

NORD ANGLIA EDUCATION, INC.

FORM 6-K (Report of Foreign Issuer)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2015

Commission File Number: 001-36356

Nord Anglia Education, Inc.

(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant's name into English)

**Level 12, St. George's Building
2 Ice House Street
Central, Hong Kong**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F
Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Explanatory Note

In preparing our financial statements for the six months ended February 28, 2015, we changed our accounting policy for expenses in respect of premium school land and building operating leases and depreciation charges arising from tangible assets owned by premium schools. These expenses are now treated as a direct cost and are included in cost of sales. Previously, such expenses were recognized as part of selling, general and administrative expenses. We consider this new policy to be more in line with market practice. This change does not affect revenue, operating profit, profit for the period, earnings per share, Adjusted EBITDA, Adjusted Net Income or Adjusted Earnings per Share and does not affect the financial covenants under our senior secured term loan facility.

On March 2, 2015, we completed the acquisition of a 90% interest in The British International Schools Group in Vietnam ("BIS Vietnam"). Under IFRS 10 Consolidated Financial Statements, we gained control of BIS Vietnam from January 1, 2015 and consolidated BIS Vietnam's results from the same date.

On April 16, 2015, we furnished a report on Form 6-K to the SEC that included our consolidated interim financial information for the three and six months ended February 28, 2015 and 2014. The consolidated financial information was prepared in accordance with International Financial Reporting Standards as issued by the IASB but was not intended to comply with IAS 34 as issued by the International Accounting Standards Board and therefore did not include explanatory notes.

On April 24, 2015, we entered into a definitive agreement to acquire a portfolio of six schools from Meritas, LLC and certain affiliates (the "Meritas Schools").

We are furnishing this report to provide the following:

- (a) Our audited consolidated financial statements as of August 31, 2014 and 2013 and for the three years ended August 31, 2014 retrospectively adjusted to reflect the change in accounting policy described above are furnished as Exhibit 99.1 to this report.
- (b) Our unaudited consolidated financial statements as of February 28, 2015 and for the six months ended February 28, 2015 and 2014, including explanatory notes, are furnished as Exhibit 99.2 to this report.
- (c) Management's discussion and analysis of financial condition and results of operations for the six months ended February 28, 2015 and 2014 and the three years ended August 31, 2014 retrospectively adjusted to reflect the change in accounting policy described above is furnished as Exhibit 99.3 to this report.
- (d) The audited financial statements of BIS Vietnam, on a combined basis, as of and for the year ended June 30, 2014 and unaudited financial statements of BIS Vietnam, on a combined basis, as of December 31, 2014 and for the six month periods ended December 31, 2014 and 2013 are furnished as Exhibit 99.4 to this report.
- (e) The audited financial statements of the Meritas Schools, on a combined basis, as of and for the years ended June 30, 2014 and 2013 and unaudited financial statements of the Meritas Schools, on a combined basis, as of March 31, 2015 and for the three- and nine-month periods ended March 31, 2015 and 2014 are furnished as Exhibit 99.5 to this report.
- (f) The unaudited pro forma condensed combined financial information of Nord Anglia Education, Inc. as of February 28, 2015 and for the year ended August 31, 2014 and for the six months ended February 28, 2015 and 2014 giving effect to the acquisition of BIS Vietnam, the expected acquisition of the Meritas Schools and the related financings are furnished as Exhibit 99.6 to this report.

Special Note Regarding Forward-Looking Statements

This report on Form 6-K, including Exhibits 99.3 and 99.6 hereto, contains statements that express our current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. These forward looking statements can generally be identified by the use of forward-looking terminology, including the terms "believe," "assume," "expect," "may," "will," "should," "seek," "project," "approximately," "intend," "plan," "estimate" or "anticipate," or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report on Form 6-K and Exhibits 99.3 and 99.6 hereto and include statements regarding our intentions, beliefs or current expectations concerning among other things, our results of operations, financial condition, acquisitions, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements relate to events that involve risks and uncertainties or that depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those under "Risk Factors" in our most recent annual report on Form 20-F filed with the SEC. These statements include, among other things, statements relating to:

- our future market opportunities;
- our goals and strategies;
- our competitive strengths;
- our future results of operations and financial condition;
- our future business developments; and
- our acquisition and expansion strategy.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this quarterly report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Nord Anglia Education, Inc.

By: /s/ Graeme Halder

Name: Graeme Halder

Title: Director and Chief Financial Officer

Date: May 29, 2015

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<u>Exhibit Number</u>	<u>Description</u>
99.1	Audited consolidated financial statements of Nord Anglia Education, Inc. as of August 31, 2014 and 2013 and for the three years ended August 31, 2014.
99.2	Unaudited consolidated financial statements of Nord Anglia Education, Inc. as of February 28, 2015 and for the six months ended February 28, 2015 and 2014.
99.3	Management's discussion and analysis of financial condition and results of operations.
99.4	Audited financial statements of BIS Vietnam, on a combined basis, as of and for the year ended June 30, 2014 and unaudited financial statements of BIS Vietnam, on a combined basis, as of December 31, 2014 and for the six month periods ended December 31, 2014 and 2013.
99.5	Audited financial statements of the Meritas Schools, on a combined basis, as of and for the years ended June 30, 2014 and 2013 and unaudited financial statements of the Meritas Schools, on a combined basis, as of March 31, 2015 and for the three- and nine-month periods ended March 31, 2015 and 2014.
99.6	Unaudited pro forma condensed combined financial information of Nord Anglia Education, Inc. as of February 28, 2015 and for the year ended August 31, 2014 and for the six months ended February 28, 2015 and 2014.

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Exhibit 99.1

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Report of Independent Registered Public Accounting Firm

To the Directors and Shareholders of Nord Anglia Education, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated income statement, consolidated statement of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of Nord Anglia Education, Inc. at 31 August 2014, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have also audited the adjustments as described in note 2, to the 2013 financial statements to retrospectively reflect the final adjustments to the provisional allocation of the purchase price for the WCL acquisition. Additionally, we have also audited the adjustments to earnings per share, as described in note 26, to retroactively reflect as outstanding in all periods the shares held by PEH, the parent, immediately prior to the initial public offering.

As discussed in Note 1 to the consolidated financial statements, the Company has changed its accounting policy for rent and depreciation expenses for premium schools.

/s/ PricewaterhouseCoopers

Hong Kong

19 November 2014, except for the change in accounting policy for rent and depreciation expenses for premium schools, as described in Note 1, as to which the date is 29 May 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Report of Independent Registered Public Accounting Firm

To the Directors and shareholders of Nord Anglia Education, Inc:

In our opinion, the accompanying consolidated balance sheet as of August 31, 2013 and the related consolidated income statements, consolidated statements of comprehensive income, of changes in equity and consolidated cash flows statements for each of the two years in the period ended August 31, 2013, before the effects of the adjustments to retrospectively reflect the final adjustments to the provisional allocation of the purchase price for the WCL Group Limited described in Note 2 and adjustments to earnings per share, as described in note 26, to retroactively reflect as outstanding in all periods the shares held by PEH, the parent, immediately prior to the initial public offering, present fairly, in all material respects, the financial position of Nord Anglia Education, Inc and its subsidiaries at August 31, 2013, and the results of its operations and cash flows for each of the two years in the period ended August 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (the 2013 financial statements before the effects of the adjustments discussed in Note 2 and Note 26 are not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits, before the effects of the adjustments described above, of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect the final adjustments to the provisional allocation of the purchase price for the WCL Group Limited described in Note 2 and adjustments to earnings per share, as described in note 26, to retroactively reflect as outstanding in all periods the shares held by PEH, the parent, immediately prior to the initial public offering, and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

As discussed in Note 1 to the consolidated financial statements, the Company has changed its accounting policy for rent and depreciation expenses for premium schools.

/s/ PricewaterhouseCoopers LLP

East Midlands

United Kingdom

4 December 2013, except for the change in accounting policy for rent and depreciation expenses for premium schools, as described in Note 1, as to which the date is 29 May 2015

CONSOLIDATED INCOME STATEMENT
FOR THE THREE YEARS ENDED 31 AUGUST 2014

	Note	2012 \$m	2013 \$m	2014 \$m
Revenue	3	274.4	323.7	474.6
Cost of sales		(162.4)	(190.4)	(280.3)
Gross profit		112.0	133.3	194.3
Selling, general and administrative expenses*		(58.3)	(64.5)	(92.9)
Depreciation	10	(0.3)	(0.4)	(2.0)
Amortisation	11	(3.5)	(5.7)	(10.4)
Impairment of goodwill	5	(10.7)	—	—
Exceptional expense	4	(12.5)	(17.7)	(100.2)
Total selling, general and administrative expenses	5	(85.3)	(88.3)	(205.5)
Operating profit/(loss)		26.7	45.0	(11.2)
Finance income	8	2.0	2.3	2.0
Finance expense	8	(49.7)	(51.3)	(55.5)
Net financing expense		(47.7)	(49.0)	(53.5)
Loss before tax		(21.0)	(4.0)	(64.7)
Income tax expense	9	(16.4)	(19.3)	(25.7)
Loss for the year		<u>(37.4)</u>	<u>(23.3)</u>	<u>(90.4)</u>
Attributable to:				
Equity holders of the company		<u>(37.4)</u>	<u>(23.3)</u>	<u>(90.4)</u>
Loss per share from continuing operations attributable to equity holders of the company during the year (expressed in \$ per share):				
Basic loss per share	26	<u>(0.52)</u>	<u>(0.34)</u>	<u>(1.07)</u>
Diluted loss per share	26	<u>(0.52)</u>	<u>(0.34)</u>	<u>(1.07)</u>

* Excludes depreciation, amortisation, impairment of goodwill and exceptional expenses.

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE YEARS ENDED 31 AUGUST 2014

	<u>Note</u>	<u>2012</u> <u>\$m</u>	<u>2013</u> <u>\$m</u>	<u>2014</u> <u>\$m</u>
Loss for the year		(37.4)	(23.3)	(90.4)
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Actuarial (losses)/gains on defined benefit pension plans	18	(16.3)	7.7	(5.1)
<i>Items that may be subsequently reclassified to profit or loss</i>				
Foreign exchange translation differences		(20.7)	9.9	(10.9)
Other comprehensive (loss)/income for the period, net of income tax		(37.0)	17.6	(16.0)
Total comprehensive loss for the year		(74.4)	(5.7)	(106.4)
Attributable to:				
Equity holders of the company		(74.4)	(5.7)	(106.4)
Total comprehensive loss for the year		(74.4)	(5.7)	(106.4)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2013 AND 2014

	<u>Note</u>	<u>2013 \$m</u>	<u>2014 \$m</u>
Non-current assets			
Property, plant and equipment	10	98.2	140.1
Intangible assets	11	763.4	801.5
Investments in jointly controlled entities		0.5	0.5
Trade and other receivables	14	12.4	9.2
Deferred tax assets	13	21.2	20.9
		<u>895.7</u>	<u>972.2</u>
Current assets			
Tax receivable		1.0	1.6
Trade and other receivables	14	83.2	94.8
Cash and cash equivalents	15	171.1	166.2
		<u>255.3</u>	<u>262.6</u>
Total assets		<u>1,151.0</u>	<u>1,234.8</u>
Current liabilities			
Other interest-bearing loans and borrowings	16	(30.6)	(23.2)
Trade and other payables	17	(364.0)	(387.7)
Provisions for other liabilities and charges	19	(3.6)	(0.5)
Current tax liabilities		(4.2)	(1.7)
		<u>(402.4)</u>	<u>(413.1)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	16	(630.4)	(499.2)
Other payables	17	(38.5)	(55.9)
Retirement benefit obligations	18	(22.2)	(25.8)
Provisions for other liabilities and charges	19	(2.2)	(1.2)
Deferred tax liabilities	13	(35.3)	(45.5)
		<u>(728.6)</u>	<u>(627.6)</u>
Total liabilities		<u>(1,131.0)</u>	<u>(1,040.7)</u>
Net assets		<u>20.0</u>	<u>194.1</u>
Equity attributable to equity holders of the parent			
Share capital	20	67.5	1.0
Share premium	20	256.5	597.1
Other reserves		6.9	10.3
Currency translation reserve		9.8	(1.1)
Shareholder deficit		(320.7)	(413.2)
Shareholders' funds		<u>20.0</u>	<u>194.1</u>

See accompanying notes to the consolidated financial statements.

These financial statements were approved and authorised for issuance by the board of directors on 19 November 2014, except for the change in accounting policy for rent and depreciation expenses for premium schools, as described in Note 1, as to which the date is 28 May 2015 and were signed on its behalf by:

A Fitzmaurice

Director

19 November 2014, except for the change in accounting policy for rent and depreciation expenses for premium schools, as described in Note 1, as to which the date is 28 May 2015

G Halder

Director

19 November 2014, except for the change in accounting policy for rent and depreciation expenses for premium schools, as described in Note 1, as to which the date is 28 May 2015

Company number: MC-264950

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE YEARS ENDED 31 AUGUST 2014

	Share capital \$m	Share premium \$m	Other reserves \$m	Currency translation reserves \$m	Shareholders' deficit \$m	Total parent equity \$m
Balance at 1 September 2011	67.5	0.1	6.9	20.6	(232.6)	(137.5)
Total comprehensive loss for the year						
Loss for the year	—	—	—	—	(37.4)	(37.4)
Currency translation differences	—	—	—	(20.7)	—	(20.7)
Actuarial losses on defined benefit pension schemes	—	—	—	—	(16.3)	(16.3)
Total comprehensive loss for the year	—	—	—	(20.7)	(53.7)	(74.4)
Transactions with owners, recorded directly in equity						
Debt for preference share swap (see note 20)	—	368.7	—	—	—	368.7
Preference shares repurchase (see note 20)	—	(0.1)	—	—	—	(0.1)
Share redemption (see note 20)	—	(113.5)	—	—	—	(113.5)
Equity-settled share based payment transactions	—	—	—	—	0.6	0.6
Total contributions by and distributions to owners	—	255.1	—	—	0.6	255.7
Balance at 31 August 2012 and 1 September 2012	67.5	255.2	6.9	(0.1)	(285.7)	43.8
Total comprehensive loss for the year						
Loss for the year	—	—	—	—	(23.3)	(23.3)
Currency translation differences	—	—	—	9.9	—	9.9
Actuarial gains on defined benefit pension schemes	—	—	—	—	7.7	7.7
Total comprehensive income/ (loss) for the year	—	—	—	9.9	(15.6)	(5.7)
Transactions with owners, recorded directly in equity						
Issue of preference shares (see note 20)	—	140.0	—	—	—	140.0
Preference shares redemption (see note 20)	—	(138.7)	—	—	—	(138.7)
Equity-settled share based payment transactions	—	—	—	—	0.1	0.1
Payment to ultimate parent for common control business transfer (see note 1)	—	—	—	—	(19.5)	(19.5)
Equity dividends paid	—	—	—	—	0.0	0.0
Total contributions by and distributions to owners	—	1.3	—	—	(19.4)	(18.1)
Balance at 1 September 2013	67.5	256.5	6.9	9.8	(320.7)	20.0
Total comprehensive loss for the year						
Loss for the year	—	—	—	—	(90.4)	(90.4)
Currency translation differences	—	—	—	(10.9)	—	(10.9)
Actuarial losses on defined benefit pension schemes	—	—	—	—	(5.1)	(5.1)
Total comprehensive loss for						

the year	—	—	—	(10.9)	(95.5)	(106.4)
Transactions with owners, recorded directly in equity						
Proceeds from ordinary shares issued	1.0	348.6	—	—	—	349.6
Issue of preference shares	0.0	3.8	—	—	—	3.8
Contribution from parent	0.0	14.5	—	—	—	14.5
Transaction cost recognised directly in equity	—	(29.6)	—	—	—	(29.6)
Return of capital to pre IPO shareholders	(67.5)	4.0	—	—	—	(63.5)
Forgiveness of the loan	—	14.3	—	—	—	14.3
Distribution to parent	—	(15.0)	—	—	—	(15.0)
Equity-settled share based payment transactions	—	—	—	—	3.0	3.0
Debentures issued	—	—	3.4	—	—	3.4
Equity dividends paid	—	—	—	—	0.0	0.0
Total contributions by and distributions to owners	(66.5)	340.6	3.4	—	3.0	280.5
Balance at 31 August 2014	1.0	597.1	10.3	(1.1)	(413.2)	194.1

See accompanying notes to the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE THREE YEARS ENDED 31 AUGUST 2014

	Note	2012 \$m	2013 \$m	2014 \$m
Cash flows from operating activities				
Loss for the year before taxation		(21.0)	(4.0)	(64.7)
<i>Adjustments for:</i>				
Depreciation and amortisation		24.1	17.4	33.8
Refinancing fees		—	—	10.0
Bond redemption expense				77.0
Bond issuance expense, net		7.6	3.4	—
Other non-cash item		0.4	—	(3.2)
Difference between pension contribution paid and amounts recognised in the consolidated income statement		(0.4)	(0.6)	—
Loss on sale of property, plant and equipment and intangible assets		0.3	0.1	0.1
Net financial expense	8	47.7	49.0	53.5
Equity settled share-based payment expenses		0.6	0.1	3.1
		<u>59.3</u>	<u>65.4</u>	<u>109.6</u>
Decrease/(increase) in trade and other receivables		1.7	(2.4)	(8.4)
Increase in trade and other payables		13.4	20.6	23.1
Cash generated from operations		<u>74.4</u>	<u>83.6</u>	<u>124.3</u>
Payment of bond redemption expense		—	—	(77.0)
Interest paid		(6.8)	(45.8)	(73.4)
Tax paid		(15.9)	(25.5)	(25.2)
Net cash generated from/(used in) operating activities		<u>51.7</u>	<u>12.3</u>	<u>(51.3)</u>
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment and intangible assets		0.1	0.2	0.1
Purchase of intangible assets		(0.8)	(0.3)	(0.7)
Acquisition of subsidiary, net	2	(17.7)	(240.5)	(35.1)
Acquisition of property, plant and equipment		(11.3)	(23.9)	(53.6)
Interest received	8	1.8	2.1	2.0
Net cash used in investing activities		<u>(27.9)</u>	<u>(262.4)</u>	<u>(87.3)</u>
Cash flows from financing activities				
Proceeds from the issue of share capital	20	0.0	140.0	323.8
Proceeds from new loan		25.7	178.5	577.0
Proceeds from issue of 10.25% Senior secured notes		325.0	180.0	—
Proceeds from issue of 8.50% Senior PIK toggle notes		—	150.0	—
Repayment of borrowings		(206.9)	(180.1)	(697.2)
Payment of borrowing expenses		(26.0)	(16.8)	—
Restructuring expenses		(6.5)	—	—
Debentures issued		—	—	8.6
Distribution to parent		—	(5.0)	(15.0)
Share capital redemption	20	(113.5)	(138.7)	(63.5)
Net cash (used in)/generated from financing activities		<u>(2.2)</u>	<u>307.9</u>	<u>133.7</u>
Net increase in cash and cash equivalents		21.6	57.8	(4.9)
Cash and cash equivalents at 1 September		89.2	108.5	171.1
Effect of exchange rate fluctuations on cash held		(2.3)	4.8	(0.0)
Cash and cash equivalents at 31 August	15	<u>108.5</u>	<u>171.1</u>	<u>166.2</u>

See accompanying notes to the consolidated financial statements.

1 Accounting policies

General information

Nord Anglia Education, Inc. ("the Company") was incorporated in the Cayman Islands on 14 December 2011 as an exempt company with limited liability under Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Offices of Maples Corporate Services, Uglan House, PO Box 309, Grand Cayman, KY1-1104, Cayman Islands.

The main activities of the Company and its subsidiaries (together "the Group") are the operation of Premium Schools worldwide.

Basis of preparation

The consolidated Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The Directors authorized the financial statements for issuance on November 19, 2014.

The accompanying revised financial statements were prepared and authorized by management on May 28, 2015 solely to reflect the change in accounting policy for the presentation of expenses in respect of Premium School land and building operating leases and depreciation charges arising from tangible assets owned by Premium Schools.

These expenses are now treated as a direct cost and are included in cost of sales. Previously, such expenses were recognized as part of selling and administrative expenses. The revised financial statements do not reflect any other subsequent events since November 19, 2014. The Company has elected to prepare its parent Company financial information in accordance with IFRS. The consolidated Group financial statements and Company financial information are presented in US Dollar, generally rounded to the nearest hundred thousand. They are prepared on the historical cost basis, except for certain financial instruments and pension assets that have been measured at fair value.

The consolidated Group financial statements for the three years ended 31 August 2014 represent the consolidated financial statements of the Group.

On 20 February 2012, Premier Education Holdings Limited ("PEH") exchanged all of its ordinary shares, preferred shares and loan notes in NAE PLC on a one-for-one basis for ordinary shares, preferred shares and loan notes in the Company. This transaction resulted in NAE PLC now being owned directly by the Company. Immediately prior to and after the exchange the main activities of the Group, as described above, are conducted by subsidiaries of NAE PLC.

The Company was a shell company prior to the reorganisation and was not involved in any other business prior to the exchange and does not meet the definition of a business. The exchange represented a capital reorganisation of entities under common control of PEH. Accordingly, the consolidated Group financial statements for the periods presented include the existing entity's full results even though the reorganisation occurred part way through the year. This reflects the view that the transaction involved two entities controlled by the same controlling party, therefore the consolidated Group financial statements reflect the numbers from the perspective of that party and they reflect the period over which that party has had control.

The Company has a US dollar functional currency and the Group adopts a US dollar presentational currency.

1 Accounting policies (Continued)

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

Basis of consolidation

The consolidated Group financial statements consist of the financial statements of the Group and the Group's share of its interests in joint ventures. The consolidated financial statements include the results and operations of certain subsidiaries where the group has less than 1.50% interest in the share capital (note 12). In situations where the group has a less than 100% interest, the group considers further factors such as voting rights and exposure to variable returns in order to determine whether or not it controls the subsidiary. Details of the group's assessment with regard to new schools acquired in the year are disclosed in note 2.

- **Subsidiaries**

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

- **Joint ventures**

The Group's share of the results of joint ventures is included in the Group Income Statement using the equity method of accounting. Investments in joint ventures are carried in the Group Balance Sheet at cost plus post acquisition changes in the Group's share of the net assets of the entity, less any impairment in value.

If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture.

Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity.

The Group's jointly controlled entity has an accounting year end which is coterminous with the Group.

Adoption of new and amended International Financial Reporting Standards

- IAS 1 (amended) 'Financial statement presentation' changes the grouping of items presented in the Group Statement of Comprehensive Income of that items which may be reclassified to income statement in the future are presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact to the Group's financial position or performance.
- IAS 19 'Employee benefits (Revised 2011)' amends the accounting for employee benefits. The standard replaces the interest costs and expected return on planned assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The amendment has reduced profit for the year (net of deferred tax) by \$0.3 million for the year ended 31 August 2013. No material impact on prior year figures therefore it has not been restated.

1 Accounting policies (Continued)

- IFRS 13 'Fair value measurement' establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair value, some of which replace existing disclosure requirements in other standard, including IFRS 7 'Financial Instruments: Disclosures'.
- IFRS 7 (amended) 'Financial Instruments: Disclosures' requires the disclosure on rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangements.
- Annual Improvements 2009—2011 which includes changes to IAS 1 'Financial Statement Presentation', IAS 32 'Financial Instruments: Presentation', IAS 34 'Interim Financial Reporting' and IAS 16 'Property, plant and equipment'. The adoption of these has not had any significant impact on the amounts reported in the Group financial statements.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable in the ordinary course of the Group's activities.

