impairment, the carrying value of goodwill in nine CGUs has been impaired. An adjustment of £207.3m was made by the Group to write down the value of goodwill.

Notes to the Financial Statements *(continued)*

12 Intangible assets - Group *(continued)*

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

	Year ended 2020			Period ended 2019
	Recoverable amount of CGU (where impairment is recognised) £'000	**Goodwill impairment recognised £'000**	**Carrying value of goodwill £'000**	Carrying value of goodwill £'000
UK Schools	227,355	91,435	98,969	190,403
UK Active Learning Group	29,158	3,792	19,149	16,261
Spain	158,823	22,396	85,209	93,776
Switzerland	n/a	n/a	9,748	9,896
Chile	171,632	36,681	59,374	100,849
Brazil	11,808	6,595	5,927	17,588
Thailand	n/a	n/a	68,479	76,008
Vietnam	221,439	24,583	154,928	195,656
Hong Kong Stamford	n/a	n/a	-	-
Hong Kong Woodland	21,554	2,513	14,732	18,593
Singapore Australian International School	n/a	n/a	216,652	232,170
Singapore Stamford American International School	n/a	n/a	211,891	227,068
Ardmore Language Schools Group [1i)]	-	-	-	6,681
Colegio Europeo de Madrid [1ii)]	-	-	-	1,343
British School of Valencia [1ii)]		-	-	14,035
Colegio San Francisco Javier Huechuraba [1iii)]	-	-	-	12,293
Colegio Maxi	2,060	6,558	691	-
CHIREC	69,578	6,733	29,463	-
Laviniense	3,109	6,033	1,601	-
As at 31 August 2020		**207,319**	**976,813**	1,212,620

[1]Goodwill arising on prior period acquisitions has been allocated to the Group's existing CGUs during the year reflecting the full integration of these acquisitions into these CGUs: (i) UK Active Learning Group; (ii) Spain; (iii) Chile.

Notes to the Financial Statements *(continued)*

12 Intangible assets - Group *(continued)*

Goodwill and other intangible assets acquired in a business combination are held separately, until such a time as the acquisitions have been fully integrated into the existing business. The goodwill balances arising on acquisition of Colegio Maxi and Laviniense have been tested for impairment and disclosed separately in the table above as these amounts had not been allocated to an existing CGU at the balance sheet date. The amounts have been allocated to the Brazil CGU subsequent to the balance sheet date.

Sensitivity analysis

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

Achievement of 20% growth lower than forecast, with all other assumptions held constant, would give rise to an additional impairment charge of £151.1m in the Group's CGUs. An increase in discount rates of 2% with all other assumptions held constant would give rise to an additional impairment charge of £454.3m.

This would impact the relevant CGUs as follows:

	20% lower growth Impairment	**Increase in discount rate Impairment**
UK Schools	(31,727)	(54,999)
UK Active Learning Group	(2,527)	(6,870)
Spain	(21,690)	(38,024)
Switzerland	(1,424)	(2,544)
Chile	(21,527)	(35,909)
Thailand	(10,964)	(25,105)
Vietnam	(15,657)	(60,183)
Hong Kong Stamford	-	(20,600)
Hong Kong Woodland	(15,449)	(7,012)
Singapore Australian International School	-	(74,628)
Singapore Stamford American International School	(18,438)	(106,939)
CHIREC	(10,397)	(18,381)
Brazil	(361)	(2,075)
Maxi	(475)	(413)
Laviniense	(487)	(578)
Total	(151,123)	(454,260)

Impairment - other assets

In addition to the annual impairment testing of goodwill, management considers annually (or more often where circumstances require) whether indicators of impairment exist in relation to other assets. As detailed above, the trading performance of the Group has been impacted by the coronavirus pandemic in the current year and a number of individual schools across the group have a reported a decline in profitability or opening pupil numbers, or both. These factors have been considered potential indicators of impairment and, where they exist, the school has been tested for impairment. The assets associated with a school are considered to be a CGU for impairment testing purposes

Notes to the Financial Statements *(continued)*

12 Intangible assets - Group *(continued)*

The following impairment losses have been recognised in the current year in respect of individual schools, presented by geographical region:

	Total recoverable amount of school CGU(s) tested for impairment	Impairment loss recognised	Impairment loss allocated by class of assets		Basis of valuation
			Property, plant and equipment	Intangible assets	
	£'000	£'000	£'000	£'000	£'000
UK (11 schools)	30,799	54,739	48,466	6,273	VIU (with the exception of 4 schools tested on a FVLCD basis)
Chile (1 school)	-	929	929	-	VIU
Brazil (1 school)	-	4,232	4,225	7	VIU
Spain (1 school)	-	3,858	3,418	440	VIU
	30,799	**63,758**	**57,038**	**6,720**	

The value in use calculations used to determine the above impairments also utilise the 5 year forecasts approved by the Board as the basis for determining cashflows over the period. The cashflow period is restricted to 5 years within these calculations and incorporate the same key assumptions as the CGU impairment tests in respect of pupil numbers and fee growth.

Pre-tax discount rates applied in value in use calculations were: UK - 10.4%; Spain - 12.0%; Brazil - 30.0%; Chile - 14.7%.

Four UK schools were tested for impairment on the basis of FVLCD. In these instances, FVLCD was determined with reference to an external valuation of the freehold properties associated with the schools. The valuation approach applied was an income based approach and considered to be level 3 within the fair value hierarchy.