Sales of services which have been invoiced but not yet recognised as revenue are included on the balance sheet as deferred income and accounted for within trade and other payables.

- *School fee income*

School fee income comprises tuition fees and income from ancillary sources including examinations, school trips, bus transportation and lunch fees.

School fee income is recognised over the school terms, Term 1 being late August / early September to December, Term 2 January to March and Term 3 April to June. School fees are payable in advance on or before the first day of each term and are recognised across the months of each term. Where fees are received in advance for more than one term, the income is recognised over the months in the terms for which payment has been made.

- *Service contracts*

Revenue is proportionally recognised as we provide services, however, when there are performance criteria that may adjust the total revenue earned attached to the contract under which we provide services, we do not recognise revenue until it is probable that the performance criteria have been met.

Amounts recoverable on contracts, disclosed within trade and other receivables, is the amount by which revenue recognised exceeds payments on account received. Services which have been invoiced but not yet provided are included on the balance sheet as deferred income and are accounted for within trade and other payables.

The method of revenue recognition requires an element of judgment to be applied to estimating total revenue and costs including assumptions relative to the performance of contract Key Performance Indicators ("KPI") and contractual deliverables. Contract revenue and performance are continually monitored over the term of the contract and are subject to revision as each contract progresses. When revisions in estimated contract revenue are determined, such adjustments are recorded in the period in

1 Accounting policies (Continued)

which they are identified. Anticipated claims against contracts are recognised in the period they are deemed probable and can be reasonably estimated.

Expenses

- *Cost of sales*

Cost of sales consist principally of salary and benefits for school principals and teaching staff and lecturers employed in our Premium Schools and Learning Services businesses, plus the costs of teaching materials as well as expenses for the provision of school lunches, bus services and athletics programmes. It also includes the expenses in respect of Premium School land and building operating leases and depreciation charges arising from tangible assets owned by Premium Schools. For the Learning Services businesses the costs are recognised as incurred. For the Premium Schools business these costs are recognised as incurred, being the 10 months over which teaching services are provided and as such they follow the same recognition period as the relevant fee income. This cost also includes the cost of independent consultants we use in the delivery of our Learning Service contracts, which can be a material cost under some of these contracts.

- *Selling, general and administrative expenses*

Selling, general and administrative expenses consist of several cost categories including salary and benefits for our senior management team and other personnel engaged in finance, human resources, education policy and quality, legal compliance, information systems and infrastructure and other corporate functions at our corporate headquarters. In addition, this category of expense encompasses salary and benefits for regional personnel supporting our operations in China, North America, Europe, Middle East/South East Asia and Others. Additionally, this category includes business travel costs, advertising and promotion expenses, conference costs, general liability insurance premiums, communication costs, bad debt expense, training costs and other. Travel costs are a significant component as this expense category includes costs of our own internal staff. Finally, this category includes property costs which comprise all property-related costs associated with the operation of our business, including rent, service charges, repair and renewal costs, property taxes and utilities costs paid under leases for our corporate headquarters, regional offices, and office space used in our Learning Services business.

Foreign exchange

Transactions in foreign currencies are translated at the exchange rate on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. All differences are taken to the Consolidated Income Statement.

The assets and liabilities of overseas subsidiaries denominated in foreign currencies are translated into US Dollars at exchange rates prevailing at the date of the Consolidated Balance Sheet; profits and losses are translated at average exchange rates for the relevant accounting periods. Exchange differences arising are recognised in the Group Statement of Comprehensive Income and are included in the Group's Currency translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1 Accounting policies (Continued)

Post-employment and similar obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share based payments

The Group operates a share based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted and estimation of the number of options that expect to vest.

Fair value is calculated using the Black Scholes Option Pricing Model, the details of which are disclosed in Note 18.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items are principally early termination of debt instruments, restructurings, costs related to the acquisition of subsidiaries and other significant transactions not expected to occur as part of normal operating activities.

1 Accounting policies (Continued)

Borrowings and borrowing costs

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowing costs are expensed in the period in which they are incurred, except for issue costs, which are amortised over the period of the borrowing.

Taxation

The tax expense included in the Group Income Statement consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the balance sheet date. Tax expense is recognised in the Group Income Statement except to the extent that it relates to items recognised in the Group Statement of Comprehensive Income or directly in the Group Statement of Changes in Equity, in which case it is recognised in the Group Statement of Comprehensive Income or directly in the Group Statement of Changes in Equity, respectively.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Provisions are made for deferred tax that would arise on remittance of the retained earnings of oversea subsidiaries.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the Group Income Statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also recognised in equity, or other comprehensive income, respectively.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set-off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the Group's shareholders.

Business combinations and goodwill

The Group accounts for all business combinations by applying the purchase method. All acquisition-related costs are expensed.

1 Accounting policies (Continued)

On acquisition, the assets (including any intangible assets), liabilities and contingent liabilities of an acquired entity are measured at fair value. Non-controlling interest is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised.

Goodwill arising on consolidation represents the excess of the consideration transferred over the net fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired subsidiary, joint venture or associate and the fair value of the non-controlling interest in the acquire. If the consideration is less than the fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired entity (i.e. a discount on acquisition), the difference is credited to the Consolidated Income Statement in the period of acquisition.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair values of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

At the acquisition date of a subsidiary, goodwill acquired is recognised as an asset and is allocated to each of the cash-generating units expected to benefit from the business combination's synergies. Goodwill by CGU is allocated into the appropriate operating segment based on geographical region and is monitored and tested for impairment at this level by management. Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment.

On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Common control transactions

For the initial acquisition of a business from an entity under common control, the Group's policy is to account for the business combination using IFRS 3 fair value accounting and to account for the acquired business from date of acquisition. For businesses that are reacquired by the Group from an entity under common control (previously acquired, sold to an entity under common control and then reacquired), the Group's policy is to retrospectively restate results using the Predecessor method of accounting, (i.e., the cost basis of the Baring Private Equity Asia Group), and removing the effect of the prior acquisition and previous disposal. Where the Group disposes of a business to an entity under common control, and the Group loses control, the Group's policy is to apply IFRS 5 and IAS 27 to recognise that disposal and the resulting gain or loss.

On 1 April 2013 the Group completed the transfer of British International School LLC from Premier Education Limited for \$19.5 million. As this transaction involved the reacquisition of the company from a control party the predecessor method of accounting has been applied in the presentation of the consolidated financial statements for the years ended 31 August 2014 and 31 August 2013. These statements present the results of the Group as if the British International School LLC had always been part of the Group. Accordingly, the assets and liabilities transferred to the Company have been recognised at the historical cost to the Baring Private Equity Asia Group. As this is a consistent application of our accounting policy, we do not consider this accounting to be either

1 Accounting policies (Continued)

a restatement due to an error or due to a change in accounting policy. We have not disclosed further details of the impact of retrospectively restating our results using the predecessor method of accounting as the British International School LLC has not had a significant impact on our operations in the periods presented.

Acquired intangible assets

Separately acquired intangible assets, such as Brands/trademarks, customer relationships, contracts and software are measured initially at cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangibles with finite useful lives are carried at cost and are amortised on a straight line basis over their estimated useful lives, as follows:

Customer relationships	6 to 10 years straight line
Brands	50 years
Contracts	Length of contract on a straight line basis
Curriculum products & Intellectual property	3 years straight line
Computer software	3 years straight line

Brand name

Legally protected or otherwise separable brand names acquired as part of a business combination are capitalised at fair value on acquisition. Management's expectation is to retain brand names within the business for an indefinite life due to the nature and premium associated with the brand names that the Group has acquired, as such they are not amortised and are therefore subject to an annual impairment review. Brand names with finite useful lives are carried at cost and are amortised on a straight-line basis over their estimated useful lives, at 2% of cost per annum.

Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write-off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives. Estimated useful lives and depreciation rates are as follows:

Freehold and long leasehold buildings	2 to 4% straight line
Short leasehold land and buildings	The unexpired term of the lease on a straight line basis
Computer equipment	3 to 6 years straight line
Motor vehicles	4 to 5 years straight line
Fixtures and fittings	3 to 7 years straight line

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, over the term of the relevant lease.

1 Accounting policies (Continued)

Impairment of non-financial assets

Goodwill is initially allocated to a cash generating unit ('CGU') but is subsequently only monitored and tested for impairment at an operating segment level. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each operating segment to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell, and value in use. When the recoverable amount of the operating segment is less than the carrying amount, an impairment loss is recognised. Any impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed.

For all other non-financial assets (including intangible assets and property, plant and equipment) the Group performs impairment testing where there are indicators of impairment. If such an indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years). A reversal of an impairment loss is recognised immediately as a credit to the Group Income Statement.

Leasing

Where assets are financed by leasing agreements where the risks and rewards are substantially transferred to the Group ("finance leases") the assets are treated as if they had been purchased outright and are depreciated in accordance with the policy stated above. The assets which are held under finance leases and similar hire purchase contracts are recorded in the balance sheet as non-current assets on the lease commencement date at the lower of fair value and present value of minimum lease payments. The obligation to pay future rentals has been shown as a liability. The interest charged on finance leases is charged to the income statement over the lease period at a constant periodic rate of interest. Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are recognised in the income statement using the straight line basis over the lease term. Incentives from lessors are recognised as a systematic reduction of the charge over the periods benefiting from the incentives.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the entity that owes the receivable, probability that the entity that owes the receivable will enter bankruptcy

1 Accounting policies (Continued)

or financial reorganisation, and default or delinquency in payments (which is 60-75 days overdue depending on the nature of the invoice) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written-off against the allowance account for receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, term and call deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts with a right of set off are included within the balance sheet as cash and cash equivalents.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities

Derivative financial instruments are recognised at fair value, generally being the cost at the date a contract is entered into, and are subsequently re-measured at their fair value. Depending on the type of the derivative financial instrument, fair value calculation techniques include, but are not limited to, quoted market value and present value of estimated future cash flows (of which the valuation of interest rate instruments is an example).

Derivative assets and liabilities are classified as non-current unless they mature within one year from the balance sheet date.

Changes in fair value of interest rate swaps are charged to net financing costs over the period of the contracts, together with the interest differentials reflected in foreign exchange contracts.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events; and
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

1 Accounting policies (Continued)

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease. Provisions for dilapidation costs are recognised on a lease by lease basis.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Where the Group expects amounts to be received in relation to a provision, the reimbursement is recognised as a separate asset when its receipt is considered virtually certain.

Loss contingencies

The Group is subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to the business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. When a claim or potential claim is identified, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, a liability for the loss is recorded in the income statement. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the claim is disclosed if the likelihood of a potential loss is reasonably possible and the amount of the potential loss could be material. For matters where no loss contingency is recorded, legal fees are expensed as incurred.

Share capital

Share capital issued by the Group is recorded at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Equity instruments

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's

1 Accounting policies (Continued)

exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Going concern

The Group balance sheet as at 31 August 2014 shows that assets exceed liabilities by \$194.1 million (2013:\$20.0 million).

The directors have reviewed the latest guidance relating to going concern and, having made all relevant enquiries, have formed a judgement at the date of the approval of the financial statements that the Group has adequate resources at its disposal to continue its operations for the foreseeable future. This judgement is based on a review undertaken of the current business forecast to 31 August 2015 and the projected cash requirements over that period to assess the likelihood of the Group being able to continue as a going concern. Suitable sensitivities were run for the periods up to 31 August 2015 to assess the headroom available.

At 31 August 2014 the Group had available but undrawn borrowing facilities of \$44.0 million and based on the projected operating cash flows the Directors 'do not believe that there will be a requirement to increase this facility in the foreseeable future. The Group continues to generate strong operating cash flows and benefits from favourable working capital movements through the receipt of tuition fees in advance of the school year. Although the current liabilities exceed current assets by \$150.5 million (2013: \$147.1 million), the main reason for this is the receipt of tuition fees in advance of the school year generating deferred income of \$324.0 million which is not considered to be a cash cost in the coming year due to the low historical redemption rates by students. In addition, the acquisitions of subsidiaries are timed such as to optimise the cash impact by taking into account the working capital cycle of the acquiree.

This review concluded that there were no material uncertainties that potentially could give rise to a significant doubt about the business continuing as a going concern.

Change in Accounting Policy

In 2015 Nord Anglia Education changed its accounting policy for expenses in respect of Premium School land and building operating leases and depreciation charges arising from tangible assets owned by Premium Schools. These expenses are now treated as a direct cost and are included in cost of sales. Previously, such expenses were recognized as part of selling and administrative expenses. Please refer to the reconciliation table for Adjusted Cost of Sales and Adjusted Gross Profit. We consider this new policy to be more in line with market practice and have applied this policy retrospectively. This change does not affect revenue, operating profit, profit for the period, earnings per share, Adjusted EBITDA,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (Continued)

1 Accounting policies (Continued)

Adjusted Net Income or Adjusted Earnings per Share and does not affect the financial covenants under the Company's senior secured term loan facility.

	Year Ended August 31, 2014,		Difference
	As previously reported	As revised	
Cost of sales	(214.4)	(280.3)	(65.9)
Gross profit	260.2	194.3	(65.9)
Selling, general and administrative expenses	(137.4)	(92.9)	44.5
Depreciation	(23.4)	(2.0)	21.4
Amortisation	(10.4)	(10.4)	—
Exceptional expenses	(100.2)	(100.2)	—
Operating profit	(11.2)	(11.2)	—

	Year Ended August 31, 2013,		Difference
	As previously reported	As revised	
Cost of sales	(147.6)	(190.4)	(42.8)
Gross profit	176.1	133.3	(42.8)
Selling, general and administrative expenses	(96.0)	(64.5)	31.5
Depreciation	(11.7)	(0.4)	11.3
Amortisation	(5.7)	(5.7)	—
Exceptional expenses	(17.7)	(17.7)	—
Operating profit	45.0	45.0	—

	Year Ended August 31, 2012,		Difference
	As previously reported	As revised	
Cost of sales	(126.5)	(162.4)	(35.9)
Gross profit	147.9	112.0	(35.9)
Selling, general and administrative expenses	(84.6)	(58.3)	26.3
Depreciation	(9.9)	(0.3)	9.6
Amortisation	(3.5)	(3.5)	—
Impairment of goodwill	(10.7)	(10.7)	—
Exceptional expenses	(12.5)	(12.5)	—
Operating profit	26.7	26.7	—

Use of assumptions and estimates

The preparation of the consolidated Group financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

1 Accounting policies (Continued)

Critical estimates and assumptions that are applied in the preparation of the consolidated financial statements include:

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date.

Goodwill acquired in a business combination was allocated, at the date of acquisition, to the cash generating unit that benefitted from that business combination. The directors consider that a cash-generating unit is generally an individual school or contract. For the purposes of testing for impairment to goodwill annually, the cash generating units are generally grouped into geographical regions on a basis consistent with the group's assessment of operating segments under IFRS 8 as this represents the lowest level at which management monitors goodwill. For all other non-current assets, where an impairment trigger is identified, impairment of those assets is tested for at the cash generating unit level.

Goodwill is recognised as an asset. It is not subject to annual amortisation, but is assessed for impairment at least annually or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the goodwill are calculated on a discounted cash flow basis by applying appropriate long-term growth rates and discount rates, based on historic trends adjusted for management's estimates of future prospects, to the cash generating units on an individual basis. Both the calculated recoverable value of goodwill and any impairment adjustment could vary significantly if different long-term growth rates and discount rates were applied.

For the purpose of determining potential goodwill impairment, recoverable amounts are determined from value-in-use calculations using cash flow projections covering a five-year period. The growth rate assumptions used in the projections were based on past performance and management's expectations of market developments. The annual growth rate used to determine the cash flows beyond the five-year period has been set at 1.5% across the European and North American markets and 2.0% in the China and ME/SEA markets. When testing for impairment the Group applies a discount rate commensurate to each operating segment. The aggregate discount rate that was used for this testing as of 31 August 2014 was 7.6% (2013—13.4%).

Intangible assets

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.

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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level and are not amortised. The useful life of an intangible asset with an

1 Accounting policies (Continued)

indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The initial identification of intangible assets requires considerable judgment in respect of the classification of the assets and in the assessment of their life. In addition, 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 equally require continuing assessment of the above factors as well as continuous assessment of the assets' lives.

Gains and losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Revenue recognition—Service contracts

Service contract revenue represents a material income stream for the Group. Under certain contracts, the revenue, or an element of the revenue, is only receivable if Key Performance Indicators, "KPIs", built into the contract terms have been met and the services have been delivered in line with the contract terms. A KPI is a measurable performance condition, for which documentary evidence can be supplied, agreed between the Group and its customers, and which is used as a basis to recognise income. Therefore revenue is only recognised as and when services are performed, if the Group can estimate that it is probable that KPIs and contract deliverables have been met. Where it has not been determined whether KPIs have been met, the element of the revenue relating to meeting these terms is deferred.

Contract revenue and performance are continually monitored over the term of the contract and are subject to revision as each contract progresses. KPIs are such that they can be measured internally, although in certain cases may require validation by the customer. When revisions in estimated contract revenue are determined, such adjustments are recorded in the period in which they are identified. The Group has sufficient history of monitoring KPI performance to understand the accuracy of its monitoring procedures, and as a result few adjustments arise to estimates that have been made other than to recognise revenue that has previously been deferred, due to the probable recognition criteria not yet being met. Furthermore the nature of the Group's contracts and their alignment to the academic year mean that the level of estimation required at a fiscal year end is considerably less than at any interim period.

Share based payments

The Group operates an equity settled share based compensation plan.

The fair value of the employee services received under share based payment plans is recognised as an expense in the income statement. Fair value is calculated by using the Black Scholes Option Pricing Model for share option schemes and the Binomial method for long term incentive plans. The amount charged over the vesting period is determined by reference to the fair value of share incentives excluding the impact of any non-market vesting conditions. Non-market vesting conditions are considered within the assumptions to estimate the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement over the

1 Accounting policies (Continued)

remaining vesting period with corresponding adjustments made to equity. The cash payment is accounted for as a reduction to shareholders' equity, except when the cash settlement exceeds the fair value of the equity instruments that would have been issued, for which such amount is recorded to expense.

The application of both the Black-Scholes Option Pricing Model and the Binomial method require the application of a number of judgments including, the following; volatility, risk free interest rate, expected life to exercise. Accordingly the recognition of the fair value expense of the employee services received under share based payment plans could vary if significantly different assumptions were applied to the valuation models.

Recent accounting pronouncements

The Group considers that there are no relevant standards or relevant interpretations mandatory for the current accounting period that have not been applied.

As of the date of authorisation of these financial statements, the following standards were in issue. The Group has not applied these standards in the preparation of the financial statements:

- IAS 19 (amended) 'Employee Benefits' is effective for periods commencing on or after 1 July 2014. It clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.
- IAS 32 (Amended) 'Financial instruments: Presentation' is effective for periods commencing on or after 1 January 2014. The IAS 32 amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amounts disclosure is effective for periods commencing on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IFRSs 10, 11 and 12 on transition guidance is effective for annual periods beginning on or after 1 January 2014. These amendments provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.
- Annual Improvements 2010—2012 is effective for periods commencing on or after 1 July 2014. It includes changes to IFRS 2 ('Share-based payments'), IFRS 3 ('Business combinations'), IFRS 8 ('Operating segments'), IFRS 13 ('Fair value measurement'), IAS 16 ('Property, plant and equipment'), IAS 38 ('Intangible assets') and IAS 24 ('Related party disclosures').
- Annual Improvements 2011—2013 is effective for periods commencing on or after 1 July 2014. It includes changes to IFRS 3 ('Business combinations'), IFRS 13 ('Fair value measurement') and IAS 40 ('Investment property').

1 Accounting policies (Continued)

As of the date of authorisation of these financial statements, the following standards were in issue but not yet effective. The Group has not applied these standards in the preparation of the financial statements:

- IFRS 9 'Financial instruments' currently does not include an effective date, but is available for early adoption. It is the first standard issued as part of a wider project to replace IAS 39. It retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: i) amortised cost and ii) fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.
- IFRS 15 'Revenue from contracts with Customers' is effective from annual periods beginning on or after 1 January 2017. The new standard applies to all contracts with customers except those that are within the scope of other IFRS. The core principle is that any entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Management does not anticipate that the adoption of the above standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, with the exception of IFRS 15 'Revenue from contracts with customers', which we are currently assessing the potential impact.

2 Business combinations

Subsidiaries acquired in the prior period

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred \$m
WCL Group Limited	Holding company	22/05/13	100%	134.6
BSG Limited	Holding company	25/07/13	100%	26.8
Uma Education Holdings Limited**	Holding company	02/08/13	90.6%	12.8

WCL Group Limited ("WCL"), BSG Limited ("BSG") and Uma Education Holdings Limited ("UMA") were acquired so as to continue the expansion of the Group's activities in Premium Schools internationally.

** Uma Education Holdings Limited is a non-trading holding company with a 49% ownership of Saint Andrews International School, a Premium School located in Bangkok, Thailand. 51% of the share capital is comprised of ordinary shares owned by two Thai shareholders. The ordinary shares are entitled to 1 vote per share and the preference shares are entitled to 10 votes per share, thus giving the Group an effective control of the business. The Group has right to 100% economic interest in the company whether in the form of dividends or on liquidation.

2 Business combinations (Continued)

Consideration transferred

	WCL Group Limited \$m	BSG Limited \$m	Uma Education Holdings Limited \$m
Cash	134.6	26.8	12.8
Total consideration transferred	<u>134.6</u>	<u>26.8</u>	<u>12.8</u>

Acquisition-related costs have been recognised as an expense, within the 'exceptional expenses' line item in the consolidated income statement.

Fair value of assets acquired and liabilities recognised at the date of acquisition

	WCL Group Limited \$m	BSG Limited \$m	Uma Education Holdings Limited \$m	Total \$m
Non-current assets				
Brand (see note 11)	25.2	4.1	2.2	31.5
Customer relationships (see note 11)	28.7	4.1	4.1	36.9
Curriculum products & Intellectual property (see note 11)	2.6	—	—	2.6
Computer software (see note 11)	0.5	—	—	0.5
Property, plant and equipment (see note 10)	44.6	2.4	0.6	47.6
Other receivables	0.1	0.4	—	0.5
Deferred tax assets (see note 13)	7.6	—	—	7.6
Current assets				
Trade and other receivables	22.8	0.2	3.0	26.0
Cash and cash equivalents	27.6	6.2	1.6	35.4
Current liabilities				
Trade and other payables	(85.3)	(8.3)	(4.6)	(98.2)
Loans and borrowings	(98.2)	—	—	(98.2)
Current tax liabilities	(3.0)	—	—	(3.0)
Non-current liabilities				
Other payables	(26.5)	—	0.0	(26.5)
Retirement benefit obligations	—	—	(0.1)	(0.1)
Deferred tax liabilities (see note 13)	(17.0)	(2.0)	—	(19.0)
	<u>(70.3)</u>	<u>7.1</u>	<u>6.8</u>	<u>(56.4)</u>

The net assets recognised in the 31 August 2013 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the assets acquired from WCL Group Limited. The valuation had not been completed by the date the 2013 financial statements were approved for issue by management.

In May 2014, the valuation was completed and the acquisition date fair value of property, plant and equipment was \$44.6 million, an increase of \$7.7 million over the provisional value. Furthermore,

2 Business combinations (Continued)

the acquisition date fair value of trade and other payables and non-current other payables were \$85.3 million and \$26.5 million respectively, an increase of \$3.7 million and \$18.9 million over the provisional amounts. As a result, there was a net decrease in the deferred tax liabilities of \$5.2 million. There was also a corresponding increase in goodwill of \$9.7 million, resulting in \$204.9 million of total goodwill arising on the acquisition. The increased depreciation charge on the property, plant and equipment from the acquisition date to 31 August 2013 was not considered to be material to the Group.

Goodwill arising on acquisition

	WCL Group Limited \$m	BSG Limited \$m	Uma Education Holdings Limited \$m	Total \$m
Consideration transferred	134.6	26.8	12.8	174.2
Less: fair value of identifiable net assets acquired	70.3	(7.1)	(6.8)	56.4
Goodwill arising on acquisition (see note 11)	<u>204.9</u>	<u>19.7</u>	<u>6.0</u>	<u>230.6</u>

Goodwill arose from the three acquisitions. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and assembled workforce of the acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	Total \$m
Consideration paid in cash	174.2
Consideration paid in cash in respect of prior year acquisition*	3.5
Debt settlement**	98.2
Less: cash and cash equivalents acquired	(35.4)
	<u>240.5</u>

* Consideration paid in cash in respect of prior year acquisition relates to the 1st tranche of the deferred consideration for EEE Limited.

** The consideration transferred in respect of the WCL acquisition excludes an amount of \$98.2 million for settlement of third party bank debt and shareholder loan notes which were triggered by a change of control clause upon the business combination. This amount has not been recognised as the consideration transferred from an IFRS3 perspective.

2 Business combinations (Continued)

Impact of acquisitions on the results of the Group

Included in the loss for the year is \$3.4 million loss attributable to WCL, \$0.4 million profit attributable to BSG and \$nil attributable to UMA. Revenue for the year is \$15.2 million attributable to WCL, \$0.7 million attributable to BSG and \$nil attributable to UMA.

Had these business combinations been effected at 1 September 2012, the revenue of the Group from continuing operations would have been \$442.9 million, and the loss for the year from continuing operations would have been \$23.3 million. The Directors consider these unaudited 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the unaudited 'pro-forma' amounts of the Group had these acquisitions been effected at the beginning of the current year, the Directors have assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 September 2012.

Subsidiaries acquired in the current period

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred \$m
Dover Court International School (Pte.) Limited	Premium School	22/04/14	100%	25.2
Neptune Education Holdings Limited	Holding Company	10/07/14	100%	20.0

Dover Court Preparatory School and Neptune Education Holdings Limited (Northbridge International School Cambodia) were acquired so as to continue the expansion of the Group's activities in Premium Schools internationally.

Consideration transferred

	Dover Court Preparatory School \$m	Neptune Education Holdings Limited \$m
Cash	25.2	15.0
Deferred consideration	—	5.0
Total consideration transferred	25.2	20.0

Acquisition-related costs have been recognised as an expense, within the 'exceptional expenses' line item in the consolidated income statement.

2 Business combinations (Continued)

Fair value of assets acquired and liabilities recognised at the date of acquisition

	Dover Court International School (Pte.) Limited \$m	Neptune Education Holdings Limited \$m	Total \$m
Non-current assets			
Brand (see note 11)	7.2	7.7	14.9
Customer relationships (see note 11)	11.2	8.8	20.0
Property, plant and equipment (see note 10)	3.0	0.7	3.7
Current assets			
Trade and other receivables	1.5	0.1	1.6
Cash and cash equivalents	9.7	0.1	9.8
Current liabilities			
Trade and other payables	(10.3)	(0.1)	(10.4)
Current tax liabilities	(0.3)	(0.2)	(0.5)
Non-current liabilities			
Deferred tax liabilities (see note 13)	(3.1)	(3.3)	(6.4)
	<u>18.9</u>	<u>13.8</u>	<u>32.7</u>

The initial accounting for the acquisitions of Dover Court International School (Pte.) Limited ("Dover Court") and Neptune Education Holdings Limited ("Northbridge") has only been provisionally determined at the end of the reporting period.

Goodwill arising on acquisition

	Dover Court Preparatory School \$m	Neptune Education Holdings Limited \$m	Total \$m
Consideration transferred	25.2	20.0	45.2
Less: fair value of identifiable net assets acquired	(18.9)	(13.8)	(32.7)
Goodwill arising on acquisition (see note 11)	<u>6.3</u>	<u>6.2</u>	<u>12.5</u>

Goodwill arose from the two acquisitions. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and assembled workforce of the acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

2 Business combinations (Continued)

Net cash outflow on acquisition of subsidiaries

	Total \$m
Consideration paid in cash	40.2
Consideration paid in cash in respect of prior year acquisition*	4.7
Less: cash and cash equivalents acquired	(9.8)
	<u>35.1</u>

* Consideration paid in cash in respect of prior year acquisition relates to the final tranche of the deferred consideration for EEE Limited.

Impact of acquisitions on the results of the Group

Included in the loss for the year is \$1.1 million and \$0.7 million profit attributable to Dover Court and Northbridge respectively. Revenue for the year is \$3.9 million attributable to Dover Court and \$1.7 million attributable to Northbridge.

Had these business combinations been effected at 1 September 2013, the revenue of the Group from continuing operations would have been \$488.5 million, and the loss for the year from continuing operations would have been \$87.6 million. The Directors consider these unaudited 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the unaudited 'pro-forma' amounts of the Group had these acquisitions been effected at the beginning of the current year, the Directors have assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 September 2013.

3 Segmental reporting

The Group's reporting segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Executive Committee ('EXCO') as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM considers the principal activities of the Group to be:

- Premium Schools and associated activities in:
- China—People's Republic of China and Hong Kong SAR;
- Europe—Switzerland, Slovakia, Hungary, Czech Republic, Spain, Poland;
- Middle East/South East Asia ('ME/SEA')—United Arab Emirates, Qatar, Thailand, Singapore, Cambodia; and
- North America—United States of America.
- Other—being the learning services division and Central & Regional head office costs.

3 Segmental reporting (Continued)

The CODM uses revenue and Adjusted EBITDA before exceptional items, as reviewed at monthly EXCO meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the financial year under evaluation. Revenue and Adjusted EBITDA before exceptional items is a consistent measure within the Group.

Segment Adjusted EBITDA before exceptional expenses ('Adjusted EBITDA') is an adjusted measure of operating profit and measures the performance of each segment before the impact of interest, tax, depreciation, amortisation, impairment, exceptional items & other management exceptional items, exchange gain/(loss) and loss on disposal of property, plant and equipment.

The segment results, the reconciliation of the segment measures to the respective statutory items included in the Consolidated income statement, the segment assets and other segment information are as follows:

<u>Year ended 31 August 2012</u>	<u>China \$m</u>	<u>Europe \$m</u>	<u>ME/SEA \$m</u>	<u>North America \$m</u>	<u>Other \$m</u>	<u>Total \$m</u>
Revenue	111.5	111.2	9.8	—	41.9	274.4
Adjusted EBITDA	53.8	25.6	(3.8)	—	(5.4)	70.2
Adjusted EBITDA margin	48.3%	23.0%	(38.8)%	—	(12.9)%	25.6%

<u>Year ended 31 August 2013</u>	<u>China \$m</u>	<u>Europe \$m</u>	<u>ME/SEA \$m</u>	<u>North America \$m</u>	<u>Other \$m</u>	<u>Total \$m</u>
Revenue	137.7	115.8	33.9	7.9	28.4	323.7
Adjusted EBITDA	66.8	22.7	5.9	0.3	(16.2)	79.5
Adjusted EBITDA margin	48.5%	19.6%	17.4%	3.8%	(57.0)%	24.6%

<u>Year ended 31 August 2014</u>	<u>China \$m</u>	<u>Europe \$m</u>	<u>ME/SEA \$m</u>	<u>North America \$m</u>	<u>Other \$m</u>	<u>Total \$m</u>
Revenue	165.6	136.0	86.0	68.8	18.2	474.6
Adjusted EBITDA	78.4	26.0	22.2	23.2	(22.4)	127.4
Adjusted EBITDA margin	47.3%	19.1%	25.8%	33.7%	(123.1)%	26.8%

The parent entity is domiciled in the Cayman Islands and did not generate external revenue during the years presented.

3 Segmental reporting (Continued)

Reconciliation of Adjusted EBITDA to profit after tax

2012	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Others \$m	Total \$m
Adjusted EBITDA	53.8	25.6	(3.8)	—	(5.4)	70.2
Adjustments:						
Exceptional items (see note 4)	(0.7)	(2.2)	(0.6)	—	(9.0)	(12.5)
Other management exceptional items	—	(0.8)	—	—	(1.2)	(2.0)
Exchange loss	(0.1)	(0.0)	—	—	(4.5)	(4.6)
Loss on disposal of property, plant and equipment	(0.1)	(0.0)	—	—	(0.2)	(0.3)
Depreciation	(3.7)	(3.7)	(1.9)	—	(0.6)	(9.9)
Amortisation	—	(0.0)	(0.0)	—	(3.5)	(3.5)
Impairment of goodwill	—	—	—	—	(10.7)	(10.7)
Operating profit/(loss)	49.2	18.9	(6.3)	—	(35.1)	26.7
Finance income	1.3	0.5	—	—	0.2	2.0
Finance expense	(1.0)	(0.3)	—	—	(48.4)	(49.7)
Profit/(loss) before tax	49.5	19.1	(6.3)	—	(83.3)	(21.0)
Tax	(13.4)	(2.6)	—	—	(0.4)	(16.4)
Profit/(loss) for the year attributable to equity holders of the parent	<u>36.1</u>	<u>16.5</u>	<u>(6.3)</u>	<u>—</u>	<u>(83.7)</u>	<u>(37.4)</u>

2013	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Others \$m	Total \$m
Adjusted EBITDA	66.8	22.7	5.9	0.3	(16.2)	79.5
Adjustments:						
Exceptional items (see note 4)	0.0	(2.1)	(2.1)	(0.9)	(12.6)	(17.7)
Other management exceptional items	—	—	—	—	(3.3)	(3.3)
Exchange (loss)/gain	(0.2)	(0.1)	0.3	0.8	3.2	4.0
Loss on disposal of property, plant and equipment	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Depreciation	(4.5)	(3.8)	(2.2)	(0.7)	(0.5)	(11.7)
Amortisation	—	(0.0)	(0.0)	(0.0)	(5.7)	(5.7)
Operating profit/(loss)	62.1	16.7	1.9	(0.5)	(35.2)	45.0
Finance income	1.9	0.3	0.0	0.0	0.1	2.3
Finance expense	(1.0)	(0.0)	—	—	(50.3)	(51.3)
Profit/(loss) before tax	63.0	17.0	1.9	(0.5)	(85.4)	(4.0)
Tax	(13.5)	(7.5)	(0.1)	2.2	(0.4)	(19.3)
Profit/(loss) for the year attributable to equity holders of the parent	<u>49.5</u>	<u>9.5</u>	<u>1.8</u>	<u>1.7</u>	<u>(85.8)</u>	<u>(23.3)</u>

3 Segmental reporting (Continued)

2014	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Others \$m	Total \$m
Adjusted EBITDA	78.4	26.0	22.2	23.2	(22.4)	127.4
Adjustments:						
Exceptional items (see note 4)	(0.1)	(1.2)	13.3	(0.3)	(111.9)	(100.2)
Other management exceptional items	(1.7)	—	(2.7)	—	(4.1)	(8.5)
Exchange (loss)/gain	(0.0)	(0.1)	(0.4)	(0.0)	4.5	4.0
Loss on disposal of property, plant and equipment	(0.1)	(0.0)	(0.0)	—	—	(0.1)
Depreciation	(8.6)	(4.9)	(4.9)	(3.7)	(1.3)	(23.4)
Amortisation	(0.0)	(0.1)	(0.0)	(0.1)	(10.2)	(10.4)
Operating profit/(loss)	67.9	19.7	27.5	19.1	(145.4)	(11.2)
Finance income	1.7	0.2	0.1	0.0	0.0	2.0
Finance expense	(0.4)	(0.3)	(0.0)	(0.0)	(54.8)	(55.5)
Profit/(loss) before tax	69.2	19.6	27.6	19.1	(200.2)	(64.7)
Tax	(15.2)	(4.8)	(1.6)	(2.0)	(2.1)	(25.7)
Profit/(loss) for the year attributable to equity holders of the parent	54.0	14.8	26.0	17.1	(202.3)	(90.4)

Segment assets

	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Total \$m
At 31 August 2013					
Total segment non-current assets	326.1	230.4	101.8	237.4	895.7
At 31 August 2014					
Total segment non-current assets	343.3	235.4	157.3	236.2	972.2

The parent entity is domiciled in the Cayman Islands and did not have any non-current assets during the years presented.

Other segment information

Year ended 31 August 2012	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Other \$m	Total \$m
Depreciation of tangible assets	(3.7)	(3.7)	(1.9)	—	(0.6)	(9.9)
Amortisation of intangible assets	—	(0.0)	(0.0)	—	(3.5)	(3.5)
Impairment of goodwill	—	—	—	—	(10.7)	(10.7)
Exceptional items (see note 4)	(0.7)	(2.2)	(0.6)	—	(9.0)	(12.5)

3 Segmental reporting (Continued)

Year ended 31 August 2013	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Other \$m	Total \$m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment	14.7	16.5	12.0	29.2	1.1	73.5
Goodwill and other intangible assets	27.9	12.3	56.8	195.9	9.5	302.4
Depreciation of tangible assets	(4.5)	(3.8)	(2.2)	(0.7)	(0.5)	(11.7)
Amortisation of intangible assets	—	(0.0)	(0.0)	(0.0)	(5.7)	(5.7)
Exceptional items (see note 4)	<u>0.0</u>	<u>(2.1)</u>	<u>(2.1)</u>	<u>(0.9)</u>	<u>(12.6)</u>	<u>(17.7)</u>

Year ended 31 August 2014	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Other \$m	Total \$m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment	31.3	11.5	16.1	6.0	0.6	65.5
Goodwill and other intangible assets	0.0	0.3	47.6	0.0	0.4	48.3
Depreciation of tangible assets	(8.6)	(4.9)	(4.9)	(3.7)	(1.3)	(23.4)
Amortisation of intangible assets	(0.0)	(0.1)	(0.0)	(0.1)	(10.2)	(10.4)
Exceptional items (see note 4)	<u>(0.1)</u>	<u>(1.2)</u>	<u>13.3</u>	<u>(0.3)</u>	<u>(111.9)</u>	<u>(100.2)</u>

4 Exceptional expenses

	2012 \$ m	2013 \$ m	2014 \$ m
Exceptional administrative expenses			
a Corporate restructure	(1.4)	(2.7)	(3.2)
b Payments to key management	(0.7)	(1.1)	—
c Bond issuance and redemption expense, net	(7.6)	(0.8)	(89.9)
d Acquisition and integration related costs	(2.8)	(13.1)	(5.5)
e IPO related costs, net	—	—	(0.2)
f Management Information Systems	—	—	(0.2)
g Others, net	—	—	(1.2)
	<u>(12.5)</u>	<u>(17.7)</u>	<u>(100.2)</u>

a Corporate restructure in the year is in relation to integration costs incurred by subsidiaries post acquisition as well as closure of Learning Services business in the Middle East and in the UK at contract completion. Included within this balance is \$2.5 million of costs relating to the transfer of the Group revolving credit facilities from Barclays Bank plc to The HongKong and Shanghai Banking Corporation Limited ("HSBC").

Costs in 2013 relate to redundancy, staff replacements for subsidiary integration as well as legal fees and office closures.

4 Exceptional expenses (Continued)

On 10 July 2011, the Group announced its intention to relocate its central services function to Hong Kong and subsequent to the balance sheet date this proposal was confirmed. The associated restructuring costs of \$6.0 m relate predominantly to the onerous lease cost of the building that housed the head office function, along with both statutory and enhanced redundancy costs payable to affected employees. In the year to 31 August 2012, a further provision was created to cover additional expenses amounting to \$0.8 million, bringing the total cost of the project to \$6.8 million. The balance of the charge in 2012 of \$0.6 million relates to the closure of the Learning Service divisional team in the Middle East.

- b The \$1.1 million cost incurred during the prior year was a tax indemnification due to the vendor of Collège Champittet on condition of meeting certain revenue criteria post acquisition. As this criteria was met outside the measurement period, it has been appropriately recognised through the profit and loss. This will be settled by equal instalments over five years with the first in August 2014.

The \$0.7 million cost incurred during 2012 was as a result of the Group purchasing any past and all future rights under a profit sharing agreement and under an employment profit share agreement in the prior year.

None of the costs relating to this transaction are considered to be tax deductible. Full details of this arrangement are documented in note 25, Related party transactions.

- c The major element of this \$89.9 million exceptional expense was the \$77.0 million of applicable make-whole premium upon the early redemption of our \$490.0 million 10.25% senior secured notes due 2017 and our \$150.0 million 8.50%/9.50% senior PIK toggle notes due 2018, which were fully redeemed as of 14 April, 2014. The remaining \$12.9 million is the release of capitalized costs in connection with the above notes.

\$0.8 million exceptional expense in the prior year was recognised in relation to the bond issuance.

In the year ended 31 August 2012, an exceptional expense of \$7.6 million was recognised due to the issuance of the Senior secured notes. This included charges of \$1.2 million relating to marketing costs, consultants costs and legal and professional fees which are not capitalised. \$6.5 million in relation to the bond transaction fee was paid to Baring Private Equity Asia, as disclosed in the related party transactions note (see note 25). This was partially offset by the assignment of debt (\$0.1m) which was written off in the year.

- d During the year, the Group acquired two new subsidiaries to complement its existing portfolio of Premium Schools, as detailed in note 2, Business Combinations.

Acquisition related costs in 2014 were due to the business combinations of Dover Court International School (Pte.) Limited, Singapore and Neptune Education Holdings Limited (Northbridge International School Cambodia), including legal fees and fees payable to advisors in relation to various aspects of the acquisitions, as well as final costs incurred on the acquisitions made in 2013.

Acquisition related costs in 2013 were due to the business combinations of WCL Group of companies, United Kingdom and operating in three continents; The British School of Guangzhou, China and Saint Andrews International School, Bangkok, Thailand, including legal fees and fees payable to advisors in relation to various aspects of the acquisitions, as well as final costs incurred on the acquisitions made in 2011 and 2012.

4 Exceptional expenses (Continued)

Additionally, this include legal fees and fees payable to advisors associated with the common control transaction of British International School LLC, United Arab Emirates.

The prior year costs related to the three subsidiaries acquired during the year ended 31 August 2012. In 2011, the costs relates to the two subsidiaries acquired during the year ended 31 August 2011.

- e The net \$0.2 million cost relates to the Company's initial public offering, which was completed on March 31, 2014.
- f During the year \$0.2 million of IT resourcing and travelling costs pertaining to the MIS project were incurred.
- g The exceptional expense of \$1.2 million mainly comprises of \$1.0 million in relation to the pre-opening costs of our Tanzania camp, \$0.3 million and \$0.2 million pertains to the pre-opening costs of our new schools in Dubai and Hong Kong respectively, the remaining \$0.4 million credit relates to the release of our overseas employees provision.

5 Expenses and auditors' remuneration

Included in the loss are the following:

	2012 \$ m	2013 \$ m	2014 \$ m
Staff costs (see note 6)	117.5	138.4	227.7
Foreign exchange loss/(gain)	4.6	(4.0)	(4.0)
Loss on disposal of property, plant and equipment and intangible assets	0.3	0.1	0.1
Operating lease rentals:			
Land and buildings	27.6	31.9	42.2
Other	0.7	0.9	0.5
Depreciation—owned assets	9.9	11.7	23.4
Amortisation of intangible assets	3.5	5.7	10.4
Impairment loss on goodwill	10.7	—	—

Auditors' remuneration:

	2012 \$m	2013 \$m	2014 \$m
Fees payable to Company's auditor for the audit of parent Company and consolidated financial statements	0.2	0.4	0.4

Disclosure below based on fees payable in respect of services to the company and its subsidiaries

Fees payable to Group's auditors and their subsidiaries in respect of:			
The auditing of accounts of any subsidiary of the company	0.3	0.2	0.5
Tax advisory services	0.1	—	0.0
All other services	0.5	0.6	4.2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (Continued)

6 Staff numbers and costs

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

	Number of employees		
	2012	2013	2014
Administration and management	693	778	1,173
Teaching	1,435	1,738	2,616
Advisors and guidance officers	239	68	39
	<u>2,367</u>	<u>2,584</u>	<u>3,828</u>

The aggregate employee benefit expense of these persons was as follows:

	2012	2013	2014
	\$m	\$m	\$m
Wages and salaries	104.0	124.7	206.3
Share based payments (see note 18)	0.6	0.1	3.0
Social security costs	10.1	11.0	15.4
Contributions to defined contribution plans (see note 18)	1.2	1.0	1.2
Expenses related to defined benefit plans (see note 18)	1.6	1.6	1.8
	<u>117.5</u>	<u>138.4</u>	<u>227.7</u>

During the year ended 31 August 2014, an amount of \$0.9 million (2013—\$1.1 million; 2012—\$0.7 million) was incurred in relation to a tax indemnification due to the vendor of Collège Champittet on condition of meeting certain revenue criteria post acquisition. As this criteria was met outside the measurement period, it has been appropriately recognised through the profit and loss. This will be settled by equal instalments over five years with the first in August 2013. This is in addition to aggregate employee benefit expense above and the amounts paid to key management personnel, as shown below.

7 Key management personnel

	2012	2013	2014
	\$m	\$m	\$m
Fee, salaries and other short term employment benefits	5.8	6.3	6.7
Termination benefits	0.0	—	—
Other benefits	0.3	0.3	0.2
	<u>6.1</u>	<u>6.6</u>	<u>6.9</u>

The key management personnel are the directors and senior managers who received emoluments, as noted above.

Other short term employment benefits relate to medical insurance premiums and rental benefit paid.

Other benefits relate to contributions to defined contribution schemes.