Notes to the Financial Statements *(continued)*

13 Deferred tax assets and liabilities - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £'000	Assets 2019 £'000	Liabilities 2020 £'000	Liabilities 2019 £'000
Property, plant and equipment	2,236	5,234	(3,880)	(3,861)
Intangible assets	942	295	(51,584)	(49,284)
Provisions	1,698	1,559	(1)	-
Tax losses	9,177	3,803	-	-
Other	6,603	2,921	(754)	(4,837)
Tax assets/(liabilities)	**20,656**	13,812	**(56,219)**	(57,982)
Net of tax (liabilities)/assets	(12,359)	(2,313)	12,359	2,313
Net tax assets/(liabilities)	**8,297**	11,499	**(43,860)**	(55,669)

Movement in deferred tax during the year:

	2020 £'000	2019 £'000
At beginning of year	**(44,170)**	-
Recognised on acquisition	(6,636)	(46,176)
Credit to the income statement in respect of current year	12,074	3,319
Foreign exchange movement	3,169	(1,312)
At end of year	**(35,563)**	(44,170)

The deferred tax asset not recognised is approximately £31.7m which is made up of £24.4m of tax losses and £7.3m temporary differences. As it is not probable that the related tax benefit will be realised and remains available to offset against future taxable profits.

The Company has no unrecognised deferred tax assets.

14 Inventories

	Group 2020 £'000	Group 2019 £'000
Goods for resale	890	714
	890	714

Notes to the Financial Statements *(continued)*

15 Trade and other receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Non-current				
Other receivables	14,104	8,805	-	-
Prepayments and accrued income	-	8,360	-	-
Other financial assets	1,672	2,030	1,672	2,030
Amounts receivable in respect of finance leases	234	3,644	-	-
	16,010	22,839	**1,672**	2,030
Current				
Trade receivables	63,290	71,041	-	-
Other receivables	10,862	10,840	36	552
Prepayments and accrued income	10,622	11,165	-	-
Amount due from parent company	5,147	4,815	5,147	4,970
Amounts owed by subsidiary undertakings	-	-	1,013,935	795,518
Amounts receivable in respect of finance leases	3,022	141	-	-
	92,943	98,002	**1,019,118**	801,040

In the prior year non-current prepayments include £8.2m related to lease payments made in advance. On application of IFRS 16, these prepaid amounts have been included in the initial right-of-use asset.

Other financial assets contain a finance lease receivable relating to Sackville in the UK. During the period the lessee provided formal notification they intend to exercise the option to purchase the property. As a result the carrying value of the financial lease receivable has been reduced to the option price with a loss of £0.9m being recognised in the income statement

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

16 Cash and cash equivalents

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash and cash equivalents	**96,321**	128,321	**164**	3,886

Notes to the Financial Statements *(continued)*

17 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 23.

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Non-current liabilities				
Bank loans	885,922	776,905	847,935	731,949
Lease liabilities [1]	330,297	24,224	-	-
	1,216,219	801,129	**847,935**	731,949
Current liabilities				
Bank loans	19,564	10,705	11,780	3,901
Lease liabilities [1]	8,837	125	-	-
	28,401	10,830	**11,780**	3,901
Total interest-bearing loans and borrowings	**1,244,620**	811,959	**859,715**	735,850

[1] Lease liabilities in prior year relate to IAS 17 finance lease liabilities only.

As at 31 August 2020, the Group had a Term Loan B Facility totalling £640.4m (2019: £519.3m) and a £227.5m (2019: £230.9m) Second Lien Facility. The Group also had a £100m (2019: £100m) Revolving Credit Facility which was undrawn at 31 August 2020.

Included in non-current liabilities within Secured Bank Loans is £20.2m (2019: £18.3m) of debt issue costs.

Included in current liabilities within Secured Bank Loans is accrued interest of £11.8m (2019: £3.9m).

Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2020 £'000	Carrying amount 2019 £'000	Loan Principal value 2020 £'000	Loan Principal value 2019 £'000
Bank loan	BRL	Brazil CDI +3.75%	Jun 20	-	1,541	-	1,541
Bank loan	CLP	2.6 to 5.5%	Mar 24 to Nov 28	38,867	48,497	38,867	48,497
Bank loan-	EUR	Fixed 1.5%	Apr 22 to May 23	1,722	1,721	1,882	1,721
Bank loan	EUR	EURIBOR + 1.5% to EURIBOR + 1.9%	Apr 24 to Jul 25	5,182	-	5,182	-
Term Loan B	GBP	LIBOR+ 5%	Oct 25	198,086	200,798	200,000	200,000
Term Loan B	EUR	LIBOR+ 4.25%	Oct 25	434,774	302,231	440,372	319,285
Second Lien	EUR	LIBOR+ 7.5%	Jan 27	226,855	232,722	227,522	230,936
				905,486	787,610	**913,825**	801,980

Notes to the Financial Statements *(continued)*

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

Finance lease liabilities

Total lease payments made during the year were £23.3m interest charges with respect to IFRS 16 totalled £11.6m for the year. In the prior period operating lease charges of £18.8m were made.

These are payable as follows:

Group	**Present value of minimum lease payments 2020 £'000**	**Interest 2020 £'000**	**Future minimum lease payments 2020 £'000**	Present value of minimum lease payments 2019 £'000	Interest 2019 £'000	Future minimum lease payments 2019 £'000
Less than one year	8,837	14,163	**23,000**	523	764	1,287
Between one and five years	31,600	53,913	**85,513**	975	2,935	3,910
More than five years	298,697	335,086	**633,783**	22,851	79,970	102,821
	339,134	**403,162**	**742,296**	24,349	83,669	108,018

Lease liabilities

Maturity analysis-contractual undiscounted cashflows	**£'000**
Less than one year	23,000
One to five years	85,513
More than five years	633,783
Total undiscounted lease liabilities at 31 August 2020	**742,296**

Notes to the Financial Statements *(continued)*

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

Changes in liabilities from financing activities for the year ended 31 August 2020

	Loans and borrowings £'000	Finance lease liabilities £'000	Derivative Liability £'000	Total £'000
Balance at 1 September 2019	787,610	24,349	4,113	816,072
Adjustment on initial application of IFRS 16	-	284,407	-	284,407
Changes from financing cash flows				
Proceeds from loans and borrowings	324,315	-	-	324,315
Repayment of borrowings	(198,072)	-	-	(198,072)
Repayment of capital element of lease liabilities	-	(23,261)	-	(23,261)
Transactions costs related to loans and borrowings	(4,639)	-	-	(4,639)
Interest paid	(42,100)	-	-	(42,100)
Total changes from financing cash flows	79,504	(23,261)	-	56,243
Effects of foreign exchange rates	(16,523)	(10,389)	-	(26,912)
Other changes				
Interest expense	54,895	11,577	-	66,472
Unrealised loss on derivatives	-	-	(1,078)	(1,078)
Modifications of existing leases	-	41,977	-	41,977
New leases entered into in the year	-	4,519	-	4,519
Lease liabilities acquired through acquisitions	-	5,955	-	5,955
	54,895	64,028	(1,078)	117,845
Balance at 31 August 2020	**905,486**	**339,134**	**3,035**	**1,247,655**

18 Trade and other payables

	Group 2020 £'000	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
Non-current				
Other payables	-	42	-	-
Deferred consideration	780	2,422	-	-
Accruals	-	4,443	-	-
Deposits	72	1,366	-	-
Unfavourable lease liability [1]	-	3,091	-	-
	852	11,364	-	-
Current				
Trade payables	11,767	14,326	-	-
Other taxes and social security	3,165	4,215	-	-
Other payables	12,864	10,964	-	-
Deferred consideration	5,849	5,923	-	-
Accruals	49,535	57,659	156	247
Deposits	14,333	12,781	-	-
Unfavourable lease liability [1]	-	177	-	-
	97,513	106,045	**156**	247

[1] See IFRS 16 transition note at Note 1 for further details.

During the year £5.6m of deferred consideration was paid in respect of previous acquisitions.

Notes to the Financial Statements *(continued)*

19 Other financial liabilities

Group and Company	2020 £000	2019 £000
Non-current		
Financial liabilities designated as fair value through profit or loss	1,783	2,888
Current		
Financial liabilities designated as fair value through profit or loss	1,252	1,225
	3,035	4,113

Other financial liabilities for the year ended 31 August 2020 relate to coupon-only foreign currency interest rate swaps which were entered into in July 2019 with counterparty banks which are lenders in the Senior Facility Agreement. The coupon-only foreign currency interest rate swaps mitigate the Group's exposure to future fluctuations in interest rates and the Singapore Dollar/GBP and Singapore Dollar/Euro exchange rates, respectively, in relation to debt service costs.

20 Employee benefits - Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £11.8m (Period ended 2019: £8.0m) see note 6.

Multi-employer defined benefit plan

Teachers' Pension Scheme

The Group participates in the TPS for its teaching staff. The defined contribution pension charge for the year includes contributions payable to the TPS of £8.0m (Period ended 2019: £4.8m) and at the year end £0.7m (2019: £0.5m) was accrued in respect of contributions to this scheme.

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

The employer contribution rate was set following scheme valuations undertaken by the Government Actuary Department. The latest actuarial valuation of the TPS was prepared at 31 March 2016 and the valuation report, which was published in March 2019, confirmed an employer contribution rate for the TPS of 23.68% from 1 September 2019. This includes the administration levy of 0.08%. The employer contribution rate increased from 16.48% to 23.68% with effect from September 2019.

Notes to the Financial Statements *(continued)*

21 Provisions

Group	Property £'000	Severance Allowance £'000	Other £'000	Total £'000
Balance at 1 September 2019	892	1,660	1,297	**3,849**
Amount arising from acquisitions	-	-	90	**90**
Provisions made during the year	304	299	465	**1,068**
Provisions used during the year	-	(372)	(164)	**(536)**
Provisions reversed during the year	-	(104)	(268)	**(372)**
Foreign exchange movement	(14)	(143)	(48)	**(205)**
Balance at 31 August 2020	**1,182**	**1,340**	**1,372**	**3,894**
Non-current	720	1,190	721	**2,631**
Current	462	150	651	**1,263**
	1,182	**1,340**	**1,372**	**3,894**

Group	Property £'000	Severance Allowance £'000	Other £'000	Total £'000
Amounts arising from acquisitions	942	1,325	1,404	3,671
Provisions made during the period	120	511	476	1,107
Provisions used during the period	(138)	(275)	(385)	(798)
Provisions reversed during the period	(54)	-	(229)	(283)
Foreign exchange movement	22	99	31	152
Balance at 31 August 2019	892	1,660	1,297	3,849
Non-current	892	-	1,027	1,919
Current	-	1,660	270	1,930
	892	1,660	1,297	3,849

Property

The property provision represents the anticipated costs of returning it to their original state as required by the terms of the related lease. There leases that are due to expire within one to two years and, therefore, the provision is expected to be utilised within the respective 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

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

Other

The other provisions consists of pension provisions within the UK under the TPS scheme, Thailand under the Thai Labour Protection Act and Spain under a fidelity agreement.