	2012	2013	2014
Number of key management personnel accruing benefits under:			
—Defined benefit schemes	<u>1</u>	<u>1</u>	<u>1</u>

8 Finance income and expense

Recognised in profit or loss

	2012 \$m	2013 \$m	2014 \$m
Derivative financial instruments	0.2	—	—
Bank interest	1.8	2.3	2.0
Total finance income	2.0	2.3	2.0

	2012 \$m	2013 \$m	2014 \$m
Net loss on financial instruments designated as fair value through profit or loss:			
Derivative financial instruments	0.8	0.0	—
Total interest expense on financial liabilities measured at amortised cost:			
Loan notes from parent, senior management and related party	25.4	—	—
Term loan due 2021	—	—	10.9
10.25% Senior secured notes due 2017	15.0	37.9	32.2
8.50% Senior PIK toggle notes due 2018	—	8.5	8.3
Bank loans and overdrafts	7.9	4.5	3.2
Interest on defined benefit pension plan obligation (see note 18)	0.6	0.4	0.9
Total finance expense	49.7	51.3	55.5
Net finance expense	47.7	49.0	53.5

9 Income tax expense

Recognised in the consolidated income statement

	2012 \$m	2013 \$m	2014 \$m
Current tax expense			
Overseas current tax charge	18.1	20.8	21.3
Adjustment for prior years overseas tax charge	(0.3)	0.2	0.7
Current tax expense	17.8	21.0	22.0
Deferred tax expense			
Origination and reversal of temporary differences	(1.3)	(1.5)	—
Adjustment in respect of prior years	(0.1)	(0.2)	3.7
Deferred tax expense	(1.4)	(1.7)	3.7
Total tax expense	16.4	19.3	25.7

9 Income tax expense (Continued)

Reconciliation of effective tax rate

The tax assessed for the period differs from the standard rate of Corporation tax in China of 25.00% (2013 & 2012: 25.00%) per the explanation below:

	2012 \$m	2013 \$m	2014 \$m
Loss before tax	(21.0)	(4.0)	(64.7)
Tax using the China corporation tax rate of 25.00% (2013: 25.00%)	(5.3)	(1.0)	(16.2)
Effect of tax rates in foreign jurisdictions	4.0	3.2	12.3
Non-deductible expenses	3.9	5.5	9.4
Losses not deductible	5.0	—	—
Withholding tax paid or payable on overseas dividends and other income for which no relief is available	2.1	5.8	6.0
Timing difference for which no deferred tax was recognised	(2.5)	0.6	—
Amortisation and impairment of goodwill	2.7	—	—
Current year losses for which no deferred tax asset was recognised	6.9	5.2	9.8
Prior year adjustment	(0.4)	—	4.4
Total tax expense (including tax on joint venture)	16.4	19.3	25.7
Tax charged to other comprehensive income*	(0.2)	(0.2)	(0.2)

* Included within Actuarial losses on defined benefit pension schemes

The adjustment in respect of the prior year primarily relates to changes in tax estimates and assumptions regarding the recoverability of deferred tax assets.

We have used the statutory tax rate for China, being 25.0% rather than that for Cayman Islands, being 0.0% as we believe this provides a more meaningful comparison, and the majority of the Group's taxable profits are earned in China, and the majority of the Group's taxes are paid in China.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of \$69.9 million (2013—\$35.2 million; 2012—\$33.2 million). This includes an un-provided deferred tax asset of \$60.8 million (2013—\$ 28.3 million; 2012—\$24.8 million) which relates to UK losses which have no expiry date for which relief is not anticipated to be available in the foreseeable future. It also includes an un-provided deferred tax asset of \$4.1 million (2013—\$3.2 million; 2012—\$5.8 million) in relation to the deficit in the UK pension scheme and an un-provided deferred tax asset of \$4.9 million (2013—\$3.7 million; 2012—\$1.0 million) which relates to losses in overseas entities.

10 Property, plant and equipment

	Land and buildings \$m	Fixtures and fittings \$m	Computer equipment \$m	Motor vehicles \$m	Assets under construction \$m	Total \$m
Cost						
Balance at 1 September 2012	35.5	11.9	7.5	1.3	—	56.2
Acquisitions through business combinations	31.5	4.5	2.7	0.0	8.9	47.6
Additions	11.4	6.0	5.2	0.2	3.1	25.9
Disposals	(0.4)	0.0	(0.3)	(0.2)	—	(0.9)
Transfers	4.4	0.0	0.0	—	(4.4)	0.0
Effect of movements in foreign exchange	1.3	0.3	0.3	0.0	0.0	1.9
Balance at 31 August 2013	<u>83.7</u>	<u>22.7</u>	<u>15.4</u>	<u>1.3</u>	<u>7.6</u>	<u>130.7</u>
Balance at 1 September 2013	83.7	22.7	15.4	1.3	7.6	130.7
Acquisitions through business combinations	2.9	0.7	0.1	0.0	—	3.7
Additions	12.5	11.3	9.2	0.8	28.0	61.8
Disposals	(1.3)	(0.9)	(2.0)	(0.0)	—	(4.2)
Transfers	9.5	—	—	—	(9.5)	—
Effect of movements in foreign exchange	(0.5)	(0.4)	—	0.0	(0.0)	(0.9)
Balance at 31 August 2014	<u>106.8</u>	<u>33.4</u>	<u>22.7</u>	<u>2.1</u>	<u>26.1</u>	<u>191.1</u>
Accumulated depreciation and impairment						
Balance at 1 September 2012	11.4	4.8	3.3	0.6	—	20.1
Depreciation charge for the year	4.8	3.4	3.3	0.2	—	11.7
Disposals	(0.1)	(0.2)	(0.2)	(0.1)	—	(0.6)
Transfers	—	0.0	0.0	—	—	0.0
Effect of movements in foreign exchange	0.7	0.4	0.2	0.0	—	1.3
Balance at 31 August 2013	<u>16.8</u>	<u>8.4</u>	<u>6.6</u>	<u>0.7</u>	<u>—</u>	<u>32.5</u>
Balance at 1 September 2013	16.8	8.4	6.6	0.7	—	32.5
Depreciation charge for the year	11.7	5.8	5.6	0.3	—	23.4
Disposals	(1.2)	(0.9)	(2.0)	0.0	—	(4.1)
Transfers	0.0	—	—	0.0	—	0.0
Effect of movements in foreign exchange	(0.4)	(0.3)	(0.1)	0.0	—	(0.8)
Balance at 31 August 2014	<u>26.9</u>	<u>13.0</u>	<u>10.1</u>	<u>1.0</u>	<u>—</u>	<u>51.0</u>
Net book value						
At 31 August 2012	<u>24.1</u>	<u>7.1</u>	<u>4.2</u>	<u>0.7</u>	<u>—</u>	<u>36.1</u>
At 31 August 2013	<u>66.9</u>	<u>14.3</u>	<u>8.8</u>	<u>0.6</u>	<u>7.6</u>	<u>98.2</u>
At 31 August 2014	<u>79.9</u>	<u>20.4</u>	<u>12.6</u>	<u>1.1</u>	<u>26.1</u>	<u>140.1</u>

11 Intangible assets

	Goodwill \$m	Brand name \$m	Customer relations \$m	Contracts \$m	Website & Intellectual property \$m	Computer software \$m	Total \$m
Cost							
Balance at							
1 September 2012	446.2	24.5	34.8	0.7	—	1.4	507.6
Acquisitions through business combinations	230.6	31.5	36.9	—	2.6	0.5	302.1
Additions	—	—	—	—	—	0.3	0.3
Effect of movements in foreign exchange	10.4	0.4	0.2	(0.1)	0.0	(0.2)	10.7
Balance at							
31 August 2013	<u>687.2</u>	<u>56.4</u>	<u>71.9</u>	<u>0.6</u>	<u>2.6</u>	<u>2.0</u>	<u>820.7</u>
Balance at							
1 September 2013	687.2	56.4	71.9	0.6	2.6	2.0	820.7
Acquisitions through business combinations	12.5	14.9	20.0	—	—	—	47.4
Additions	—	—	—	—	0.4	0.3	0.7
Disposal	—	—	—	—	—	(0.2)	(0.2)
Effect of movements in foreign exchange	1.9	0.5	0.6	—	0.0	—	3.0
Balance at							
31 August 2014	<u>701.6</u>	<u>71.8</u>	<u>92.5</u>	<u>0.6</u>	<u>3.0</u>	<u>2.1</u>	<u>871.6</u>
Accumulated amortisation and impairment							
Balance at							
1 September 2012	47.6	—	4.3	0.4	—	0.2	52.5
Amortisation for the year	—	0.3	4.4	0.1	0.2	0.7	5.7
Disposals	—	—	—	—	—	0.0	0.0
Effect of movements in foreign exchange	(0.9)	—	(0.0)	(0.0)	0.0	(0.0)	(0.9)
Balance at							
31 August 2013	<u>46.7</u>	<u>0.3</u>	<u>8.7</u>	<u>0.5</u>	<u>0.2</u>	<u>0.9</u>	<u>57.3</u>
Balance at							
1 September 2013	46.7	0.3	8.7	0.5	0.2	0.9	57.3
Amortisation for the year	—	0.8	7.9	0.1	1.0	0.6	10.4
Disposals	—	—	—	—	—	(0.2)	(0.2)
Effect of movements in foreign exchange	2.6	—	0.0	—	—	—	2.6
Balance at							
31 August 2014	<u>49.3</u>	<u>1.1</u>	<u>16.6</u>	<u>0.6</u>	<u>1.2</u>	<u>1.3</u>	<u>70.1</u>
Net book value							
At 31 August 2012	<u>398.6</u>	<u>24.5</u>	<u>30.5</u>	<u>0.3</u>	<u>—</u>	<u>1.2</u>	<u>455.1</u>
At 31 August 2013	<u>640.5</u>	<u>56.1</u>	<u>63.2</u>	<u>0.1</u>	<u>2.4</u>	<u>1.1</u>	<u>763.4</u>
At 31 August 2014	<u>652.3</u>	<u>70.7</u>	<u>75.9</u>	<u>0.0</u>	<u>1.8</u>	<u>0.8</u>	<u>801.5</u>

Goodwill is allocated to the Groups Cash Generating Units (CGU's) identified according to operating segment.

11 Intangible assets (Continued)

A summary of the goodwill allocation is shown below:

	2013			2014		
	Premium Schools	Other	Total	Premium Schools	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
China	280.3	—	280.3	278.9	—	278.9
Europe	142.7	6.4	149.1	142.7	6.8	149.5
ME/SEA	52.2	—	52.2	65.0	—	65.0
North America	158.9	—	158.9	158.9	—	158.9
	<u>634.1</u>	<u>6.4</u>	<u>640.5</u>	<u>645.5</u>	<u>6.8</u>	<u>652.3</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5 year period discounted using pre-tax discount rates. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the education industry in which the CGU operates.

The key assumptions used for value-in-use calculations in 2013 are as follows:

	China	Europe	ME/SEA	North America	Other
Pupil growth (over 5 years)	19.5%	11.3%	26.8%	29.4%	—
Long term growth rate (average)	2.0%	1.5%	2.0%	1.5%	—
Discount rate	13.4%	13.4%	13.4%	13.4%	13.4%

The key assumptions used for value-in-use calculations in 2014 are as follows:

	China	Europe	ME/SEA	North America	Other
Pupil growth (over 5 years)	11.2%	19.0%	28.3%	63.8%	—
Long term growth rate (average)	2.0%	1.5%	2.0%	1.5%	—
Discount rate	7.6%	7.6%	7.7%	7.4%	7.4%

In the year ended 31 August 2014, the results of the Premium School's business benefited from solid growth in student numbers both at the start of the first term as well as during the 2014/15 academic year. In addition, the acquisition and successful integration of the two schools from the acquisition of the Dover Court and Northbridge bodes well for the future as regards pupil numbers.

Growth rates in North America are declining year on year due to existing capacity becoming more utilised. The figures do not include growth as a result of proposed campus expansion. As part of the Group's assessment of goodwill, the Group has performed sensitivity analyses of its discounted value in use calculations by applying discount rates ranging up to 41.5% and holding revenue projections levels at the forecast for 2015. Under these assumptions, no impairment would occur. Management therefore consider that no impairment is required to any of the goodwill or indefinite life intangible assets allocated to the Premium Schools business.

11 Intangible assets (Continued)

Individual intangible assets other than goodwill that are considered to be material to the Group are as follows:

	Operating Segment	Brand Names	
		2013 \$m	2014 \$m
Collège Beau-Soleil	Europe	13.0	13.3
Collège Champittet	Europe	6.1	6.3
The Regent's International School	ME/SEA	5.0	5.0
British International School of Boston	North America	3.5	3.4
British School of Chicago	North America	5.1	5.0
British International School of Houston	North America	4.6	4.6
British School of Washington	North America	3.5	3.4
International College Spain	Europe	3.4	3.3
Compass International School Doha	ME/SEA	4.0	3.9
British School of Guangzhou	China	4.1	4.0
Dover Court Preparatory School	ME/SEA	—	7.2
Northbridge International School	ME/SEA	—	7.7
Other		3.8	3.6
		<u>56.1</u>	<u>70.7</u>

The recoverable amount of individual intangible assets with indefinite useful lives, being brands associated with specific schools, is determined based on value in use calculations. These calculations use revenue projections based on financial projections approved by management and adjusted for royalty savings and trademark maintenance expenses covering a 5 year period discounted using pre-tax discount rates. Revenues beyond the five-year period are extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the education industry in which the schools operate. The assumptions for revenue growth for the specific schools with indefinite life brands range from 18.0% to 36.0% (2013: 17.4% to 26.2%). The average long term growth rate used is 1.5% (2013: 1.5%) and the discount rate used is 7.6% (2013: 13.4%).

12 Subsidiaries

The Group had the following interests in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2013	2014
<i>Holding companies</i>				
Nord Anglia Education Finance LLC + dS	USA	n/a	n/a	100%
Nord Anglia Education (UK) Holdings PLC + dSG	UK	Ordinary Deferred	100%	100%
Nord Anglia Education Limited* dSG	UK	Ordinary	100%	100%
NAE Hong Kong Limited* dSG	Hong Kong	Ordinary	100%	100%
Nord Anglia Education Development Services Limited* dSG	UK	Ordinary	100%	100%
Nord Anglia Middle East Holding S.P.C* SG	Bahrain	n/a	100%	100%

12 Subsidiaries (Continued)

	Country of Incorporation	Class of shares held	Ownership	
			2013	2014
Nord International Schools Limited* <i>dSG</i>	UK	Ordinary	100%	100%
EEE Enterprise Limited* <i>dSG</i>	BVI	Ordinary	100%	100%
Rice Education Hong Kong Limited* <i>dSG</i>	Hong Kong	Ordinary	100%	100%
Regent Pattaya Campus Management Co., Ltd. <i>SH</i>	Thailand	Ordinary	49%	49%
Saint Andrews International School Sukhumvit Campus Co., Ltd. <i>SH</i>	Thailand	Preference	49%	49%
NA Educational Services Limited* <i>dSG</i>	UK	Ordinary	100%	100%
NA Schools Limited* <i>dSG</i>	UK	Ordinary	100%	100%
WCL HoldCo Limited* <i>dSG</i>	UK	Ordinary	100%	100%
WCL Group Limited* <i>dSG</i>	UK	Ordinary	100%	100%
WCL Intermediate Holdings Limited* <i>dSG</i>	UK	Ordinary	100%	100%
WCL Services Limited* <i>dSG</i>	UK	Ordinary	100%	100%
WCL School Management Services Limited* <i>dSG</i>	UK	Ordinary	100%	100%
British Schools of America, LLC* <i>dSG</i>	USA	n/a	100%	100%
BST Holding, L.L.C.* <i>SG</i>	USA	n/a	100%	100%
British Schools of Texas, L.L.C.* <i>SG</i>	USA	n/a	100%	100%
WCL Intermediate Holdings Spain, S.L.U.* <i>SG</i>	Spain	n/a	100%	100%
International College 2, S.L.U.* <i>SG</i>	Spain	n/a	100%	100%
British International School Foundation* <i>dG</i>	Hungary	n/a	100%	100%
British International School Bratislava, s.r.o. ^ <i>S</i>	Slovakia	n/a	100%	100%
BSG Limited* <i>dSG</i>	Hong Kong	Ordinary	100%	100%
Guangzhou Yingkai Investment & Consulting Co., Ltd.*	China	n/a	100%	100%
Uma Education Holdings Limited* <i>dGS</i>	BVI	Ordinary	100%	100%
Uma Education Hong Kong Limited* <i>dGS</i>	Hong Kong	Ordinary	100%	100%
WCL EBT Limited* <i>S</i>	UK	Ordinary	100%	100%
Nord Anglia (Beijing) Consulting Limited*	China	n/a	100%	100%
KG Investments Limited ^	Jersey	n/a	100%	100%
KG Investments Limited, UK Branch*	n/a	n/a	100%	100%
KG (Beijing) Investment Consultant Co., Ltd.*	China	n/a	100%	100%
Neptune Education Holdings Limited*	Hong Kong	Ordinary	n/a	100%
Nord Anglia School (Hong Kong) Limited*	Hong Kong	n/a	100%	100%
诺地安格(上海)商务信息咨询有限公司 *	China	n/a	100%	100%

Premium Schools

English International School Prague, s.r.o. ^ <i>S</i>	Czech Republic	n/a	100%	100%
British International School Kindergarten, Primary and Secondary School*	Hungary	n/a	100%	100%
The British School Sp. z o.o.* <i>dSG</i>	Poland	n/a	100%	100%
The British International School, Shanghai*	China	n/a	100%	100%
British School of Beijing*	China	n/a	100%	100%
Collège Champittet SA* <i>dSG</i>	Switzerland	n/a	100%	100%
Collège Alpin Beau-Soleil SA* <i>dSG</i>	Switzerland	n/a	100%	100%
La Côte International School SA* <i>dSG</i>	Switzerland	n/a	100%	100%

12 Subsidiaries (Continued)

	Country of Incorporation	Class of shares held	Ownership	
			2013	2014
The Regent's School <i>H</i>	Thailand	n/a	49%	49%
British School of Washington, L.L.C.* <i>SG</i>	USA	n/a	100%	100%
British School of Boston, L.L.C.* <i>SG</i>	USA	n/a	100%	100%
British School of Chicago, L.L.C.* <i>SGd</i>	USA	n/a	100%	100%
British School of Houston, L.P. ^ <i>SGd</i>	USA	n/a	100%	100%
International College Spain, S.A.U.* <i>dSG</i>	Spain	n/a	100%	100%
Education Overseas Qatar LLC <i>GdSH</i>	Qatar	n/a	49%	49%
Sukromna spojena skola British International School Bratislava*	Slovakia	n/a	100%	100%
Northbridge International School (Cambodia) Limited*	Cambodia	n/a	n/a	n/a
British American School of Charlotte, L.L.C.* <i>GS</i>	USA	n/a	100%	100%
WCL Academy of New York LLC* <i>GS</i>	USA	n/a	100%	100%
St. Andrews International School Bangkok (Sukhumvit)	Thailand	n/a	49%	49%
British School of Guangzhou*	China	n/a	100%	100%
Dover Court International School (Pte.) Ltd.*	Singapore	Ordinary	n/a	n/a
Nord Anglia International School, Hong Kong Limited*	Hong Kong	n/a	100%	100%
British International School LLC	Abu Dhabi	n/a	n/a	n/a
Nord Anglia International School L.L.C	Dubai	n/a	n/a	n/a
<i>Learning Services</i>				
Nord Anglia Vocational Education and Training Services Ltd* <i>dSG</i>	UK	Ordinary	100%	100%
Brighton Education Learning Services Sdn. Bhd.*	Malaysia	n/a	100%	100%
Nord Anglia Education Sdn. Bhd.*	Malaysia	n/a	100%	100%
BSA Resource Solutions, LLC <i>SG</i>	USA	n/a	50%	50%
Fieldwork Education Limited* <i>dSG</i>	UK	Ordinary	100%	100%
WCL School Management Services (India) Limited*	UK	Ordinary	100%	100%
Overseas Schools SA*	Belgium	n/a	100%	100%
Nord Anglia Educational Consultancies Saudi Arabia Limited ^	Saudi Arabia	n/a	100%	100%
EduAction (Waltham Forest) Limited	UK	Ordinary	50%	50%

* Investment held indirectly by 100% owned subsidiary of the Group.

^ Investments held 100% within the Group by more than one subsidiary of the Group

+ The Companies denoted are direct subsidiaries of the Group

d Material assets of subsidiary form part of security arrangement for borrowings (see note 16)

S Share capital of subsidiary is pledged as security for borrowings (see note 16)

12 Subsidiaries (Continued)

- G Subsidiary is a guarantor under the security arrangement for borrowings (see note 16)
- H The Group holds interests of less than 50% of certain companies. Where indicated, these companies are consolidated by the Group due to the 100% economic interests in these companies in the form of both the right to receive dividends and the right to full distribution on liquidation and/or majority voting rights.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2013 \$m	2014 \$m	2013 \$m	2014 \$m
Property, plant and equipment	0.4	0.3	(6.6)	(6.6)
Intangible assets	—	—	(25.6)	(33.3)
Employee benefits	1.4	1.6	—	—
Tax value of loss carry-forwards	5.2	5.6	—	—
Provisions and accruals	14.2	13.4	(0.4)	(4.2)
Goodwill	—	—	(1.0)	(1.4)
Other	—	—	(1.7)	—
Tax assets/(liabilities)	21.2	20.9	(35.3)	(45.5)
Net tax liabilities	—	—	(14.1)	(24.6)

Movement in deferred tax during the prior year

	1 September 2012 \$m	Recognised in income statement \$m	Recognised in comprehensive income \$m	Foreign exchange movements \$m	Acquired in business combination \$m	31 August 2013 \$m
Property, plant and equipment	(0.4)	(3.5)	—	—	(2.3)	(6.2)
Intangible assets	(9.2)	0.6	—	(0.1)	(16.9)	(25.6)
Employee benefits	1.2	—	0.2	—	—	1.4
Tax value of loss carry-forwards	1.0	4.0	—	(0.1)	0.3	5.2
Provisions and accruals	3.6	2.7	—	—	7.5	13.8
Goodwill	(0.6)	(0.4)	—	—	—	(1.0)
Other	—	(1.7)	—	—	—	(1.7)
	(4.4)	1.7	0.2	(0.2)	(11.4)	(14.1)

13 Deferred tax assets and liabilities (Continued)

Movement in deferred tax during the year

	1 September 2013 \$m	Recognised in income statement \$m	Recognised in comprehensive income \$m	Foreign exchange movements \$m	Acquired in business combination \$m	31 August 2014 \$m
Property, plant and equipment	(6.2)	—	—	(0.1)	—	(6.3)
Intangible assets	(25.6)	(1.2)	—	(0.1)	(6.4)	(33.3)
Employee benefits	1.4	0.1	0.2	(0.1)	—	1.6
Tax value of loss carry-forwards	5.2	0.4	—	—	—	5.6
Provisions and accruals	13.8	(4.5)	—	(0.1)	—	9.2
Goodwill	(1.0)	(0.3)	—	(0.1)	—	(1.4)
Other	(1.7)	1.8	—	(0.1)	—	—
	<u>(14.1)</u>	<u>(3.7)</u>	<u>0.2</u>	<u>(0.6)</u>	<u>(6.4)</u>	<u>(24.6)</u>

14 Trade and other receivables

	2013 \$m	2014 \$m
Trade receivables	50.8	74.3
Less: Provision for impairment of trade receivables (See note 21)	(1.1)	(4.7)
Net trade receivables	49.7	69.6
Prepayments	16.9	15.6
Accrued income	0.2	3.8
Other receivables	16.4	5.8
	<u>83.2</u>	<u>94.8</u>
Non-current		
Other receivables	12.4	9.2

Non-current receivables mainly relate to deposits on a Premium School site which is not recoverable for at least 12 months from this date. In the prior year this balance also included cash deposits that cannot be drawn until at least 12 months after the balance sheet date.

15 Cash and cash equivalents/bank overdrafts

	2013 \$m	2014 \$m
Cash and cash equivalents	222.9	256.4
Bank overdrafts	(51.8)	(90.2)
Cash and cash equivalents per cash flow statements	<u>171.1</u>	<u>166.2</u>

16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 21, Financial instruments.