Notes to the Financial Statements *(continued)*

22 Capital and reserves

Share capital

Authorised called up and fully paid

Class of share	**Number 2020**	Number 2019	**Nominal value per share**	**Total share nominal value 2020 £'000**	Total share nominal value 2019 £	**Share consideration 2020 £'000**	Share consideration 2019 £'000
Ordinary	1,447,149,136	1,399,196,981	£0.0001	145	140	1,461,939	1,399,187
				145	140	**1,461,939**	1,399,187

On 19 December 2019, 47,952,155 shares were issued for total consideration of £67.8m.

Rights of shares

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

Reserves

Equity reserve

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

Translation reserve

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

Notes to the Financial Statements *(continued)*

23 Financial instruments

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

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

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

Categories of financial instruments

	Group Carrying amount 2020 £'000	Group Carrying amount 2019 £'000	**Company Carrying amount 2020 £'000**	Company Carrying amount 2019 £'000
IFRS 9 categories of financial assets				
Assets measured at amortised cost: Trade and other receivables (note 15) and cash and cash equivalents (note 16)	192,980	227,607	164	3,886
Total financial assets	**192,980**	227,607	**164**	3,886
Financial liabilities measured at amortised cost				
Interest-bearing loans and borrowings (note 17)	1,244,620	811,959	859,715	735,850
Trade and other payables (note 18)	39,036	39,479	-	247
Provisions (note 21)	3,894	3,849	-	-
Financial liability measured at fair value				
Forward currency contracts and interest rate swaps (note 19)	3,035	4,113	3,035	4,113
Total financial liabilities	**1,290,585**	859,400	**862,750**	740,210
Total net financial instruments	**1,097,605**	631,793	862,586	736,324

a) Fair values of financial instruments

The Company's financial instruments measured at amortised cost consist of cash and cash equivalents, trade and other receivables, interest-bearing loans and borrowings, trade and other payables and provision. The carrying amounts of those approximate their fair values due to the relatively short-term nature of these financial instruments.

The Company financial instruments measured at fair value are forward currency contracts and interest rate swaps which are measured based on Level 1 fair values (2019: Level 1).

Notes to the Financial Statements *(continued)*

23 Financial instruments *(continued)*

b) Credit risk

Financial risk management

Group

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

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

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

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

Other financial assets contain a finance lease receivable relating to a property, Sackville in the UK. During the period the lessee provided formal notification they intend to exercise the option to purchase the property. As a result the carrying value of the financial lease receivable has been reduced to the option price with a loss of £0.9m being recognised in the income statement.

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

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

The expected loss rates are based on historic payment profiles and the corresponding credit losses experienced. These loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The anticipated impact of the COVID-19 pandemic is reflected in the loss allowance as at 31 August 2020.

On that basis, the loss allowance as at 31 August 2020 was determined as follows for trade receivables:

Group	**Expected Loss Rate 2020 %**	**Gross 2020 £'000**	**Provision for Expected Credit Losses 2020 £'000**	**Total 2020 £'000**	Gross 2019 £'000	Provision for Expected Credit Losses 2019 £'000	Total 2019 £'000
Not past due	2	52,337	(807)	**51,530**	55,256	-	55,256
Past due 0-30 days	17	3,615	(602)	**3,013**	3,153	(7)	3,146
Past due 31-120 days	22	7,239	(1,556)	**5,683**	8,929	(345)	8,584
Past due by more than 120 days	76	12,689	(9,625)	**3,064**	10,808	(6,753)	4,055
		75,880	**(12,590)**	**63,290**	78,146	(7,105)	71,041

Notes to the Financial Statements *(continued)*

23 Financial instruments *(continued)*

b) Credit risk (continued)

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

	2020 £'000	2019 £'000
Balance at 1 September	(7,106)	-
Provisions made during the year	(6,569)	(998)
Provisions used during the year	192	126
Provisions reversed during the year	149	367
Amounts arising from acquisition/disposal	-	(6,497)
Amounts written off	12	1
Foreign exchange movement	732	(105)
Balance at 31 August	(12,590)	(7,106)

The expected credit loss of £6.2m (Period ended 2019: £0.5m) recognised in the income statement during the year excludes the effects of foreign exchange movements and is net of acquired provisions.

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

Company

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

c) Liquidity risk

Financial risk management

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

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

The impact of COVID-19 has increased liquidity risk during the year however the cash position at the balance sheet date remains strong at £96.3m. Cash collection trends have remained encouraging and we continue to monitor this closely over the coming months to identify any deviation. In order to manage liquidity risk in the current climate we have conducted a full review of our development capital expenditure and reduced the planned spend, as well as limiting operating capital expenditure to essential spend for the foreseeable future.

Further details on the Group review of liquidity and shareholder support can be found in the going concern assessment in the Strategic Report.

Notes to the Financial Statements *(continued)*

23 Financial instruments *(continued)*

***c) Liquidity risk** (continued)*

As at 31 August 2020, the Group had a Term Loan B Facility totalling £640.4m (2019: £519.3m) and a £227.5m (2019: £230.9m) Second Lien Facility. The Group also had a £100m Revolving Credit Facility which was undrawn at 31 August 2020 and which was also undrawn at 31 August 2019.

During the year ended 31 August 2020, the Group increased its liquidity by increasing the Euro-denominated Senior Facility agreement by €141m and receiving new equity investment of £62.7m from Lernen Bondco PLC.

The maturity of borrowings at the Balance Sheet date is set out in note 17 to the financial statements. In total, as at 31 August 2020, the Lernen Bidco Limited Group had drawn borrowings of £905.5m of which £885.9m would be repayable after 31 August 2021. The Group has a strong working capital position as student contracts require cash payment in advance of tuition services on an annual, termly or monthly basis. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

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

			2020		
			Phasing of contractual cash flows		
	Carrying amount £'000	**Contractual cash flows £'000**	**1 year or less £'000**	**2 to 5 years £'000**	**More than 5 years £'000**
Non-derivative financial liabilities					
Secured bank loans	905,487	905,486	19,563	23,086	862,837
Lease liabilities	339,133	742,296	23,000	85,513	633,783
Trade and other payables	98,365	98,365	97,513	852	-
	1,342,985	**1,746,147**	**140,076**	**109,451**	**1,496,620**

			2019		
			Phasing of contractual cash flows		
	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	2 to 5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
Secured bank loans	787,610	785,889	6,186	19,870	759,833
Finance leases	24,349	108,244	1,031	3,527	103,686
Trade and other payables	117,409	117,409	106,045	11,364	-
	929,368	1,011,542	113,262	34,761	863,519

Notes to the Financial Statements *(continued)*

d) Market risk

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

Market risk - Foreign exchange risk

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

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

Market risk - Foreign exchange risk - Company

The Company had limited exposure to foreign currency risk at 31 August 2020 as it holds third party borrowings designated in Euro but has extended loans also designated in Euro to other Group entities worth EUR 748.5m (2019: EUR 607.5m).

Sensitivity analysis - Group

If sterling had been 10% stronger / weaker at 31 August 2020, Group equity would have increased / decreased by £67.1m (2019: £54.0m) as a result of third party borrowings designated in Euro. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Market risk – Interest rate risk

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

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2020 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 - 2020				Interest rate - 2019			
	Fixed £'000	**Floating £'000**	**Zero £'000**	**Total £'000**	Fixed £'000	Floating £'000	Zero £'000	Total £'000
Financial assets:								
Cash	-	96,321	-	**96,321**	-	128,321	-	128,321
Trade and other receivables	-	-	88,255	**88,255**	-	-	90,686	90,686
Financial liabilities:								
Bank loans	-	-	-	-	-	-	-	-
Trade and other payables	-	-	(26,170)	**(26,170)**	-	-	(28,473)	(28,473)
Revolving Credit Facility	-	-	-	-	-	-	-	-
Secured bank loans	-	(678,632)	-	**(678,632)**	(1,721)	(785,889)	-	(787,610)
Finance leases	-	-	(339,134)	**(339,134)**	-	-	(24,350)	(24,350)

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

Sensitivity analysis

At 31 August 2020, the Group had exposure to interest rate sensitivity in respect of variable rate loans. In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have increased / decreased the result for the year by £6.4m (2019: £5.7m).

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

Notes to the Financial Statements *(continued)*

23 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 17 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.

24 Leases

Group

During the year £0.6m was recognised as an expense in the income statement in respect of variable lease payments not included in the lease liability. In the prior period, operating lease charges of £18.8m were recognised in the income statement.

At 31 August 2019 non-cancellable operating lease rentals were payable as follows:

	Property 2019 £'000	Other 2019 £'000	Total 2019 £'000
Less than one year	21,545	125	21,670
Between one and five years	75,552	180	75,732
More than five years	335,906	-	335,906
	433,003	305	433,308

25 Capital Commitments

Group

As at 31 August 2020, the Group had total capital commitments of £37.2m (2019: £43.5m).

At the end of the year, there were ongoing building projects within the UK to increase class capacity, the contractual commitment of these works totalled £10.4m. Of this amount, £3.9m was in relation to the new school scheduled to be opened in January 2021, Prince's Garden Preparatory School, London.

In December 2014, the Group entered into a purchase agreement with a real estate developer to construct a school in Chile. The development was completed and opened to students in March 2016. Under the terms of the agreement, the Group will be required to purchase the school and the freehold property should certain performance criteria be met, for £8.0m which is expected to be payable in 2023.

As at 31 August 2020, the Group had capital commitments totalling £17.1m in relation to the construction of an annex at the Stamford American School, Hong Kong as well as £1.7m for the construction of a school in Vietnam.

Notes to the Financial Statements *(continued)*

26 Contingencies

Group Guarantees

During the year ended 31 August 2020, the Group held a Senior Facilities Agreement and a Second Lien Facility in place. Lernen Bidco Limited and certain subsidiary undertakings are guarantors of the Senior Facility Agreement. Under this arrangement, the facilities are secured on the group assets.

The total gross exposure in relation to the Senior Facility and Second Lien Facility was £880.0m including accrued interest at 31 August 2020.