	<u>2013</u> \$m	<u>2014</u> \$m
Current liabilities		
Current portion of secured bank loans and bank overdrafts	8.7	20.0
Current portion of Term loan due 2021	—	3.2
Current portion of 10.25% Senior secured notes due 2017	20.8	—
Current portion of 8.50% Senior PIK toggle notes due 2018	1.1	—
	<u>30.6</u>	<u>23.2</u>
Non-current liabilities		
Secured bank loans and overdrafts	5.3	—
Term loan due 2021	—	499.2
10.25% Senior secured notes due 2017	484.6	—
8.50% Senior PIK toggle notes due 2018	140.5	—
	<u>630.4</u>	<u>499.2</u>

2013

All borrowings are secured by a debenture creating fixed and floating charges over all of the material current and future assets of certain Group entities. The material subsidiaries which are party to this arrangement are detailed in note 12, Subsidiaries, along with details of certain entities whose share capital has also been pledged as part of the security arrangement.

In addition to the above, specific registered pledges have been made over certain bank accounts, assignment of receivables and assignment of insurance. At 31 August 2013, the carrying value of the bank accounts and receivables which have been pledged were \$ 17.2 million and \$1.5 million respectively.

2014

All borrowings are secured by fixed and floating charges over all the current and future assets of certain Group entities. The Group subsidiaries which are party to this arrangement are detailed in note 12, Subsidiaries, along with details of certain Group entities whose share capital has also been pledged as part of the security arrangement, including the assignment of certain insurances.

16 Other interest-bearing loans and borrowings (Continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2013 \$m	Carrying amount 2013 \$m	Face value 2014 \$m	Carrying amount 2014 \$m
Working capital facility	RMB	6.6%	2014	13.9	13.9	—	—
10.25% Senior secured notes	US \$	10.25%	2017	490.0	505.4	—	—
8.50% Senior PIK toggle notes	US \$	8.50%	2018	150.0	141.6	—	—
Term loan*	US \$		2019	—	—	513.7	502.4
Business loan	CHF	3.61%	2014	0.1	0.1	—	—
Revolving Credit Facility #	US \$		2021	—	—	20.0	20.0
				<u>654.0</u>	<u>661.0</u>	<u>533.7</u>	<u>522.4</u>

All interest is settled by cash payments on the required date.

* The term loan facility bears interest based on applicable margin percentages of 2.50% per annum for base rate loans and 3.50% per annum for LIBOR rate loans, provided that the base rate for base rate loans may not be lower than 2.00% and LIBOR may not be lower than 1.00%.

Revolving credit facility under the credit agreement will bear interest based on a margin ranging from 2.75% to 3.25% depending on our net-leverage ratio, plus the applicable LIBOR rate.

On 8 February 2013, the Company issued \$150.0 million of 8.50% Senior PIK Toggle Notes due 2018 (the "PIK Notes") pursuant to an indenture dated 1 February 2014 between the Company, Citicorp International Limited as Trustee, Citibank NA London branch as Paying Agent and Transfer Agent and Citigroup Global Markets Deutschland AG as Registrar.

On 28 March 2013, the Group issued \$ 325.0 million of 10.25% Senior Secured Notes due 2017 (the "Notes") pursuant to an indenture dated 28 March 2013 between the Company, Citicorp International Limited as Trustee and Security Agent, Citibank NA. London branch as Paying Agent and Citigroup Global Markets Deutschland AG as Registrar. On 27 June 2013, the Company issued \$165.0 million additional notes under the same indenture with the same terms and conditions (other than the issue date).

On 31 March 2014, the Group entered into a new credit agreement for a \$515.0 million term loan facility and a \$75.0 million revolving credit facility. The borrower under the credit agreement is a newly formed 100% wholly owned U.S. domestic limited liability company. On the same date, we drew down the term loan facility in full and using proceeds from the loan and our initial public offering, we discharged our obligations under the indentures governing the \$490.0 million 10.25% senior secured notes and \$150.0 million 8.50%/9.50% PIK toggle notes, both of which were fully redeemed as of 14 April 2014.

On 31 March 2014, the Group also repaid and terminated our previous super senior revolving facility using proceeds from the initial public offering. (See note 4c)

16 Other interest-bearing loans and borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes is as follows:

	2013 \$m	2014 \$m
Less than one year	30.6	23.2
Between one and five years	630.4	13.4
More than five years	—	485.8
	<u>661.0</u>	<u>522.4</u>

17 Trade and other payables

	2013 \$m	2014 \$m
Current		
Trade payables due to third parties	12.3	12.4
Other taxes and social security	1.6	3.1
Amounts owed to parent undertaking	23.1	—
Amounts owed to related parties	1.5	0.2
Other payables	37.6	23.3
Accrued expenses	20.7	24.7
Deferred income	267.2	324.0
	<u>364.0</u>	<u>387.7</u>
Non-current		
Other payables	<u>38.5</u>	<u>55.9</u>

Non-current payables in the current year predominantly relate to a fair value lease provision adjustment of \$16.5 million, pupil deposits of \$18.6 million, refundable debentures of \$5.2 million, deferred consideration in relation to the acquisition of Neptune Education Holdings Limited of \$3.0 million and rental accruals of \$8.2 million.

In the prior year the non-current payables predominantly relate to deferred consideration (\$7.5 million) for the acquisition of British International School LLC, Abu Dhabi, United Arab Emirates, due to Premier Education Holdings Limited, and an amount of \$0.8 million in relation to an earn-out agreement due to Delphim SA, both of which are related parties (see note 25). Furthermore, this also includes a balance of \$7.7 million in relation to the deferred rent in our US schools. In addition to this, a fair value adjustment (\$22.0 million) arose in relation to the leases on our WCL acquisition.

18 Employee benefits

Pension plans

The Group operates a variety of post-employment benefit arrangements, covering both funded defined contribution and funded and unfunded defined benefit schemes. The most significant of these are the funded defined benefit pension schemes for the Group's employees in the UK and Switzerland.

18 Employee benefits (Continued)

Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was \$1.2 million (2013—\$1.0 million), recognised in the Consolidated income statement.

Defined benefit plans

United Kingdom

The Group operates three defined benefit pension schemes in the UK. In each case the assets of the scheme are held as a segregated fund and administered by Trustees.

A defined benefit scheme was established for Lifetime Careers employees (employed by a Group subsidiary)—("Lifetime"). Contributions are determined by independent professionally qualified actuaries on the basis of triennial valuations. JLT Benefit Solutions Limited, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 August 2011, using the projected unit method.

Both the Nord Anglia Joint Pension Scheme ("Joint") and The Wyburn School Limited Pension and Life Assurance Scheme (1985) ("Wyburn") are closed schemes and are valued under the projected unit method. The most recent formal actuarial valuation for both of the schemes were performed at 1 September 2013 using the aggregate method which assess the adequacy of the fund to meet the minimum funding requirement and calculates contributions on the level of pensionable payroll to provide the retirement benefits for the members.

Actuarial valuation reports have been requested by the Group for both the Nord Anglia Joint Pension Scheme and The Wyburn School Limited Pension and Life Assurance Scheme (1985). Given the underlying size of these schemes (4% of the consolidated pension assets and liabilities); any movement as a result of changes reported in the actuarial valuation would not be regarded as significant.

Closure of schemes

At 31 August 2011, all three schemes closed to future accruals and active members became deferred pension members. Whilst the Group will continue to make future employer contributions to the schemes, member contributions will no longer be made.

Overseas

The most significant overseas schemes are the funded defined benefit schemes which operate in Switzerland. An independent actuary, using the projected unit method, carried out the latest actuarial assessment of the Swiss schemes as at 31 August 2014. Additionally a defined benefit scheme is operated in Thailand.

18 Employee benefits (Continued)

Overseas (Continued)

The valuations used for IAS 19 have been based on the most recent actuarial valuations and updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 August 2014. The details of the IAS 19 valuations are set out in the following tables:

Principal assumptions

The major assumptions, on a weighted average basis, used by the actuaries were as follows:

	UK		Switzerland	
	2013 %	2014 %	2013 %	2014 %
Discount rate	4.90	4.20	2.20	1.80
Price inflation	3.65	3.40	1.50	1.50
Rate of increase in salaries	n/a	n/a	1.00	1.00
Rate of increase in pension payments	3.65	3.40	1.50	n/a
Expected return on plan assets	5.54	n/a	2.50	n/a

Mortality assumptions

The assumptions relating to longevity underlying the UK pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The following table illustrates the expectation of life of an average member retiring at age 65 at the reporting date.

		UK		Switzerland	
		2013 years	2014 years	2013 years	2014 years
Retiring at reporting date at age 65:	Male	22.1	22.2	21.1	21.3
	Female	24.4	22.4	23.6	23.8

Rates of return on scheme assets

The fair value of the assets in the defined benefit pension schemes are as follows:

	UK		Switzerland	
	2013 \$m	2014 \$m	2013 \$m	2014 \$m
Equities	22.8	28.0	—	—
Diversified Growth Assets	9.6	11.3	—	—
Corporate bonds	1.2	1.3	—	—
Cash	0.8	2.2	—	—
With profit funds	0.8	0.8	—	—
Insurance assets	—	—	21.1	22.8
	<u>35.2</u>	<u>43.6</u>	<u>21.1</u>	<u>22.8</u>
Actual return on plan assets	<u>4.8</u>	<u>4.3</u>	<u>0.0</u>	<u>0.9</u>

18 Employee benefits (Continued)

Movement in pension deficit during the financial year

Changes in the fair value of defined benefit pension assets are as follows:

	UK		Switzerland	
	2013 \$m	2014 \$m	2013 \$m	2014 \$m
Opening fair value of the defined benefit pension assets	31.4	35.2	19.2	21.1
Interest income	1.7	1.9	0.5	0.5
Return on plan assets greater than discount rate	3.2	2.4	(0.5)	0.4
Contributions by employer	0.7	3.1	1.4	1.5
Contributions by members	—	—	1.3	1.2
Benefits paid	(0.9)	(1.6)	(1.2)	(2.4)
Foreign currency translation	(0.9)	2.6	0.4	0.5
Closing fair value of defined benefit pension assets	<u>35.2</u>	<u>43.6</u>	<u>21.1</u>	<u>22.8</u>

Changes in the fair value of defined benefit pension obligation are as follows:

	UK		Switzerland	
	2013 \$m	2014 \$m	2013 \$m	2014 \$m
Opening defined benefit pension obligation	(56.8)	(51.1)	(24.2)	(27.4)
Current service cost	—	—	(1.6)	(1.9)
Past Service Cost	—	—	—	0.1
Interest cost	(2.1)	(2.6)	(0.5)	(0.7)
Actuarial gain/(losses)	5.5	(6.4)	(0.5)	(1.5)
Contributions by members	—	—	(1.3)	(1.2)
Benefits paid	0.9	1.6	1.2	2.4
Foreign currency translation	1.4	(3.7)	(0.5)	0.3
Closing defined benefit pension obligation	<u>(51.1)</u>	<u>(62.2)</u>	<u>(27.4)</u>	<u>(29.9)</u>

18 Employee benefits (Continued)

The amounts that have been charged to the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the three years ended 31 August 2014 are set out below:

	UK			Switzerland		
	2012 \$m	2013 \$m	2014 \$m	2012 \$m	2013 \$m	2014 \$m
Analysis of the amount charged to operating profit:						
Current service cost	—	—	—	(1.6)	(1.6)	(1.9)
Past service cost	—	—	—	—	—	0.1
Analysis of the amount (charged)/credited to finance (cost)/income:						
Interest on defined benefit pension assets	1.6	1.7	1.9	0.5	0.5	0.5
Interest on defined benefit pension obligation	(2.1)	(2.1)	(2.6)	(0.6)	(0.5)	(0.7)
Net pension finance expense	(0.5)	(0.4)	(0.7)	(0.1)	0.0	(0.2)
Total charged to the Consolidated Income Statement	(0.5)	(0.4)	(0.7)	(1.7)	(1.6)	(2.0)
Analysis of the amount recognised in the Consolidated Statement of Comprehensive Income:						
Actuarial gains/(losses) on defined benefit pension assets	(15.4)	8.7	(6.4)	(0.9)	(1.0)	(1.5)
Return on plan asset excl. interest income	—	—	2.4	—	—	0.4
Total gains/(losses) recognised in the Consolidated Statement of Comprehensive Income	(15.4)	8.7	(4.0)	(0.9)	(1.0)	(1.1)

The cumulative losses recognised through the Consolidated Statement of Comprehensive Income since the date of transition to IFRS (1 September 2009) are UK: \$6.9 million (2012: \$11.6 million; 2013: \$2.9 million); and since the date of acquisition—Switzerland: \$3.0 million (2012: \$0.9 million; 2013: \$1.9 million).

Summary of movements in the deficit during the financial year

	UK		Switzerland	
	2013 \$m	2014 \$m	2013 \$m	2014 \$m
Deficit in schemes at the beginning of the year	(25.4)	(15.9)	(5.0)	(6.3)
Current service cost	—	—	(1.6)	(1.9)
Past service cost	—	—	—	0.1
Net pension finance expense	(0.4)	(0.7)	0.0	(0.2)
Return on plan asset, excluding amount included in interest expense	—	2.4	—	0.4
Contributions by employer	0.7	3.1	1.4	1.5
Foreign currency translation	0.5	(1.1)	(0.1)	0.8
Actuarial gains/(losses)	8.7	(6.4)	(1.0)	(1.5)
Deficit in schemes at the end of the year net of deferred tax	(15.9)	(18.6)	(6.3)	(7.1)

Deficit in the Thailand pension scheme amounted to \$0.1 million (2013: \$0.0 million).

18 Employee benefits (Continued)

History of movements

The historical movement in defined benefit pension schemes' assets and liabilities are as follows:

	2010 \$m	2011 \$m	2012 \$m	2013 \$m	2014 \$m
Closing fair value of defined benefit pension assets	27.6	50.3	50.6	56.3	66.4
Present value of liabilities	(37.0)	(64.9)	(81.0)	(78.5)	(92.2)
Pension deficit	<u>(9.4)</u>	<u>(14.6)</u>	<u>(30.4)</u>	<u>(22.2)</u>	<u>(25.8)</u>

Expected contributions

A funding plan in respect of the Lifetime scheme has been agreed with the trustees for the period from September 2013 to 2020. An amount of \$2.9 million was paid in September 2014 (September 2013 \$2.7 million). Payments increase by 3% each year, culminating in a final payment under this scheme of \$3.3 million by 30 September 2020.

The Group expects to make normal cash contributions of approximately \$4.7 million (2013: \$4.2 million) to defined benefit schemes in the financial year ending 31 August 2015.

Share-based payments

2014 Equity Incentive Award Plan

Share options are granted to directors and selected employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee remaining in employment during the vesting period. The 1st allocation of options are exercisable in January 2015 and options thereafter are exercisable on the anniversary of the grant.

Under the 2014 Equity Incentive Award Plan ("2014 Incentive Plan"), 9,800,000 of our ordinary shares have been reserved for issuance pursuant to a variety of share-based compensation awards that may be awarded under the 2014 Incentive Plan. The maximum number of our ordinary shares that may be subject to one or more awards granted to any person pursuant to the 2014 Incentive Plan during any calendar year will be 1,200,000 and the maximum amount that may be paid in cash to any one person during any calendar year with respect to one or more awards payable in cash shall be \$10.0 million. However, no non-employee director will be granted awards pursuant to the 2014 Incentive Plan with an aggregate value in excess of \$5.0 million during any fiscal year.

None of the awards vested in the period.

18 Employee benefits (Continued)

Share-based payments (Continued)

2014 Equity Incentive Award Plan (Continued)

A fair value for the shares issued was calculated using the Black-Scholes Option Pricing Model incorporating the following assumptions; the terms and conditions of the grants are as follows:

	<u>Issued 2014</u>
Exercise price	\$ 18.00
Equity price	\$ 18.00
Volatility	33.63%
Dividend yield	0%
Risk free interest rate	1.79%
Expected life to exercise	6.25 years
Number of shares awarded	451,100

Lapsed scheme

In the prior year the issuing entity was changed from Nord Anglia Education (UK) Holdings PLC to its immediate parent undertaking Nord Anglia Education Inc. The employing entity also changed from NAE Limited to NAE Hong Kong Limited. There are no other changes to the terms of the scheme. Management has reassessed the vesting conditions of the awards, the awards will now vest at the earlier of February 2015 or a complete exit by Baring Private Equity Asia.

Management has been issued shares based on their level of seniority. When vesting conditions are met the number of shares held by management will multiply in accordance with the ratchet attached to that class of shares. The vesting of shares will be satisfied by adjusting the ownership of the equity between the parent company and management. If the full IRR is satisfied, the stake owned by the employees would be 16.7%. The ratchet by class of share is noted below:

2013:

<u>IRR</u>	<u>B shares</u>	<u>C shares</u>	<u>D shares</u>	<u>E shares</u>
Less than 18%	3.514	3.347	3.606	Not applicable
18% to 25%	4.514	4.347	4.606	2
25% to 35%	5.514	5.347	5.606	3
35% +	6.514	6.347	6.606	4

A fair value for the shares issued was calculated using the Black-Scholes Option Pricing Model incorporating the following assumptions; the terms and conditions of the grants are as follows:

	<u>Shares issued 2013</u>	<u>Shares issued 2012</u>	<u>Shares issued 2011</u>	<u>Shares issued 2010</u>
Exercise price	\$ 0.016281	\$ 0.016281	\$ 0.016281	\$ 0.01551
Equity price	\$ 1.37	\$ 1.37	\$ 0.1791	\$ 0.1160
Volatility	100%	100%	100%	100%
Dividend yield	0%	0%	0%	0%
Risk free interest rate	6%	6%	5%	5%
Expected life to exercise	3 years	3 years	1.5 years	2.5 years
Number of shares exercised	51,599	222,800	360,145	1,059,414

18 Employee benefits (Continued)

Lapsed scheme (Continued)

The fair value of each share was calculated as 2013—\$1.37 (2012—\$1.37; 2011—\$0.1791; 2010—\$0.1160).

In accordance to the articles of association effective at that point, the redemption at par value of deferred shares and redeemable A ordinary shares from Premier Education Holdings Ltd and other classes of redeemable ordinary shares from other shareholders to give effect to a ratchet mechanism that increases the percentage shareholding of certain shareholders, primarily our management and employees. On 31 March 2014, the vesting conditions were satisfied and the stake held by the employees at that point were adjusted at the 25% to 35% level of IRR. All classes of ordinary shares B-E has been converted into ordinary shares on 31 March 2014. (See note 20)

No further options will be granted under this scheme and has been replaced by the 2014 Equity Incentive Award Plan.

19 Provisions for other liabilities and charges

	Property \$m	Other \$m	Total \$m
Balance at 1 September 2012	0.9	4.5	5.4
Provisions made during the year	—	3.8	3.8
Provisions used during the year	(0.7)	(2.2)	(2.9)
Provisions reversed during year	(0.2)	(0.3)	(0.5)
Foreign exchange	—	0.0	0.0
Balance as at 31 August 2013	<u>—</u>	<u>5.8</u>	<u>5.8</u>
Balance at 1 September 2013	—	5.8	5.8
Provisions made during the year	—	0.1	0.1
Provisions used during the year	—	(4.2)	(4.2)
Provisions reversed during the year	—	—	—
Foreign exchange	—	0.0	0.0
Balance at 31 August 2014	<u>—</u>	<u>1.7</u>	<u>1.7</u>
Non-current	—	1.2	1.2
Current	—	0.5	0.5
	<u>—</u>	<u>1.7</u>	<u>1.7</u>

Provisions for property at the beginning of the year related to lease dilapidations and future lease costs resulting from the restructuring of the business within the Learning Services division. The majority of the provision has utilised while an element of the provision in excess of the utilised amount during the year has released.

Other provisions relate to school acquisition costs and costs associated with the integration of newly acquired subsidiaries and overseas employees. The overseas employees provision is likely to be utilised over several years, although the timing of utilisation is uncertain. The remaining balance is classified as current at the year end.

20 Capital and reserves

Group and Company

Share capital

<u>Authorised</u>	<u>No.</u>	<u>2013 \$m</u>	<u>No.</u>	<u>2014 \$m</u>
Ordinary shares of \$0.01 each	—	—	2,000,000,000	20.0
Ordinary shares 'A' of \$0.016281 each	300,000,000	4.8	—	—
Ordinary shares 'B' of \$0.016281 each	841,623	0.0	—	—
Ordinary shares 'C' of \$0.016281 each	210,406	0.0	—	—
Ordinary shares 'D' of \$0.016281 each	273,527	0.0	—	—
Ordinary shares 'E' of \$0.016281 each	3,000,000	0.1	—	—
Ordinary shares 'F' of \$0.016281 each	801,653	0.0	—	—
Ordinary shares 'G' of £0.01 each	100,000,000	1.6	—	—
Deferred shares of \$0.016281 each	200,000,000	3.3	—	—
Dollar deferred shares of \$0.01 each	6,500,000,000	65.0	—	—
Preference shares of \$1.00 each	65,246,057	65.2	—	—
New preference shares of \$0.01 each	4,475,805	0.1	—	—
At 31 August	<u>7,174,849,071</u>	<u>140.1</u>	<u>2,000,000,000</u>	<u>20.0</u>

<u>Allotted, called up and fully paid</u>	<u>No.</u>	<u>2013 \$m</u>	<u>No.</u>	<u>2014 \$m</u>
Ordinary shares of \$0.01 each	—	—	97,747,778	1.0
Ordinary shares 'A' of \$0.016281 each	137,045,844	2.2	—	—
Ordinary shares 'B' of \$0.016281 each	841,623	0.0	—	—
Ordinary shares 'C' of \$0.016281 each	210,406	0.0	—	—
Ordinary shares 'D' of \$0.016281 each	136,763	0.0	—	—
Ordinary shares 'E' of \$0.016281 each	2,212,188	0.1	—	—
Ordinary shares 'F' of \$0.016281 each	801,653	0.0	—	—
Deferred shares of \$0.016281 each	100	0.0	—	—
Dollar deferred shares of \$0.01 each	—	0.0	—	—
Preference shares of \$1.00 each	65,246,057	65.2	—	—
New preference shares of \$0.01 each	2,113,052	0.0	—	—
At 31 August	<u>208,607,686</u>	<u>67.5</u>	<u>97,747,778</u>	<u>1.0</u>

20 Capital and reserves (Continued)

	Ordinary shares \$m	Redeemable preference shares \$m	Share premium \$m
At 31 August 2012	2.2	65.2	255.2
Issued during the year	0.1	0.0	140.0
Share redemption	—	(0.0)	(138.7)
At 31 August 2013	2.3	65.2	256.5
Issued during the year	1.0	0.0	366.9
Transaction cost recognised directly in equity	—	—	(29.6)
Return of capital to pre IPO shareholders	—	—	4.0
Forgiveness of the loan	—	—	14.3
Distribution to parent	—	—	(15.0)
Share redemption	(2.3)	(65.2)	—
At 31 August 2014	1.0	—	597.1

	2013 \$m	2014 \$m
Shares classed as liabilities	—	—
Shares classified in shareholders' funds	67.5	1.0
At 31 August	67.5	1.0

The holders of Ordinary, A, B, C and D Ordinary shares are entitled to receive notice of, attend, speak and vote at any general meeting of the Company. The holders of E, F and deferred shares do not have any of the above entitlements. The Ordinary shares are entitled to receive dividends.

The New preference shares are redeemable at any time at the option of the Company. The amount payable on redemption is the "Aggregate Value". The aggregate values are \$447,579,973 and \$142,741,843 for the new preference shares and preference shares respectively, each compounded at a 12% yield annually, commencing 29 February 2012 for the new preference shares and 14 August 2013 for the preference shares. On redemption, any amount paid by the Company in excess of the carrying value of the shares is deducted from share premium. On 31 March 2014, the new preference shares were converted into 12,908,465 ordinary shares and preference shares converted into 10,818,879 ordinary shares. For the purposes of the redemption or conversion of the preference shares, the term "Aggregate Value" has the meaning given to it by the current articles of association of the Company.