Reinstatement of leased land

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

It has been estimated that the maximum liability at 31 August 2020 should a reinstatement be required would be £6.6m. This estimated contingent liability represents the cost of demolition of the entire area of construction including substructure, extraction of piles, back filling to original levels and re-turfing.

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

Litigation

The Group received claims in respect of a potential litigation associated with the criminal conduct of a former teacher at Southbank International School between 2010 and 2013. The Group maintains insurance cover and has been advised such cover will be adequate to cover the full amount of any potential claims.

Tax claim

The Group has received assessments from HMRC in the aggregate amount of £1.5m with respect to PAYE and NI in connection with the operation of a former management GSOP in the four accounting periods ended 31 August 2010 to 2013. The exposure arising from the assessment is deemed to be £0.6m. The Group has appealed these assessments on the basis of guidance from our advisors and no provision has been made.

Notes to the Financial Statements *(continued)*

27 Related parties

Group

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

Company

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

	Year ended 31 August 2020		Period ended 31 August 2019	
	Lernen Midco 2 Ltd	Lernen Bondco Plc	Lernen Midco 2 Ltd	Lernen Bondco Plc
	£'000	£'000	£'000	£'000
Beginning of period	-	4,970	-	-
Loan issued during the year	251	-	-	4,849
Effects of change in foreign exchange rate	-	(74)	-	121
End of period	**251**	**4,896**	-	4,970

28 Ultimate parent company and parent company of larger group

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

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

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

29 Events after the Balance Sheet date

Acquisitions

The Group has entered into an agreement after the balance sheet date to acquire an additional school in Spain, Mirasur. The total estimated consideration payable for this is £3.2m and details are provided below:

On 19 December 2019, the Group exchanged contracts with the owners of Mirasur, a school in Madrid, Spain for 75% of the shareholding in exchange for an estimated consideration of £3.2m. Completion took place on 4 September 2020 and the group is in the process of integrating the acquisition. Mirasur is a Spanish National Curriculum school, with over 1,000 pupils and a capacity of around 1,450.

Other acquisitions

In December 2020, the Group entered into an agreement to exchange contracts on the acquisition of 100% of a school in Chile. On 18 December 2020 the Group also exchanged contracts to acquire 100% of a school in Brazil. Due to the confidential nature of these transactions, the schools cannot be named until the acquisitions have completed. Both acquisitions are expected to complete in January 2021.

Notes to the Financial Statements *(continued)*

30 Investments in subsidiaries

	Shares in subsidiary undertakings £'000	Total £'000
Cost at 1 September 2019 and 31 August 2020	**1,321,087**	**1,321,087**
Provisions		
At 1 September 2019	-	-
Impairment losses	(453,800)	(453,800)
At 31 August 2020	**(453,800)**	**(453,800)**
Net Book Value		
At 31 August 2019	1,321,087	1,321,087
At 31 August 2020	**867,287**	**867,287**

The Company's investment in Cognita Topco Ltd has been impaired by £453.8m during the year. The recoverable amount of £867.3m has been determined with reference to the expected future cashflow generation of the investee.

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

Subsidiary undertaking	Class of share capital held	% held 2020	% held 2019	Registered Office (Appendix)	Country of incorporation	Nature of business
Cognita Topco Limited *#	Ordinary	100%	100%	1	Jersey	Holding Company
Cognita Midco Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Bondco Parent Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Financing Plc #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita Limited #	Ordinary	100%	100%	2	England & Wales	Management/Holding Company
Cognita Schools Limited	Ordinary	100%	100%	2	England & Wales	Education
Cognita International Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Super Camps Limited #	Ordinary	100%	100%	2	England & Wales	Education
The Bushcraft Company Limited #	Ordinary	100%	100%	2	England & Wales	Education
St Nicholas Preparatory School Limited #	Ordinary	100%	100%	2	England & Wales	Education
Cognita Funding 1 Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Mexico Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Cognita UK Brazil Holdings Limited #	Ordinary	100%	100%	2	England & Wales	Holding Company
Ardmore Education Limited #	Ordinary	100%	100%	2	England & Wales	Education
Ardmore Educational Travel Limited #	Ordinary	100%	100%	2	England & Wales	Education
Ardmore Language Schools Limited #	Ordinary	100%	100%	2	England & Wales	Education
Ardmore Language Schools Inc	Ordinary	100%	100%	4	USA	Education
Swiss International School Zurich North GmbH	Ordinary	100%	100%	5	Switzerland	Education
The British School of Barcelona S.A.	Ordinary	100%	100%	6	Spain	Education
ELIS Cognita S.L.	Ordinary	100%	100%	6	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	100%	6	Spain	Holding Company
Cognita BSB Property S.L.	Ordinary	100%	100%	6	Spain	Property/ Holding Company
Cognita Hastings Property S.L.	Ordinary	100%	100%	6	Spain	Property
Cognita Hastings Holdings S.L.	Ordinary	100%	100%	6	Spain	Education

Notes to the Financial Statements *(continued)*

30 Investments in subsidiaries *(continued)*

Subsidiary undertaking	Class of share capital held	% held 2020	% held 2019	Registered Office (Appendix)	Country of incorporation	Nature of business
British School Children's Garden S.L.	Ordinary	100%	100%	6	Spain	Education
Colegio de Europeo de Madrid S.L	Ordinary	90%	90%	6	Spain	Education
The English Montessori School S.A.	Ordinary	100%	100%	7	Spain	Education
Cognita Singapore Holdings Pte Limited	Ordinary	100%	100%	8	Singapore	Holding Company
Cognita Centre for Leadership and Learning Pte Limited***	Ordinary	100%	100%	8	Singapore	Education
Cognita Asia Holdings Pte Limited	Ordinary	100%	100%	8	Singapore	Management/Holding Company
Avondale Grammar School Pte Limited***	Ordinary	100%	100%	8	Singapore	Education
St Andrews Dusit Thailand Pte Limited	Ordinary	100%	100%	8	Singapore	Management/Holding Company
Camp Asia Cognita Pte Limited	Ordinary	100%	100%	8	Singapore	Education
Australian International School Pte Limited	Ordinary	100%	100%	9	Singapore	Education
Brighton College (Singapore) Pte Limited	Ordinary	100%	100%	9	Singapore	Education
Stamford American International School Pte Limited	Ordinary	100%	100%	10	Singapore	Education
St Andrews Dusit Campus Company Limited	Ordinary	70%	70%	11	Thailand	Education
British Education Management Systems Company Limited	Ordinary	100%	100%	12	Thailand	Education
Silom Education Company Limited	Ordinary	100%	100%	13	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	100%	14	Thailand	Education
Cognita Brasil Participacoes Ltda	Ordinary	100%	100%	15	Brazil	Management/ Holding Company
Cognita Brasil Escolas Participacoes 3 Ltda	Ordinary	100%	100%	15	Brazil	Holding Company
Cognita Brasil Escolas Participacoes 4 Ltda **	Ordinary	100%	N/A	15	Brazil	Holding Company
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	100%	16	Brazil	Education
Centro Educational Pingo De Gente Ltda **	Ordinary	100%	N/A	17	Brazil	Education
Escola Cidade Jardim - Playpen Ltda	Ordinary	100%	100%	18	Brazil	Education
Maxi Distribuidora De Material Diddatico Ltda**	Ordinary	100%	N/A	19	Brazil	Education
Neodna Cursos Preparatorios Ltda**	Ordinary	100%	N/A	20	Brazil	Education
Socie da de Educational Maxi Ltda**	Ordinary	100%	N/A	21	Brazil	Education
Menezes, Moura E Cia Ltda**	Ordinary	100%	N/A	22	Brazil	Education
Cognita Chile SPA	Ordinary	100%	100%	23	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	100%	23	Chile	Holding Company
Desarrollos Educacionales, SA	Ordinary	100%	100%	24	Chile	Management/ Holding Company
Soc. Educacional Huechuraba, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Penalolen, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Temuco, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Puerto Montt, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Valle Lo Campino, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Ciudad Del Este, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Lo Aguirre, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Chicureo, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Curauma, SA	Ordinary	100%	100%	24	Chile	Education
Soc. Educacional Chicauma, SA	Ordinary	100%	100%	24	Chile	Education
Immobiliaria Tierra Fertil, SA	Ordinary	100%	100%	24	Chile	Services Company
Servicos Educacionales, SA	Ordinary	100%	100%	24	Chile	Services Company
Gestion Educativa, SA	Ordinary	100%	100%	24	Chile	Services Company
Soc. Educacional American British School Ltda	Ordinary	100%	100%	24	Chile	Education
Soc Educational Loyola SA	Ordinary	100%	100%	25	Chile	Education
Soc. Educacional Manquecura Nunoa Ltda	Ordinary	100%	100%	26	Chile	Education
Bauhinia Education and Training Company Limited	Ordinary	100%	100%	27	Hong Kong	Holding Company
Stamford American School of Hong Kong Limited	Ordinary	100%	100%	27	Hong Kong	Dormant
Spring Blossom Education Limited	Ordinary	100%	100%	28	Hong Kong	Holding Company

Notes to the Financial Statements *(continued)*

30 Investments in subsidiaries *(continued)*

Flora Education Limited	Ordinary	100%	100%	28	Hong Kong	Education
Woodland Holdings (HK) Ltd	Ordinary	100%	100%	28	Hong Kong	Holding Company
Woodland Playgroups Ltd	Ordinary	100%	100%	28	Hong Kong	Education
Woodland Pre-Schools Ltd	Ordinary	100%	100%	28	Hong Kong	Education
The Woodland Sai Kung Pre-School Ltd	Ordinary	100%	100%	28	Hong Kong	Property
The Woodland Pre-School (Happy Valley) Ltd	Ordinary	100%	100%	28	Hong Kong	Property
The Woodland Pre-School (Pokfulam) Ltd	Ordinary	100%	100%	28	Hong Kong	Property
The Woodland Kennedy Town Playgroup (Davis Street) Ltd	Ordinary	100%	100%	28	Hong Kong	Property
The Woodland Beachside Pre-School Ltd	Ordinary	100%	100%	28	Hong Kong	Property
The Woodland Montessori Pre-School (Repulse Bay) Ltd	Ordinary	100%	100%	28	Hong Kong	Property
Pacific Crown (HK) Ltd	Ordinary	100%	100%	28	Hong Kong	Property
Vanguard Era Investments Limited	Ordinary	100%	100%	29	BVI ##	Holding Company
VOF PE Holding 1 Limited	Ordinary	100%	100%	30	BVI ##	Holding Company
International Schools Limited	Ordinary	100%	100%	31	BVI ##	Holding Company
International Education Corporation Joint Stock Company	Ordinary	100%	100%	32	Vietnam	Education
Lotus Education and Training One Member Company Ltd	Ordinary	100%	100%	33	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	100%	34	Vietnam	Holding Company
Global Education Network Lotus Company Limited	Ordinary	100%	100%	34	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	100%	96%	34	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	100%	99.99%	35	Vietnam	Holding Company
Cognita Middle East OpCo Holdings Limited	Ordinary	100%	100%	36	UAE - Abu Dhabi	Holding Company
Cognita Middle East PropCo Holdings Limited	Ordinary	100%	100%	36	UAE - Abu Dhabi	Holding Company
Cognita Middle East PropCo Holdings Limited	Ordinary	100%	100%	37	UAE - Dubai	Holding Company
RGS Guildford LLC	Ordinary	100%	N/A	38	UAE - Dubai	Holding Company
Kamalasana Properties & Service Private Limited**	Ordinary	100%	N/A	39	India	Management/Property Company
Shri Shakti School Private Limited**	Ordinary	100%	N/A	39	India	Management/Property Company
Chirec International Academy Society**###	### Membership rights	N/A	N/A	40	India	Education Society
Chirec Educational Society**###	### Membership rights	N/A	N/A	41	India	Education Society