The holders of the preference shares are not entitled to receive dividends and are not entitled to receive notice of, attend, speak at or vote at any general meetings of the Company.

The holders of the new preference shares are entitled to receive dividends and are not entitled to receive notice of, attend, speak at or vote at any general meetings of the Company.

The preference shares and New preference shares are convertible at the option of the Company into such number of A ordinary shares in the Company as have a market value equal to the "Aggregate Value".

20 Capital and reserves (Continued)

On 6 December 2013, the Company issued 1 preference share with an aggregate nominal par value of \$1 with a share premium of \$3.8 million per share was issued with Premier Education Holdings Limited (immediate parent company) for financing purposes.

On 17 February 2014, 1 preference share with an aggregate nominal value of \$1 was issued at par with a share premium of \$14.5 million per share. The share was issued to Premier Education Holdings Limited in respect of the outstanding consideration due on the transfer of British International School Abu Dhabi LLC to the Group. (see note 4e)

On 31 March 2014, the Company completed its initial public offering and issued 21,850,000 ordinary shares of \$16.00 per share, raising gross proceeds of \$349.6 million. This included shares issued pursuant to the exercise of the underwriters' overallotment option, raising net proceeds of \$320.0 million, net of offering costs. On the same day the existing 208,607,689 ordinary and preference shares were redeemed and replaced with 75,897,778 ordinary shares of the Company.

On 20 May 2013, 1 preference share with an aggregate nominal value of \$1 was issued at par with a share premium of \$133.4 million per share. The share was issued to Premier Education Holdings Limited for the financing of the acquisition and related fees and expenses of WCL Group Limited (see note 2).

On 14 August 2013, 1 preference share with an aggregate nominal value of \$1 was issued at par with a share premium of \$6.6 million per share. The share was issued to Premier Education Holdings Limited (immediate parent company). The total share premium following the previous 3 transactions is now \$256.5 million.

On 2 February 2013, 1,237,217 new preference shares with a par value of \$0.01 were redeemed. The redeemed new preference shares had a share premium of \$138.7 million attached. This was following the issuance of the 8.50% Senior PIK toggle notes due 2018 as a return of equity to the new preference shareholders.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising since 1 September 2009, the transition date to IFRSs, from the translation of the financial statements of foreign operations.

Other reserves

Other reserves relate to the capital contributions reserve created upon the settlement of loan notes issued to the parent company and senior management. During the year, Nord Anglia International School, Hong Kong ("HKIS") introduced non-refundable nomination rights and is designated to finance the capital expenditure of the school.

21 Financial instruments

21 (a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the effective rate of interest at the balance sheet date if the effect is material.

21 Financial instruments (Continued)

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the effective rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the effective rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the effective rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Derivative financial instruments

The fair value of interest rate swaps is determined through the use of valuation techniques which maximise observable market data as the instruments are not traded in an active market.

Fair values

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

	Carrying amount 2013 \$m	Fair value 2013 \$m	Carrying amount 2014 \$m	Fair value 2014 \$m
IAS 39 categories of financial instruments				
Loans and receivables				
Cash and cash equivalents (note 15)	171.1	171.1	166.2	166.2
Other loans and receivables	75.1	75.1	81.5	81.5
Total financial assets	246.2	246.2	247.7	247.7
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 16)	(661.0)	(713.4)	(522.4)	(522.4)
Trade and other payables	(111.8)	(111.8)	(111.2)	(111.2)
Total financial liabilities	(772.8)	(825.2)	(633.6)	(633.6)
Net financial instruments	(526.6)	(579.0)	(385.9)	(385.9)

21 (b) Credit risk

Financial risk management

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, and arises principally from the Group's receivables

21 Financial instruments (Continued)

from customers, cash and bank balances, and derivatives. This credit risk is minimised by a policy under which the Group only enters into such contracts with companies, governments, banks and financial institutions with strong credit ratings within limits set for each organisation. In respect of derivatives, dealing activity is closely controlled and counterparty positions are monitored regularly. No credit limits were exceeded during the year and the Group does not anticipate that any losses will arise from non-performance by these counterparties.

Exposure to credit risk

The carrying amount of financial assets other than cash and cash equivalents represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was \$ 81.5 million (2013—\$75.1 million) being the total of the carrying amount of financial assets.

Financial assets

The maximum exposure to credit risk for financial assets at the balance sheet date by currency was:

	2013 \$m	2014 \$m
Sterling	7.2	4.6
Dollar and Dollar peg currencies	22.9	30.4
Chinese Renminbi	15.0	3.9
European currencies (excluding Sterling)	8.6	11.3
Malaysian Ringgit	4.6	0.8
Swiss Franc	13.7	25.3
Thai Baht	3.1	3.0
Singapore Dollar	—	2.2
	<u>75.1</u>	<u>81.5</u>

The maximum exposure to credit risk for financial assets at the balance sheet date by type of counterparty was:

	2013 \$m	2014 \$m
School fees	40.1	60.4
Amounts receivable through other contracts	9.6	9.3
Cash deposit accounts	13.9	—
Others	11.5	11.8
	<u>75.1</u>	<u>81.5</u>

21 Financial instruments (Continued)

Credit quality of financial assets and impairment losses

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

	Gross 2013 \$m	Net after impairment 2013 \$m	Gross 2014 \$m	Net after impairment 2014 \$m
Not past due	24.7	24.7	40.9	40.8
Less than 1 month past due	11.2	11.2	8.2	8.2
1—3 months past due	11.2	11.2	20.8	20.5
More than 3 months past due	3.7	2.6	4.4	0.1
	<u>50.8</u>	<u>49.7</u>	<u>74.3</u>	<u>69.6</u>

The Group defines impaired trade receivables to include those in legal hands or unrecoverable due to financial difficulties. The trade receivables that are past due but not impaired relate to customers for whom there is no history of default.

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

	2013 \$m	2014 \$m
Balance at 1 September	0.9	1.1
Impairment loss recognised	0.9	3.9
Impairment loss reversed	(0.7)	(0.3)
Effect of foreign exchange movements	0.0	0.0
Balance at 31 August	<u>1.1</u>	<u>4.7</u>

21 (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 aims to maintain a flexible borrowing structure by combining committed bank borrowing facilities with additional overdraft and capital facilities. The Group monitors its future funding requirements over the short to medium term such that it can take actions to supplement its operating cash flows to service future debt obligations where appropriate.

Management monitors rolling forecasts of the Group's liquidity resources (comprising the undrawn borrowing facility, and cash and cash equivalents) on the basis of expected cash flow. This is carried out at both Group level and local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

21 Financial instruments (Continued)

21 (c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The financial statements are prepared on the going concern basis. The balance sheet shows that assets exceed liabilities by \$194.1 million. The directors have considered the future forecasts and on-going strategy when assessing the needs of the Group and consider the Group has adequate resources at its disposal to continue its operations for the foreseeable future. Further details are included in note 1.

The Group has complied with all covenants included in the various debt facilities and instruments.

Borrowing facilities

The Group has a \$515.0 million term loan facility and a Revolving Credit Facility of \$75.0 million (2013: \$40.0 million) of which \$20.0 million (2013: \$nil) was drawn down as overdraft facilities.

As at 31 August 2014, there were undrawn borrowing facilities at the balance sheet date of \$55.0 million (2013—\$40.0 million) and the outstanding balance of the term loan facility was \$513.7 million.

Liquidity risk—Group

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

	2013					2014				
	Undiscounted contractual cashflows \$m	1 year or less \$m	1 to <2 years \$m	2 to <5 years \$m	5years and over \$m	Undiscounted contractual cashflows \$m	1 year or less \$m	1 to <2 years \$m	2 to <5 years \$m	5years and over \$m
Non-derivativ financial liabilities:										
Borrowings	912.6	71.8	68.5	772.3	—	688.4	48.6	28.7	85.9	525.2
Finance lease liabilities	0.0	0.0	0.0	—	—	0.0	0.0	—	—	—
Trade and other payables	111.8	103.5	7.7	0.6	—	111.2	60.5	7.6	18.4	24.7
	<u>1,024.4</u>	<u>175.3</u>	<u>76.2</u>	<u>772.9</u>	<u>—</u>	<u>799.6</u>	<u>109.1</u>	<u>36.3</u>	<u>104.3</u>	<u>549.9</u>

21 (d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

21 Financial instruments (Continued)

21 (d) Market risk (Continued)

Market risk—Foreign currency risk

The Group has significant and expanding international operations trading in non US dollar currencies. Movements in global exchange rates can cause currency exposures to the Group's consolidated US dollar financial results. Where stable currencies exist, trade is conducted in local currencies and where appropriate, borrowings are matched in that currency to mitigate the risk of exposure to the Group's assets and liabilities from exchange rate movements. In countries of operation where currency trading zones are considered to be weaker, some transactions are conducted in US dollars and euros to try to minimise exchange fluctuation risks.

In consideration of benefits against cost, the Group does not hedge its translation exposure, but will consider managing transactional exposures by using forward cover instruments where significant transactions are involved.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 August 2013

	Sterling \$m	European currencies \$m	US dollar and US dollar peg \$m	Chinese Renminbi \$m	Swiss Franc \$m	Malaysian Ringgit \$m	Thai Baht \$m	Total \$m
Cash and cash equivalents	12.8	49.0	(31.7)	116.0	16.6	0.2	8.2	171.1
Trade receivables	4.7	7.9	19.5	0.2	11.5	3.7	2.2	49.7
Other receivables	2.5	0.5	1.7	9.6	0.2	0.9	0.9	16.3
Other non-current receivables	0.0	0.2	1.7	5.3	1.9	—	—	9.1
Secured bank loans and overdrafts	—	—	(647.0)	(13.9)	(0.1)	—	—	(661.0)
Trade and other payables	(15.4)	(5.9)	(54.1)	(20.9)	(11.7)	(1.6)	(2.2)	(111.8)
Balance sheet exposure	<u>4.6</u>	<u>51.7</u>	<u>(709.9)</u>	<u>96.3</u>	<u>18.4</u>	<u>3.2</u>	<u>9.1</u>	<u>(526.6)</u>

31 August 2014

	Sterling \$m	European currencies \$m	US dollar and US dollar peg \$m	Singapore Dollar \$m	Chinese Renminbi \$m	Swiss Franc \$m	Malaysian Ringgit \$m	Thai Baht \$m	Total \$m
Cash and cash equivalents	10.8	54.0	(58.1)	12.5	130.2	6.9	0.1	9.8	166.2
Trade receivables	3.9	9.9	27.2	2.1	0.2	23.0	0.8	2.5	69.6
Other receivables	0.7	0.4	1.4	0.1	2.6	0.4	0.0	0.3	5.9
Other non-current receivables	0.0	1.1	1.8	—	1.0	1.9	—	0.2	6.0
Secured bank loans and overdrafts	—	—	(522.4)	—	—	—	—	—	(522.4)
Trade and other payables	(8.6)	(6.8)	(57.9)	(0.8)	(21.5)	(12.7)	(0.0)	(2.9)	(111.2)
Balance sheet exposure	<u>6.8</u>	<u>58.6</u>	<u>(608.0)</u>	<u>13.9</u>	<u>112.5</u>	<u>19.5</u>	<u>0.9</u>	<u>9.9</u>	<u>(385.9)</u>

21 Financial instruments (Continued)

21 (d) Market risk (Continued)

Market risk—Foreign currency risk (Continued)

Sensitivity analysis

A 1% strengthening of the following currencies against the US dollar at 31 August would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 August 2013.

	Profit or loss		Equity	
	2013 \$m	2014 \$m	2013 \$m	2014 \$m
Sterling	0.3	1.1	0.6	2.2
European currencies (excluding Sterling)	0.1	0.1	0.3	(0.0)
Chinese Renminbi	0.5	0.1	0.4	0.1
Swiss Franc	0.0	(0.0)	0.0	(0.1)

A 1% weakening of the above currencies against the US dollar at 31 August would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk—Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2013 \$m	2014 \$m
Fixed rate instruments		
Financial liabilities	647.0	—
Variable rate instruments		
Financial liabilities	14.0	522.4

The Group does not apply hedge accounting for any of its derivative financial instruments. As such the Group recognises changes in fair value in respect of any of its derivatives immediately in its income statement.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate profile of the Group's debt is predominately variable.

21 Financial instruments (Continued)

21 (d) Market risk (Continued)

Market risk—Interest rate risk (Continued)

At the 31 August 2014, all of the Groups borrowings were issued at variable interest rates. The impact of a 1% increase in interest rates on the Group's variable interest rate debt not covered by the derivative financial instruments would be to increase the Group's interest charge by approximately \$5.3 million

The Group analyses its interest rate exposure on a regular basis.

21 (e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or sell fixed assets to reduce debt.

The Group monitors capital on the basis of the debt:equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

On 31 March 2014, the Group entered into a credit agreement for a \$515.0 million senior secured term loan facility and a \$75.0 million revolving credit facility. The Group discharged its obligations under the indentures governing the \$490.0 million 10.25% senior secured notes and \$150.0 million 8.50%/9.50% PIK toggle notes, both of which were fully redeemed as of 14 April 2014. Prior to entry into the senior secured term loan facility in March 2014, the Group monitored the Fixed Charge Cover Ratio ("FCCR"—Consolidated EBITDA divided by Consolidated Interest Expense as defined in the indenture governing the \$490m senior secured notes). Post entry into the senior secured term loan facility, the Group monitors the Net Leverage Ratio ("NLR"—Debt less Cash and Cash Equivalents divided by Consolidated EBITDA as defined in the facility agreement. In the credit agreement for the senior secured term loan facility, debt is defined as the greater of the Balance Sheet amount of all the debt or the par value of such debt and Consolidated EBITDA is adjusted for the full year impact of acquisitions and interest receivable). The relevant ratios for the three years ended 31 August 2014 were as follows:

	2012 \$m	2013 \$m	2014 \$m
Total borrowings	340.7	661.0	522.4
Less cash and cash equivalents	(108.5)	(171.1)	(166.2)
Net debt	232.2	489.9	356.2
Total equity	43.8	20.0	194.1
Total capital	<u>276.0</u>	<u>509.9</u>	<u>550.3</u>
Net debt to total equity ratio	5.3:1	24.5:1	1.8:1
Fixed charge coverage ratio (FCCR)*	2.26	2.25	n/a
Net leverage ratio (NLR)**	<u>2.98</u>	<u>3.14</u>	<u>2.75</u>

* FCCR monitored from 22 March 2012 to 31 March 2014

** NLR monitored from 31 March 2014. 2012 and 2013 figures are unaudited.

22 Operating leases

Future aggregate minimum lease payments are as follows:

	2013 \$m	2014 \$m
<i>Land and Buildings</i>		
Less than one year	47.4	53.9
Between one and five years	186.7	204.1
More than five years	351.5	454.4
	<u>585.6</u>	<u>712.4</u>
<i>Other</i>		
Less than one year	0.4	0.4
Between one and five years	0.3	0.7
	<u>0.7</u>	<u>1.1</u>
	<u>586.3</u>	<u>713.5</u>

Operating leases are payable at market rates and are not subject to any restrictions other than those that would normally be expected to apply to such agreements. Agreements in respect of properties may be subject to renewal according to the landlord's terms. There are no new terms of renewal applicable to any other operating lease agreements.

The disclosures for 2013 have been represented to better reflect the lease agreements in place at 2013.

23 Commitments

Capital commitments

	2013 \$m	2014 \$m
Contracted but not provided for	4.3	3.0
Authorised but not contracted or provided for	27.8	28.6
	<u>32.1</u>	<u>31.6</u>

All capital commitments relate to tangible assets.

24 Contingencies

In 2014 all borrowings are secured by fixed and floating charges over all the current and future assets of certain Group entities. The Group subsidiaries which are party to this arrangement are detailed in note 12, Subsidiaries, along with details of certain Group entities whose share capital has also been pledged as part of the security arrangement, including the assignment of certain insurances.

The Group has provided the following bank guarantees:

To SCTAI Anglo Iskola KFT for €0.3 million (\$0.4 million) in respect of a 30 year lease of school premises in Budapest. The annual payments under this lease are €0.4 million (\$0.6 million) and the guarantee expires on 2 February 2015.

24 Contingencies (Continued)

To Abu Dhabi Education Council for AED 1.4 million (\$0.4 million) which is open ended.

To Dubai Islamic Bank for AED36.0 million (\$9.8 million) in respect of a 13 year lease for school premises in Dubai, the guarantee expires on 15 September 2017.

25 Related party transactions

Entities with significant influence over the Group

Premier Education Holdings Limited owns 72.2% of the ordinary shares of Nord Anglia Education, Inc., and Baring Private Equity Asia owns 100% of Premier Education Holdings Limited.

Transactions with related parties

During the year the Group and Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 August with other related parties are as follows:

	Amounts owed by related parties at 2013 (\$m)	Amounts owed to related parties at 2013 (\$m)	Amounts owed by related parties at 2014 (\$m)	Amounts owed to related parties at 2014 (\$m)
Entities with significant influence over the Group:				
Premier Education Holdings Limited	—	30.6	—	—
	—	30.6	—	—
Other related parties	—	2.3	—	0.8

Name of Company	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertaking:			
Nord Anglia Education (UK) Holdings PLC	Ordinary	100%	Holding company

On 20 February 2013, Premier Education Holdings Limited (immediate parent company) exchanged all of its ordinary shares, preferred shares and loan notes held in Nord Anglia Education (UK) Holdings PLC with Nord Anglia Education, Inc. in exchange for Nord Anglia Education, Inc. ordinary shares, preferred shares and loan notes with equivalent economic terms to the original Nord Anglia Education (UK) Holdings PLC shares and loan notes. Concurrent with this, senior management and other related parties each exchanged their ordinary shares and loan notes as applicable in Nord Anglia Education (UK) Holdings PLC with Nord Anglia Education, Inc. for Nord Anglia Education, Inc. ordinary shares and loan notes with equivalent terms to the Nord Anglia Education (UK) Holdings PLC shares and loan notes.

As a result of the above transactions, Nord Anglia Education, Inc. became the immediate parent company of Nord Anglia Education (UK) Holdings PLC and a subsidiary of Premier Education Holdings Limited.

Further details of the exchange are disclosed in note 20.

25 Related party transactions (Continued)

Also included in the consolidated financial statements are the following balances resulting from transactions with Senior Management of Nord Anglia Education, Inc. and shareholdings held by Senior Management:

	Number of shares held at 31 August 2013 No.	Shares redeemed during the year 2013 No.	Shares issued during the year 2013 No.	Value 2013 \$m
Shareholdings—2013				
Ordinary 'B' shares	841,623	—	841,623	0.0
Ordinary 'C' shares	210,406	—	210,406	0.0
Ordinary 'D' shares	136,763	—	136,763	0.0
Ordinary 'E' shares	2,212,188	—	2,212,188	0.1
New preference shares	15,450	(9,047)	24,497	0.0

	Number of shares held at 31 August 2014 No.	Number of shares issued at 31 August 2014 No.	Shares cancelled during the year 2014 No.	Number of shares held at 31 August 2013 No.	Value 2014 \$m
Shareholdings—2014					
Ordinary shares	3,465,810	3,465,810	—	—	0.0
Ordinary 'B' shares	—	—	(841,623)	841,623	0.0
Ordinary 'C' shares	—	—	(210,406)	210,406	0.0
Ordinary 'D' shares	—	—	(136,763)	136,763	0.0
Ordinary 'E' shares	—	—	(2,212,188)	2,212,188	0.0
New preference shares	—	—	(15,450)	15,450	0.0

Remuneration of senior management is disclosed in note 7 of the consolidated financial statements.

The Group holds a 50% shareholding in EduAction Waltham Forest Limited through its 100% owned subsidiary Nord Anglia Education Limited. At the balance sheet date the jointly controlled entity was owed an amount of \$1.1 million (2013—\$1.1 million) by the Group which is included within other creditors due less than one year.

During the year ended 31 August 2014, consistent with 31 August 2013 financial statements, the Swiss schools continue to rent premises from companies which are controlled by a key member of management.

	Balance at 31 August 2014 (\$m)	Rental charge for the period (\$m)	Balance at 31 August 2013 (\$m)	Rental charge for the period (\$m)
Leosolis SA	0.2	3.4	nil	3.3
Hunters SA	nil	1.0	nil	0.9
Toumim SA	nil	0.5	nil	0.3
Delphim SA	0.8	3.5	2.3	3.3
La Renardières Service SA	nil	0.7	nil	0.5

25 Related party transactions (Continued)

There is a rental guarantee made to Delphim SA for CHF1.4 million in respect of a 14 year lease of school premises in Switzerland. The annual payment under this lease are CHF3.1 million (\$3.4 million) and the guarantee expires on 31 August 2026.

In addition to the above, the vendor was also paid a consultancy fee of \$1.2 million (2013: \$0.3 million) and reimbursement of costs \$1.2 million (2013: \$1.8 million).

Included within other creditors is an amount of \$0.8 million (current \$0.2 million, non-current \$0.6 million) 2013: \$2.3 million (current: \$1.5 million, non-current: \$0.8 million). The \$0.8 million is due to the vendor of College Champittet for the earn-out agreement and is to be settled over the next 4 years (2013: \$1.0 million to be settled over 5 years). The remaining \$1.3 million in 2013 relates to the deferred consideration which is due to the vendor for the initial purchase of College Champittet by Premier Education Holdings Limited (formerly known as Premier Education Holdings s.a.r.l.). The repayment date for this deferred consideration is 1 September 2013. These amounts relate to the original purchase of the trade and assets of College Champittet by the corporate vehicle (Cime Services SA) used to purchase College Champittet.

During the year ended 31 August 2014, \$15.0 million (2013: \$3.3 million; 2012: \$nil) was paid to Premier Education Holdings, the ultimate parent of the Group in respect of the termination of professional services and consultancy agreement in 2014 and management and consultancy fees in 2013. Furthermore, \$0.2 million (2013: \$0.4 million; 2012: \$0.1 million) was paid to Barings Private Equity Asia for the reimbursement of travelling expenses. In 2012, an amount of \$1.1 million of legal related expenses in relation to acquisitions were passed down from Barings Private Equity Asia to the Group. In the prior year, \$6.5 million was paid to Barings Private Equity Asia for the transaction fee in relation to the issuance of the \$325.0 million of 10.25% Senior secured notes due 2017 by Nord Anglia Education (UK) Holdings PLC.

During the year ended 31 August 2014, \$61.2 million (2013: \$137.1 million; 2012: \$112.2 million) of preference share redemption premium was paid to PEH and the carrying value of the shares redeemed was \$0.0 million, (2013: \$0.0 million; 2012: \$0.0 million).

Included within the transactions with PEH is the \$19.5 million consideration in respect of the transfer of British International School Abu Dhabi ('BISAD') in the prior year. The remaining balance (\$14.5 million) was settled as part of the share cancellation and recapitalisation (see note 20).

On 23 December 2009, Nord Anglia Education Limited, the British International School Shanghai, Ms. Tang and her affiliates entered into an agreement in respect of the purchase of any past and all future rights under the profit share agreement among those parties. This agreement was amended by the parties on August 23, 2010. Under the amended profit share buyout agreement, the Group agreed to purchase any such past and all future rights under the profit share agreement and that payment for these rights would be made in two tranches. The first payment tranche of \$9.4 million (RMB 64 million) was made on 1 September 2010. The Group had accrued a further \$7.5 million for final payment on 31 December 2010. Thus an amount of \$16.9 million was included in exceptional items. However, the payment was delayed until 12 January 2011 thus incurring a late penalty fee and uplift in the exchange rate between the RMB and US\$, therefore the amount paid was \$8.2 million.