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

* Directly held

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

*** Avondale Grammar School Limited and Cognita Centre for Leadership and Learning Pte Limited are in the process of being liquidated.

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

"BVI" means British Virgin Islands.

Control is exercised through contractual and substantive membership rights.

Notes to the Financial Statements *(continued)*

Appendix - List of registered offices

1 15 Esplanade, St Helier, Jersey JE1 1RB
2 EMW, Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, MK5 8FR
3* Hall Place, Berkshire College, Maidenhead, Berkshire SL6 6QR
4 420 Lexington Avenue, Suite 309, New York, NY 10170 USA
5 Industriestrasse 50, 8304 Wallisellen, Switzerland
6 Plaza del Doctor Letamendi 1-2, 4ª planta (08007 Barcelona - Spain)
7 Calle La Salle C/N 28023, Madrid
8 60 Anson Road #18-04 Mapletree Anson, Singapore 079914
9 1 Lorong Chuan, Singapore 556818
10 1 Woodleigh Lane, Singapore, 357684
11 253 Ratchawithi Road, Kwaeng Suan Chitlada, Khet Dusit, Bangkok
12 7 Sukhumvit 107, Bang Na, Bangkok 10260, Thailand
13 9 Convent Road, Silom, Bang Rak, Bangkok 10550, Thailand
14 1M. 7 Ban Chang- Makhamkhoo Road Samnak Thon, Ban Chang, Rayong, 21130 Thailand
15 Av. Lineu de Paula Machado, 1490 - Cidade Jardim - São Paulo - SP - 05601-000, Brazil
16 Rua Maria Caldas, 35 - São Francisco - Niterói - RJ - 24365-050, Brazil
17 Rua Galícia, 34, Jardim Espanha II, Adrianópolis, CEP 69.057-062, Manaus
18 Praça Professor Américo de Moura, 101 - Cidade Jardim - São Paulo - SP - 05670-060, Brazil
19 Av. Duque de Caxias, 1589 - Sala 1 - Jardim Petrópolis - Londrina - PR - 86015-000
20 Rua Benjamin Constant, 1400 - Centro - Londrina - PR - 86020-270
21 Av. Duque de Caxias, 1589 - Igapó - Londrina - PR - 86015-000
22 *Av. Maringá, 1700 - Sala 1 - Vitória - Londrina - PR - 86060-000*
23 Avda. Andres Bello, 2711 - Piso 19 - Las Condes - Santiago - Chile - 8320000
24 Marchant Pereira 10, Piso 14, Providencia, Santiago, Chile
25 Los Cedros 7550, Huechuraba, Santiago, Chile
26 Avenida Irarrazaval No. 5310, borough of Nunoa, Chile
27 14 Hutchison House, 10 Harcourt Road, Hong Kong
28 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
29 Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands
30 Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands
31 2/F Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands
32 No. 649A, Vo Truong Toan Street, An Phu Ward, District 2, Ho Chi Minh City, Vietnam
33 92 Nguyen Huu Canh, Ward 22, Binh Thanh District, Ho Chi Minh City, Vietnam
34 Level 4, VietComReal Building, 68 Nguyen Hue St, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
35 26 Vo Truong Toan, An Phu Ward, District 2, Ho Chi Minh City, Vietnam.
36 PO Box 35665, 34th & 35th Floor, Al Maqam Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates
37 Unit GV-00-10-03-BC-19-0, Level 3, Gate Village, Building 10, Dubai International Finance Centre, PO Box 112967, Dubai, United Arab Emirates
38 Office 518, Regus, The Bridge, 2nd Floor, P.O. Box 392269, Dubai Sports City, Dubai UAE
39 Municipal No. 1-55/12, CHIREC Avenue, Kondapur, Kothaguda (PO) Hyderabad Hyderabad TG 500084 IN
40 1-55/12 Serilingampally Mandal, Kondapur, Kothaguda Post, Hyderabad, 500084 India
41 Plots 280 to 282. Telecom Officers' Colony, Bhagyalakshmi Nagar Phase II, Serilingampally, Hyderabad, 500019, India

*Address is no longer applicable