On 24 February 2010, Nord Anglia Education Limited, the British International School Shanghai and Ms. Tang entered into an agreement in respect of the buyout of any past and all future rights under her employment profit share agreement. This agreement was amended by the parties on 23 August 2010. Under the amended employment profit share buyout agreement, the Group agreed to

25 Related party transactions (Continued)

purchase any such past and all future rights under the employment profit share agreement in two tranches. The first payment tranche of \$4.6 million (RMB 31.2 million) was made on 1 September 2010. The Group had accrued for a further \$3.6 million for final payment on 31 December 2010. Thus an amount of \$8.2 million was included in exceptional items. The payment was however delayed until 12 January 2011, thus incurring a late penalty fee and uplift in exchange rate between the RMB and US\$, therefore the amount paid was \$3.9 million.

A completion fee was also paid to Ms Tang and her affiliates and to Ms Tang under each of the profit share agreement respectively, which was equal to the amount of profit share due under each such agreement for the fiscal year ending August 31, 2010 less any amounts that had been paid before completion. A charge equal to the completion fees totalling \$2.9 million was made to the consolidated income statement in 2010.

In addition to the above, the Group is obliged to pay deferred consideration in respect of the second tranche to the value of \$1.3 million, of which 50% was payable within 30 days after 31 August 2011 and 50% is payable 30 days after 31 August 2012. Each of these payments is conditional upon Ms Tang still being employed by the British International School Shanghai at the relevant date. Ms Tang will however be entitled to the deferred consideration in the event the British International School Shanghai terminates her employment (other than for serious or gross misconduct or wilful neglect) at any time prior to 31 August 2012. The deferred consideration component can also be adjusted for specified variations in the \$/Chinese renminbi exchange rate between 23 August 2010 and the date the payments are made. Thus for 31 August 2011 and 31 August 2012, the actual payment made was \$0.7 million which is reflected in exceptional items.

During the year ended 31 August 2014, a consultancy fee of \$nil million (2013: \$0.1 million; 2012: \$0.3 million) was paid to a close family member of senior management for consultancy purposes.

26 Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing the earnings/(losses) attributable to owners of the company by the weighted average number of ordinary shares in issue during the financial year, which has been adjusted to retroactively reflect as outstanding in all periods the shares held by PEH (70.6 million ordinary shares), the parent, immediately prior to the initial public offering. During the year \$32.1 million (2013—\$14.9 million; 2012—\$1.1 million) New preference shares were redeemed at the option of the Company. The amount paid on redemption was \$61.6 million (2013—\$138.7 million; 2012—\$113.5 million) and the carrying value of the shares redeemed comprised \$0.0 million (2013—\$0.0 million; 2012—\$0.0 million) of share capital and \$61.6 million (2013—\$138.7 million; 2012—\$113.5 million) of associated share premium. The redemption premium paid to the preference shareholders, whom are in the non-controlling party, has been added to loss for the year available for equity shareholders.

Diluted earnings/(loss) per share amounts are calculated by dividing the earnings/(losses) attributable to owners of the company by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of potentially dilutive options. The dilutive effect is

26 Earnings/(loss) per share (Continued)

calculated on the full exercise of all potentially dilutive ordinary share options granted by the Group, including performance-based options which the Group considers to have been earned.

	2012			2013			2014		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Loss (\$m)									
Continuing operation	(37.4)		(37.4)	(23.3)		(23.3)	(90.4)		(90.4)
Preference share redempti premium	(1.3)		(1.3)	(1.6)		(1.6)	(0.4)		(0.4)
Total losses attributable to equity shareholde	(38.7)		(38.7)	(24.9)		(24.9)	(90.8)		(90.8)
Weighted average number of shares (millions)	74.0	—	74.0	74.0	—	74.0	85.1	—	85.1
Loss per share (\$ per share)	(0.52)		(0.52)	(0.34)		(0.34)	(1.07)		(1.07)

27 Ultimate parent company

Nord Anglia Education, Inc. is controlled by its immediate parent company Premier Education Holdings Limited by the virtue of owning 72.2% of its issued share capital.

Nord Anglia Education, Inc is the largest and smallest group for which consolidated financial statements are prepared.

The ultimate controlling party is Baring Private Equity Asia.

28 Subsequent events

There were no material subsequent events.

29 Parent company financial information

Income Statements

	Note	Predecessor	Successor		
		Period from 1 September 2011 to 13 December 2011 \$m	Period from 14 December 2011 to 31 August 2012 \$m	Year ended 31 August 2013 \$m	Year ended 31 August 2014 \$m
Revenue		—	—	—	—
Cost of sales		—	—	—	—
Gross profit		—	—	—	—
Selling, general and administrative expenses*		(0.0)	—	(0.1)	(3.0)
Depreciation		—	—	—	—
Amortisation		—	—	—	—
Impairment of goodwill		—	—	—	—
Exceptional items		(1.1)	(6.4)	(1.1)	(35.0)
Total selling, general and administrative expenses		(1.1)	(6.4)	(1.2)	(38.0)
Operating loss		(1.1)	(6.4)	(1.2)	(38.0)
Finance income		—	—	—	—
Finance expense*		(10.5)	(117.7)	(8.5)	(10.4)
Net financing expense		(10.5)	(117.7)	(8.5)	(10.4)
Loss before tax		(11.6)	(124.1)	(9.7)	(48.4)
Income tax*		0.2	—	—	—
Loss for the period		<u>(11.4)</u>	<u>(124.1)</u>	<u>(9.7)</u>	<u>(48.4)</u>

* Fair value adjustments of \$0.6 million and \$0.2 million were made in the period from 1 September 2011 to 13 December 2011 to charge the finance expense and credit the income tax in relation to the fair valuation of the loan notes issued to the parent company and senior management.

See accompanying notes to the financial statements.

29 Parent company financial information (Continued)

Statements of Comprehensive Income

	Note	Predecessor	Successor		
		Period from 1 September 2011 to 13 December 2011 \$m	Period from 14 December 2011 to 31 August 2012 \$m	Year ended 31 August 2013 \$m	Year ended 31 August 2014 \$m
Loss for the period		(11.4)	(124.1)	(9.7)	(48.4)
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Foreign exchange translation differences		—	—	—	—
Other comprehensive income/(loss) for the period, net of income tax		—	—	—	—
Total comprehensive loss for the year		(11.4)	(124.1)	(9.7)	(48.4)
Attributable to:					
Equity holders of the company		<u>(11.4)</u>	<u>(124.1)</u>	<u>(9.7)</u>	<u>(48.4)</u>

See accompanying notes to the financial statements.

29 Parent company financial information (Continued)

Balance Sheet

as at 31 August 2013 and 2014

	Note	2013 \$m	2014 \$m
Non-current assets			
Investments	29b	332.1	538.3
Current assets			
Trade and other receivables		1.3	14.6
Cash and cash equivalents		0.0	0.0
		1.3	14.6
Total assets		<u>333.4</u>	<u>552.9</u>
Current liabilities			
Other interest-bearing loans and borrowings	29c	(1.1)	0.0
Trade and other payables		(1.5)	(134.3)
		(2.6)	(134.3)
Non-current liabilities			
Other interest-bearing loans and borrowings	29c	(140.5)	0.0
Total liabilities		<u>(143.1)</u>	<u>(134.3)</u>
Net assets		<u>190.3</u>	<u>418.6</u>
Equity attributable to equity holders of the parent			
Share capital		67.5	1.0
Share premium		256.5	597.1
Shareholder deficit		(133.7)	(179.5)
Shareholders' funds		<u>190.3</u>	<u>418.6</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (Continued)

29 Parent company financial information (Continued)

Statements of Changes in Equity

for the period ended 13 December 2011 to 31 August 2012, year ended 31 August 2013 and 31 August 2014

	Share capital \$m	Share premium \$m	Other reserves \$m	Shareholders' deficit \$m	Total shareholder equity \$m
Predecessor					
Balance at 1 September 2011	67.5	0.1	6.9	(84.2)	(9.7)
Total comprehensive loss for the period					
Loss for the period	—	—	—	(11.4)	(11.4)
Balance at 13 December 2011	67.5	0.1	6.9	(95.6)	(21.1)
Successor					
At 14 December 2011	—	—	—	—	—
Total comprehensive loss for the period					
Loss for the period	—	—	—	(124.1)	(124.1)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	2.3	—	—	—	2.3
Issue of preference shares	65.2	255.2	—	—	320.4
Total contributions by and distributions to owners	67.5	255.2	—	—	322.7
Balance at 31 August 2012 and 1 September 2012	67.5	255.2	—	(124.1)	198.6
Total comprehensive loss for the year					
Loss for the year	—	—	—	(9.7)	(9.7)
Transactions with owners, recorded directly in equity					
Issue of preference shares	—	140.0	—	—	140.0
Preference shares redemption	—	(138.7)	—	—	(138.7)
Equity-settled share based payment transactions	—	—	—	0.1	0.1
Total contributions by and distributions to owners	—	1.3	—	0.1	1.4
Balance at 31 August 2013	67.5	256.5	—	(133.7)	190.3
Balance at 1 September 2013	67.5	256.5	—	(133.7)	190.3
Total comprehensive loss for the year					
Loss for the year	—	—	—	(48.4)	(48.4)
Transactions with owners, recorded directly in equity					
Proceeds from shares issued (see note 20*)	1.0	348.6	—	—	349.6
Issue of preference shares	0.0	3.8	—	—	3.8
Contribution from parent	0.0	14.5	—	—	14.5
Transaction costs recognised directly in equity	—	(29.6)	—	—	(29.6)
Return of capital to pre IPO shareholders	(67.5)	4.0	—	—	(63.5)
Forgiveness of the loan	—	14.3	—	—	14.3
Distribution to parent	—	(15.0)	—	—	(15.0)
Equity-settled share based payment transactions (note 18*)	—	—	—	2.6	2.6

Total contributions by and distributions to owners	(66.5)	340.6	—	2.6	276.7
Balance at 31 August 2014	<u>1.0</u>	<u>597.1</u>	<u>—</u>	<u>(179.5)</u>	<u>418.6</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (Continued)

29 Parent company financial information (Continued)

Cash Flow Statements

for the period ended 13 December 2011 and 31 August 2012, year ended 31 August 2013 and 31 August 2014

	Note	Predecessor	Successor		
		Period from 1 September 2011 to 13 December 2011 \$m	Period from 14 December 2011 to 31 August 2012 \$m	Year ended 31 August 2013 \$m	Year ended 31 August 2014 \$m
Cash flows from operating activities					
Loss for the period before taxation		(11.6)	(124.1)	(9.7)	(48.4)
<i>Adjustments for:</i>					
Bond redemption expense		—	—	—	13.8
Bond issuance expense, net		—	6.5	—	—
Other non-cash item		—	(0.1)	—	—
Net debt waived		—	16.7	—	—
Net financial expense		10.5	101.0	8.5	10.4
Equity settled share-based payment expenses		—	—	0.1	2.6
		(1.1)	0.0	(1.1)	(21.6)
Increase in trade and other receivables		—	—	(0.4)	(5.3)
Increase in trade and other payables		1.1	—	—	161.0
Cash generated from operations		0.0	—	(1.5)	134.1
Payment of bond redemption expense		—	—	—	(13.8)
Interest paid		—	—	(6.6)	(9.4)
Tax paid		—	—	—	—
Net cash (used in)/generated from operating activities		—	—	(8.1)	110.9
Cash flows from investing activities					
Investment in subsidiary		—	—	(133.4)	(206.2)
Acquisition of subsidiary		—	—	—	—
Net cash used in					

investing activities	—	0.0	(133.4)	(206.2)
Cash flows from financing activities				
Proceeds from the issue of share capital, net	—	—	140.0	323.8
Proceeds from issue of 8.50% Senior PIK toggle notes	—	—	150.0	—
Repayment of borrowings	—	120.0	—	(150.0)
Payment of borrowing expenses	—	(6.5)	(9.8)	—
Distribution to parent				(15.0)
Share capital redemption	—	(113.5)	(138.7)	(63.5)
Net cash generated from financing activities	—	0.0	141.5	95.3
Net increase in cash and cash equivalents	0.0	0.0	0.0	0.0
Cash and cash equivalents at the beginning of period	0.0	—	0.0	0.0
Effect of exchange rate fluctuations on cash held	0.0	0.0	0.0	0.0
Cash and cash equivalents at 31 August	0.0	0.0	0.0	0.0

See accompanying notes to the financial statements.

29 Parent company financial information (Continued)

Nord Anglia Education, Inc. was incorporated in the Cayman Islands on 14 December 2011 as an exempt company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Offices of Maples Corporate Services, Uglund House, PO Box 309, Grand Cayman, KY1-1104, Cayman Islands.

29a Basis of preparation

The parent company financial statements are prepared on the historical cost basis. The financial statements are presented in US Dollar ("\$"), unless otherwise stated.

The financial statements are prepared on a going concern basis. The shareholders' funds on as at 31 August 2014 shows net assets by \$418.6 million (2013—\$190.3 million).

The directors have reviewed the latest guidance relating to going concern and, having made all relevant enquiries, have formed a judgement that Nord Anglia Education, Inc and its subsidiaries (together "the Group") has adequate resources at its disposal to continue its operations for the foreseeable future. This judgement is based on a review undertaken of the current business forecast to 31 August 2015 and the projected cash requirements over that period to assess the likelihood of the Group being able to continue as a going concern. Suitable sensitivities were run for the periods up to 31 August 2015 to assess the headroom available. This review concluded that there were no material uncertainties that potentially could give rise to a significant doubt about the business continuing as a going concern.

The financial information is shown on a Predecessor and Successor basis for the reasons set out below.

Basis of preparation of the financial information for the period 1 September 2011 to 13 December 2011 (the "Predecessor" Company)

The financial information for the period 1 September 20 11 to 13 December 20 11 represents the financial statements of Nord Anglia Education (UK) Holdings PLC (formerly Premier Education (UK) Holdco Limited).

Basis of preparation of the financial information for the period 14 December 2011 to 31 August 2012 and years ended 31 August 2013 and 31 August 2014 (the "Successor" Company)

The financial information for the period 14 December 2011 to 31 August 2012, year ended 31 August 2013 and 31 August 2014 represents financial statements of Nord Anglia Education, Inc., referred to as the "Successor".

On 20 February 2012, Premier Education Holdings Limited exchanged all of its senior and junior loan notes (inclusive of interest) and related party debts (inclusive of interest) in Premier Education (UK) Holdco Limited with Nord Anglia Education, Inc. senior and junior loan notes and related party debts with equivalent economic terms. The Nord Anglia Education, Inc. senior and junior loan notes were subsequently converted into preference shares. The share premium generated during the debt to equity exchange was \$368.7 million which was equivalent to the carrying value of the debt at the time.

29 Parent company financial information (Continued)

29a Basis of preparation (Continued)

The transaction resulted in Premier Education (UK) Holdco Limited now being owned directly by Nord Anglia Education, Inc. On the 2 March 2012, following the passing of a special resolution, Premier Education (UK) Holdco Limited is now known as Nord Anglia Education (UK) Holdings PLC. The transaction was conducted with Premier Education Holdings Limited in their capacity as shareholder of the business and was therefore outside of the scope of IFRIC 19.

The financial information has been separated by vertical lines on the face of the primary statements of the financial information to identify the different bases of preparation.

Investments

In accordance with IAS 27, the Company accounts for its investments in subsidiaries and associates at cost.

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount, and the recoverable amount is the higher of value in use and fair value less costs to sell.

Borrowings and borrowing costs

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowing costs are expensed in the period in which they are incurred, except for issue costs, which are amortised over the period of the borrowing. Any initial differences between book value and the fair value of the loan due to the parent company are adjusted to equity to the extent they represent capital transactions with the parent.

29b Investments

	2013 \$m
At 31 August 2012	198.6
Additions during the year	133.5
At 31 August 2013	332.1
Additions during the year	206.2
At 31 August 2014	538.3

On 20 May 2013, the Company subscribed to 1 preference share with an aggregate nominal value of \$1 was issued at par of Nord Anglia Education (UK) Holdings PLC with a share premium of \$133.4 million per share, for the financing of the acquisition and related fees and expenses of WCL Group Limited (see note 2 in the Group financial statements).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014 (Continued)

29 Parent company financial information (Continued)

29b Investments (Continued)

On 6 December 2013, the Company subscribed to 2 ordinary shares with an aggregate nominal value of \$2 was issued at par of Nord Anglia Education (UK) Holdings PLC with a share premium of \$4.5 million, for the funding of the Company's operating activities.

On 31 March 2014, the Company subscribed to 1 ordinary share with an aggregate nominal value of \$1 was issued at par of Nord Anglia Education (UK) Holdings PLC with a share premium of \$201.7 million per share, for the part settlement of the \$325.0 million 10.25% senior secured notes issued on 28 March 2012 and the \$165.0 million 10.25% senior secured notes issued on 26 June 2013.

Investments represent 100% of the issued share capital of Nord Anglia Education (UK) Holdings PLC, a company incorporated in the United Kingdom. The principle activity of this subsidiary is that of a holding company.

The Directors believe the carrying value of the investments is supported by their underlying net assets and future cash flows.

Details of investments indirectly held by the Company are disclosed in note 12 of the consolidated financial statements.

29c Financial liabilities—borrowings

<u>Analysis of borrowings:</u>	2013 \$m	2014 \$m
Current liabilities		
Current portion of 8.50% Senior PIK toggle notes due 2018	1.1	—
Non-current liabilities		
8.50% Senior PIK toggle notes due 2018	140.5	—

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2013 \$m	Carrying amount 2013 \$m	Face value 2014 \$m	Carrying amount 2014 \$m
8.50% Senior PIK toggle notes	US\$	8.50%	2018	150.0	141.6	—	—

All interest is settled by cash payments on the required date.

On 8 February 2013, the Company issued \$150.0 million of 8.50% Senior PIK Toggle Notes due 2018 (the "PIK Notes") pursuant to an indenture dated 1 February 2013 between the Company, Citicorp International Limited as Trustee, Citibank NA London branch as Paying Agent and Transfer Agent and Citigroup Global Markets Deutschland AG as Registrar.

This is fully redeemed as of 14 April 2014 (see note 16*).

29d Contingent liabilities

The Company had no contingent liabilities at 31 August 2014 (2013: \$nil).

29 Parent company financial information (Continued)

29e Operating leases

The Company had no operating leases at 31 August 2014 (2013: \$nil).

29f Capital commitments

The Company had no capital commitments at 31 August 2014 (2013: \$nil).

29g Related party transactions

There are no other related party transactions other than those disclosed in the Group accounts. Under IAS 24 the Company is exempt from disclosing transactions within wholly owned subsidiaries.

29h Supplemental information

The following reconciliations are provided as additional information to satisfy the schedule 1 SEC requirements for parent-only financial information:

	Note	Predecessor	Successor		
		Period from 1 September 2011 to 13 December 2011 \$m	Period from 14 December 2011 to 31 August 2012 \$m	Year ended 31 August 2013 \$m	Year ended 31 August 2014 \$m
IFRS loss reconciliation					
Parent only—					
IFRS loss for the period		(11.4)	(124.1)	(9.7)	(48.4)
Additional profit/(loss) if subsidiaries had been accounted for on the equity method of accounting as opposed cost		9.1	89.0	(13.6)	(42.0)
Consolidated IFRS loss for the period		(2.3)	(35.1)	(23.3)	(90.4)
IFRS equity reconciliation					
Parent only—					
IFRS equity		—	198.6	190.3	418.6
Additional loss if subsidiaries had been accounted for on the equity method of accounting as opposed cost		—	(154.8)	(170.3)	(224.5)
		—	43.8	20.0	194.1

QuickLinks

Exhibit 99.1

CONTENTS

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

CONSOLIDATED INCOME STATEMENT FOR THE THREE YEARS ENDED 31 AUGUST 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE YEARS ENDED 31 AUGUST 2014

CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2013 AND 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE YEARS ENDED 31 AUGUST 2014

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE YEARS ENDED 31 AUGUST 2014

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Interim Unaudited Consolidated Income Statement
for the 6 month period ended 28 February 2015

	Note	6 months ended 28 February	
		2014 \$m	2015 \$m
Revenue	3	271.9	318.3
Cost of sales		(157.9)	(188.6)
Gross profit		114.0	129.7
Selling, general and administrative expenses*		(41.8)	(58.4)
Depreciation		(0.5)	(0.4)
Amortisation		(4.9)	(7.0)
Exceptional items		(2.5)	(2.7)
Total selling, general and administrative expenses		(49.7)	(68.5)
Operating profit		64.3	61.2
Finance income	5	1.1	1.3
Finance expense	5	(34.1)	(14.6)
Net financing expense		(33.0)	(13.3)
Profit from continuing operations before taxation		31.3	47.9
Income tax expense	6	(13.2)	(13.2)
Profit for period		<u>18.1</u>	<u>34.7</u>
Profit attributable to:			
— Owners of the parent		18.1	34.4
— Non-controlling interests		—	0.3
Profit for period		<u>18.1</u>	<u>34.7</u>
Earnings per share from continuing operations attributable to equity holders of the company during the period (express in \$ per share):			
Basic earnings per share	20	<u>0.24</u>	<u>0.35</u>
Diluted earnings per share	20	<u>0.24</u>	<u>0.35</u>

* Excludes depreciation, amortisation and exceptional items.

Interim Unaudited Consolidated Statement of Comprehensive Income
for the 6 month period ended 28 February 2015

	Note	6 months ended 28 February	
		2014 \$m	2015 \$m
Profit for the period from continuing operations		<u>18.1</u>	<u>34.7</u>
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of retirement benefit obligations on defined benefit pension plans		(0.4)	(4.6)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign exchange translation differences		(3.2)	(22.3)
Other comprehensive loss for the period, net of income tax		<u>(3.6)</u>	<u>(26.9)</u>
Total comprehensive income for the period		<u>14.5</u>	<u>7.8</u>
Attributable to:			
— Owners of the parent		14.5	7.5
— Non-controlling interests		—	0.3
Total comprehensive income for the period		<u>14.5</u>	<u>7.8</u>

Interim Unaudited Consolidated Balance Sheet
as at 28 February 2015

	Note	28 February 2014 \$m	31 August 2014 \$m	28 February 2015 \$m
Non-current assets				
Property, plant and equipment	7	106.8	140.1	149.0
Intangible assets	8	766.2	801.5	951.5
Investments in jointly controlled entities		0.5	0.5	0.5
Trade and other receivables		14.1	9.2	30.6
Deferred tax assets		20.0	20.9	19.9
		<u>907.6</u>	<u>972.2</u>	<u>1,151.5</u>
Current assets				
Tax receivable		—	1.6	0.7
Trade and other receivables		61.4	94.8	55.2
Cash and cash equivalents		102.9	166.2	97.3
		<u>164.3</u>	<u>262.6</u>	<u>153.2</u>
Total assets		<u><u>1,071.9</u></u>	<u><u>1,234.8</u></u>	<u><u>1,304.7</u></u>
Current liabilities				
Other interest-bearing loans and borrowings	9	(38.0)	(23.2)	(53.4)
Trade and other payables		(241.9)	(387.7)	(374.6)
Provisions for other liabilities and charges	11	(3.7)	(0.5)	(0.7)
Current tax liabilities		(5.1)	(1.7)	(8.2)
		<u>(288.7)</u>	<u>(413.1)</u>	<u>(436.9)</u>
Non-current liabilities				
Other interest-bearing loans and borrowings	9	(627.0)	(499.2)	(497.1)
Other payables		(53.3)	(55.9)	(77.5)
Retirement benefit obligations	10	(21.4)	(25.8)	(26.1)
Provisions for other liabilities and charges	11	(5.0)	(1.2)	(1.3)
Deferred tax liabilities		(35.3)	(45.5)	(61.8)
		<u>(742.0)</u>	<u>(627.6)</u>	<u>(663.8)</u>
Total liabilities		<u><u>(1,030.7)</u></u>	<u><u>(1,040.7)</u></u>	<u><u>(1,100.7)</u></u>
Net assets		<u><u>41.2</u></u>	<u><u>194.1</u></u>	<u><u>204.0</u></u>
Equity attributable to equity holders of the parent				
Share capital		67.5	1.0	1.0
Share premium		260.3	597.1	597.1
Other reserves		7.4	10.3	11.5
Currency translation reserve		6.6	(1.1)	(23.4)
Shareholders' deficit		(300.6)	(413.2)	(382.2)
		<u>41.2</u>	<u>194.1</u>	<u>204.0</u>
Non-controlling interest		—	—	0.0
Total Shareholders' funds		<u><u>41.2</u></u>	<u><u>194.1</u></u>	<u><u>204.0</u></u>

Interim Unaudited Consolidated Statement of Changes in Equity
for the 6 month periods ended 28 February 2014

	Attributable to owners of the parent					Total parent equity \$m	Non- controlling Interest \$m	Total Equity \$m
	Share capital \$m	Share premium \$m	Other reserves \$m	Currency translation reserve \$m	Share- holder's deficit \$m			
Balance at 1 September 201	67.5	256.5	6.9	9.8	(320.7)	20.0	—	20.0
Total comprehensive income for the period								
Profit for the period	—	—	—	—	18.1	18.1	—	18.1
Remeasurement of retirement benefit obligations	—	—	—	—	(0.4)	(0.4)	—	(0.4)
Other comprehensive income	—	—	—	(3.2)	—	(3.2)	—	(3.2)
Total comprehensive (loss)/income for the period	—	—	—	(3.2)	17.7	14.5	—	14.5
Transactions with owners, recorded directly in equity								
Equity-settled share based payment transactions	—	—	—	—	2.4	2.4	—	2.4
Proceeds from shares issued	—	3.8	—	—	—	3.8	—	3.8
Debentures issued	—	—	0.5	—	—	0.5	—	0.5
Total contributions by and distributions to owners	—	3.8	0.5	—	2.4	6.7	—	6.7
Balance at 28 February 20	67.5	260.3	7.4	6.6	(300.6)	41.2	—	41.2

Interim Unaudited Consolidated Statement of Changes in Equity
for the 6 month periods ended 28 February 2015

	Attributable to owners of the parent					Total parent equity \$m	Non- controlling Interest \$m	Total Equity \$m
	Share capital \$m	Share premium \$m	Other reserves \$m	Currency translation reserve \$m	Shareholder's deficit \$m			
Balance at 1 September 201	1.0	597.1	10.3	(1.1)	(413.2)	194.1	—	194.1
Total comprehensive income for the period								
Profit for the period	—	—	—	—	34.4	34.4	0.3	34.7
Remeasurement of retirement benefit obligations	—	—	—	—	(4.6)	(4.6)	—	(4.6)
Other comprehensive loss	—	—	—	(22.3)	—	(22.3)	—	(22.3)
Total comprehensive (loss)/ income for the period	—	—	—	(22.3)	29.8	7.5	0.3	7.8
Transactions with owners, recorded directly in equity								
Equity-settled share based payment transactions	—	—	—	—	1.2	1.2	—	1.2
Acquisition of non-controlling interest	—	—	—	—	—	—	(0.3)	(0.3)
Debentures issued	—	—	1.2	—	—	1.2	—	1.2
Total contributions by and distributions to owners	—	—	1.2	—	1.2	2.4	(0.3)	2.1
Balance at 28 February 201	1.0	597.1	11.5	(23.4)	(382.2)	204.0	0.0	204.0

Interim Unaudited Consolidated Cash Flow Statement
for the 6 month period ended 28 February 2015

	6 months ended 28 February	
	Note	2014 2015
	\$m	\$m
Cash flows from operating activities		
Profit for the period before taxation		31.3 47.9
<i>Adjustments for:</i>		
Depreciation and amortisation	4	15.6 21.8
Difference between pension contributions paid and amounts recognised in the income statement		(2.9) (3.0)
Net financial expense	5	33.0 13.3
Rent adjustment		— (1.4)
Share-based payment		2.4 1.2
Loss on sale of property, plant and equipment		— 0.3
Foreign exchange losses/(gains) on operating activities		(4.6) 5.1
		<u>74.8</u> 85.2
Decrease in trade and other receivables		20.4 45.1
Decrease in trade and other payables*		(116.3) (175.7)
Cash used in operations		(21.1) (45.4)
Interest paid		(33.8) (12.5)
Tax paid		(13.1) (8.6)
Net cash consumed in operating activities		<u>(68.0)</u> (66.5)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired		— 3.3
Acquisition of property, plant and equipment		(14.9) (24.2)
Purchases of intangible assets		(0.3) —
Interest received		0.9 1.2
Net cash used in investing activities		<u>(14.3)</u> (19.7)
Cash flows from financing activities		
Proceeds from share issuance		3.8 0.0
Repayment of borrowings		(8.7) (2.6)
Debenture issued		3.7 1.8
Equity Dividends paid		— 0.0
Proceeds from borrowings		12.0 30.1
Net cash generated from financing activities		<u>10.8</u> 29.3
Net decrease in cash and cash equivalents		(71.5) (56.9)
Cash and cash equivalents at 1 September		171.1 166.2
Effect of exchange rate fluctuations on cash held		3.3 (12.0)
Cash and cash equivalents at 28 February		<u>102.9</u> 97.3

* The principal non-cash transaction is the liability related to the purchase consideration for the acquisition detailed in note 2.

Notes to the interim financial statements for the 6 month period ended 28 February 2015
(forming part of the financial statements)

1 Accounting policies

General information

Nord Anglia Education, Inc. ("the Company") is an exempt limited liability company incorporated in the Cayman Islands on 14 December 2011 under Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office is Offices of Maples Corporate Services, Uglund House, PO Box 309, Grand Cayman, KY1-1104, Cayman Islands.

The main activities of the Company and its subsidiaries (together "the Group") are the operation of Premium Schools worldwide.

1.1 Basis of preparation

The Group consolidated interim financial statements consolidate the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in jointly controlled entities.

The Group consolidated interim financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim financial reporting' as issued by the International Accounting Standards Board ('IASB'). The Group consolidated interim financial statements should be read in conjunction with the Group's financial statements for the balance sheet period ended 31 August 2014 and 31 August 2013 and the three years then ended which are included as an exhibit in the form 6-K which will be incorporated by reference in the Form F-3.

The Group consolidated interim financial statements are prepared on a going concern basis. Although the current liabilities exceed current assets by \$283.7 million the main reason for this is the receipt of tuition fees in advance of the school year generating deferred income which is not considered to be a cash cost in the coming year due to the low historical redemption rates by students.

The directors have reviewed the latest guidance relating to going concern and, having made all relevant enquiries, have formed a judgement that the Group has adequate resources at its disposal to continue its operations for the foreseeable future.

The unaudited condensed interim Consolidated Financial Statements have been authorised for issue by the Board of Directors at its meeting held on 28 May 2015.

1.2 Accounting policies and estimates

The Group consolidated interim financial statements have been prepared applying the same accounting policies, significant judgements made by management in applying them, and key sources of estimation uncertainty applied by the Group that were used in the Nord Anglia Education, Inc. statutory financial statements for the year ended 31 August 2014 included as an exhibit in the Form 6-K, except for taxes on income in the interim periods which are accrued using the tax rate that would be applicable to expected total annual earnings in each tax jurisdiction.

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

1 Accounting policies (Continued)

1.2 Accounting policies and estimates (Continued)

The Group has revised its 6 months period ended 28 February 2014 Interim Consolidated Income Statement to adopt a change in accounting policy for the presentation of expenses in respect of Premium School land and building operating leases and depreciation charges arising from tangible assets owned by Premium Schools. These expenses are now treated as a direct cost and are included in cost of sales. Previously, such expenses were recognized as part of selling and administrative expenses. We consider this new policy to be more in line with market practice and will apply this policy to retrospective comparative periods.

	<u>As previously reported</u>	<u>As revised</u>	<u>Difference</u>
	<u>6 months ended 28 February 2014</u>		
	<u>\$m</u>	<u>\$m</u>	
Cost of sales	(124.6)	(157.9)	(33.3)
Gross profit	147.3	114.0	(33.3)
Selling, general and administrative expenses*	(64.9)	(41.8)	23.1
Depreciation	(10.7)	(0.5)	10.2
Amortisation	(4.9)	(4.9)	—
Exceptional items	(2.5)	(2.5)	—
Total selling, general and administrative expenses	(83.0)	(49.7)	—
Operating profit	64.3	64.3	—

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of these consolidated interim financial statements deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. There have been no significant changes in the bases upon which estimates have been determined compared to those applied at 31 August 2014, and no change in estimate has had a material effect on the current period.

Goodwill held in the Group's balance sheet is tested annually for impairment at the year end. No circumstances have arisen in the six months ended 28 February 2015 which indicate additional impairment testing is required.

The Group had no material or unusual share based payment transactions for the six months ended 28 February 2015. Full details of share based payment arrangements were provided in the revised Group statutory financial statements for the year ended 31 August 2014 included in Form 6-K.

1.3 Recent accounting pronouncements

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group other than amendments disclosed in the Nord Anglia

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

1 Accounting policies (Continued)

1.3 Recent accounting pronouncements (Continued)

Education, Inc. revised Group statutory financial statements for the year ended 31 August 2014 included in Form 6-K.

1.4 Functional and presentational currency

Items included in the financial statements of each of the Group's subsidiary undertakings are measured using the currency of the primary economic environment in which the subsidiary undertaking operates (the 'functional currency').

The Group financial statements are presented in US Dollars.

2 Business Combinations

Acquisition of BIS Limited

On 1 January 2015, the Group gained control of British International Schools Group, Vietnam ("BIS Vietnam"). The Group acquired BIS Vietnam so as to continue the expansion of the Group's activities in Premium Schools internationally. The acquisition has been accounted for using the acquisition method.

The directors have assessed the requirements of IFRS 10 'Consolidated Financial Statements' and are satisfied that the definition of control was met on 1 January 2015, in respect to the acquisition of BIS Limited. The Sale and Purchase agreement along other legal documentation allowed the Group the rights and power to direct and manage the activities of BIS Limited from 1 January 2015, and those rights were exercised from 1 January 2015. The aforementioned arrangements and activities provided a direct link to the returns generated by the Group from that date.

The net assets recognised in the 28 February 2015 interim financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the assets acquired from BIS Vietnam but this valuation has not yet been completed.

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

2 Business Combinations (Continued)

The fair values of the identifiable assets and liabilities of BIS Vietnam as at the date of acquisition were:

	Total \$m
Non-current assets	
Customer relations	100.5
Computer software	0.3
Property, plant and equipment	8.9
Other receivables	20.5
Current assets	
Trade and other receivables	5.5
Cash and cash equivalents	3.3
Current liabilities	
Trade and other payables	(39.4)
Current tax liabilities	(0.3)
Non-current liabilities	
Other payables	(1.7)
Deferred tax liabilities	(20.1)
Total net identifiable assets at fair value	(23.0)
Goodwill arising on acquisition (provisional)	77.0
Non-controlling interest	0.3
Purchase consideration	154.8
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	3.3
Cash paid	—
Net cash inflow	3.3

Had this business combinations been effected at 1 September 2014, the unaudited proforma revenue of the Group from continuing operations would have been \$35.5 million, and the unaudited proforma profit for the year from continuing operations would have been \$11.2 million.

3 Operating segmental information

The Group's reporting segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Executive Committee ('EXCO') as it is primarily responsible for the allocation of resources to segments and the

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

3 Operating segmental information (Continued)

assessment of performance of the segments. The CODM considers the principal activities of the Group to be:

- Premium schools and associated activities in:
 - China—People's Republic of China and Hong Kong SAR;
 - Europe—Switzerland, Slovakia, Hungary, Czech Republic, Spain, Poland;
 - Middle East/South East Asia ('ME/SEA')—United Arab Emirates, Qatar, Thailand, Singapore, Cambodia, Vietnam; and
 - North America—United States of America.
- Other—being the learning service business and Central & Regional head office costs.

The CODM uses revenue and Adjusted EBITDA before exceptional items, as reviewed at monthly EXCO meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the financial year under evaluation. Revenue and Adjusted EBITDA before exceptional items is a consistent measure within the Group.

Segment Adjusted EBITDA before exceptional expenses ('Adjusted EBITDA') is an adjusted measure of operating profit and measures the performance of each segment before the impact of interest, tax, depreciation, amortisation, impairment, exceptional items & other management exceptional items, exchange gain/(loss) and loss on disposal of property, plant and equipment.

The segment results, the reconciliation of the segment measures to the respective statutory items included in the consolidated income statement, the segment assets and other segment information are as follows:

	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Other \$m	Total \$m
2014						
Revenue	96.7	79.9	46.0	40.7	8.6	271.9
Adjusted EBITDA	46.3	18.6	12.4	15.5	(11.4)	81.4
Adjusted EBITDA margin	47.9%	23.3%	27.0%	38.1%	(132.6)%	29.9%

	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Other \$m	Total \$m
2015						
Revenue	107.1	77.4	84.4	42.6	6.8	318.3
Adjusted EBITDA	51.6	15.7	23.4	15.1	(14.0)	91.8
Adjusted EBITDA margin	48.2%	20.3%	27.7%	35.4%	(205.9)%	28.8%

The entity is domiciled in the Cayman Islands. The result of its externally generated revenues during the period is \$nil (2014: \$nil).

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

3 Operating segmental information (Continued)

Reconciliation of Adjusted EBITDA to profit after tax

2014	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Others \$m	Total \$m
Adjusted EBITDA	46.3	18.6	12.4	15.5	(11.4)	81.4
Adjustments:						
Exceptional items (see note 4a)	(0.1)	(0.5)	(0.2)	(0.3)	(1.4)	(2.5)
Other management exceptional items	—	—	(0.1)	—	(3.5)	(3.6)
Exchange gain/(loss)	(0.0)	(0.0)	0.0	(0.0)	4.6	4.6
Profit on disposal of property, plant and equipment	(0.0)	(0.0)	(0.0)	—	0.0	(0.0)
Depreciation	(3.7)	(2.6)	(2.3)	(1.6)	(0.5)	(10.7)
Amortisation	(0.0)	(0.1)	(0.0)	(0.0)	(4.8)	(4.9)
Operating profit/(loss)	42.5	15.4	9.8	13.6	(17.0)	64.3
Finance income	0.6	0.2	0.0	0.0	0.3	1.1
Finance expense	—	(0.0)	(0.0)	(0.0)	(34.1)	(34.1)
Profit/(loss) before tax	43.1	15.6	9.8	13.6	(50.8)	31.3
Tax	(8.7)	(4.5)	(0.1)	0.1	—	(13.2)
Profit/(loss) for the period attributable to equity holders of the parent	<u>34.4</u>	<u>11.1</u>	<u>9.7</u>	<u>13.7</u>	<u>(50.8)</u>	<u>18.1</u>

2015	China \$m	Europe \$m	ME/SEA \$m	North America \$m	Others \$m	Total \$m
Adjusted EBITDA	51.6	15.7	23.4	15.1	(14.0)	91.8
Adjustments:						
Exceptional items (see note 4a)	(0.1)	(0.6)	(0.0)	(0.3)	(1.7)	(2.7)
Other management exceptional items	—	—	—	—	(1.2)	(1.2)
Exchange gain/(loss)	0.1	1.2	0.4	0.0	(6.3)	(4.6)
Loss on disposal of property, plant and equipment	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(0.3)
Depreciation	(5.7)	(2.9)	(4.0)	(1.9)	(0.3)	(14.8)
Amortisation	(0.0)	(0.1)	(0.1)	(0.0)	(6.8)	(7.0)
Operating profit/(loss)	45.9	13.3	19.7	12.9	(30.6)	61.2
Finance income	0.6	0.1	0.1	0.0	0.5	1.3
Finance expense	—	(0.0)	0.0	(0.0)	(14.6)	(14.6)
Profit/(loss) before tax	46.5	13.4	19.8	12.9	(44.7)	47.9
Tax	(8.9)	(3.7)	(0.5)	(0.1)	—	(13.2)
Profit/(loss) for the period attributable to equity holders of the parent	<u>37.6</u>	<u>9.7</u>	<u>19.3</u>	<u>12.8</u>	<u>(44.7)</u>	<u>34.7</u>

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

3 Operating segmental information (Continued)

Segment assets—Geographic

<u>At 28 February 2014</u>	<u>China \$m</u>	<u>Europe \$m</u>	<u>ME/SEA \$m</u>	<u>North America \$m</u>	<u>Total \$m</u>
Total segment non-current assets	327.2	220.0	59.6	300.8	907.6

<u>At 28 February 2015</u>	<u>China \$m</u>	<u>Europe \$m</u>	<u>ME/SEA \$m</u>	<u>North America \$m</u>	<u>Total \$m</u>
Total segment non-current assets	339.7	198.3	317.3	296.2	1,151.5

The entity is domiciled in the Cayman Islands. The total segment non-current assets during the year are \$nil (2014: \$nil).

Other segment information

<u>Period ended 28 February 2014</u>	<u>China \$m</u>	<u>Europe \$m</u>	<u>ME/SEA \$m</u>	<u>North America \$m</u>	<u>Other \$m</u>	<u>Total \$m</u>
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment	6.7	4.5	2.1	2.4	0.0	15.7
Goodwill and other intangible assets	—	—	—	—	—	—
Depreciation of tangible assets	3.7	2.6	2.3	1.6	0.5	10.7
Amortisation of intangible assets	0.0	0.1	0.0	0.0	4.8	4.9
Exceptional items (see note 4a)	0.1	0.5	0.2	0.3	1.4	2.5

<u>Period ended 28 February 2015</u>	<u>China \$m</u>	<u>Europe \$m</u>	<u>ME/SEA \$m</u>	<u>North America \$m</u>	<u>Other \$m</u>	<u>Total \$m</u>
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment	7.2	3.2	14.5	2.6	0.9	28.4
Goodwill and other intangible assets	0.1	0.3	177.9	0.0	0.2	178.5
Depreciation of tangible assets	5.7	2.9	4.0	1.9	0.3	14.8
Amortisation of intangible assets	0.0	0.1	0.1	0.0	6.8	7.0
Exceptional items (see note 4a)	0.1	0.6	0.0	0.3	1.7	2.7

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

4 Operating profit

	2014 \$m	2015 \$m
Operating profit is shown after charging/(crediting):		
Exceptional administrative expenses ^(a)	2.5	2.7
Foreign exchange (gain)/loss	(4.6)	4.6
(Profit)/loss on disposal of fixed assets	(0.0)	0.3
Depreciation	10.7	14.8
Amortisation	4.9	7.0
	<u>4.9</u>	<u>7.0</u>

- (a) Exceptional administrative expense in 2015 mainly relate to costs arising from school acquisitions, pre-opening costs of the new Chicago school and costs of the IPO. The 2014 charge primarily relates to costs arising from school acquisitions.

5 Finance income and expense

Recognised in profit or loss

	2014 \$m	2015 \$m
Bank interest	<u>1.1</u>	<u>1.3</u>

	2014 \$m	2015 \$m
10.25% Senior secured notes due 2017	24.8	—
8.50% Senior PIK toggle notes due 2018	7.2	—
Term loan interest due 2021	—	12.4
Bank loans and overdrafts	1.9	0.8
Interest on defined benefit pension plan obligation	0.2	0.2
Discount unwind	—	1.2
Total finance expense	<u>34.1</u>	<u>14.6</u>
Net finance expense	<u>33.0</u>	<u>13.3</u>

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

6 Income tax expense

Recognised in the income statement

	2014 \$m	2015 \$m
Current tax	14.2	16.8
Deferred tax	(1.0)	(3.6)
Tax recognised in the income statement	<u>13.2</u>	<u>13.2</u>
Profit for the period before tax	31.3	47.9
Effective rate of tax based on profit before tax	<u>42.2%</u>	<u>27.5%</u>

The Group tax charge recognised in the period is derived from management's best estimate of the tax rate for the full year, as calculated in each tax jurisdiction and therefore may not be representative of the expected annual group effective tax rate.

The rate represents a blended effective rate which is a mixture of tax payable in some jurisdictions and some non-tax paying jurisdictions. It is also impacted by non-deductible interest and other items payable in jurisdictions where they are not fully tax deductible.

7 Property, plant and equipment

	Land and buildings \$m	Fixtures and fittings \$m	Computer equipment \$m	Motor vehicles \$m	Assets under construction \$m	Total \$m
Cost						
Balance at						
1 September 2013	83.7	22.7	15.4	1.3	7.6	130.7
Additions	3.5	3.2	2.0	0.2	6.8	15.7
Transfers	2.4	—	—	—	(2.4)	—
Disposals	(0.4)	(0.3)	(0.2)	(0.0)	—	(0.9)
Effect of movements in foreign exchange	3.1	0.7	0.5	0.0	0.4	4.7
Balance at 28 February 2014	<u>92.3</u>	<u>26.3</u>	<u>17.7</u>	<u>1.5</u>	<u>12.4</u>	<u>150.2</u>
Accumulated depreciation and impairment						
Balance at						
1 September 2013	16.8	8.4	6.6	0.7	—	32.5
Depreciation charge for the period	7.3	2.4	0.9	0.1	—	10.7
Disposals	(0.4)	(0.3)	(0.2)	(0.0)	—	(0.9)
Effect of movements in foreign exchange	0.6	0.3	0.2	0.0	—	1.1
Balance at 28 February 2014	<u>24.3</u>	<u>10.8</u>	<u>7.5</u>	<u>0.8</u>	<u>—</u>	<u>43.4</u>
Net book value						
At 1 September 2013	66.9	14.3	8.8	0.6	7.6	98.2
At 28 February 2014	<u>68.0</u>	<u>15.5</u>	<u>10.2</u>	<u>0.7</u>	<u>12.4</u>	<u>106.8</u>

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

7 Property, plant and equipment (Continued)

	Land and buildings \$m	Fixtures and fittings \$m	Computer equipment \$m	Motor vehicles \$m	Assets under construction \$m	Total \$m
Cost						
Balance at						
1 September 2014	106.8	33.4	22.7	2.1	26.1	191.1
Acquisition through business combinations	1.0	4.8	2.3	0.8	—	8.9
Additions	8.3	4.8	4.6	0.3	1.5	19.5
Transfers	23.5	(1.2)	0.9	0.0	(23.2)	—
Disposals	0.0	(0.1)	(0.7)	(0.2)	—	(1.0)
Revaluation	—	—	—	—	—	—
Effect of movements in foreign exchange	(4.4)	(1.2)	(0.9)	(0.1)	(0.2)	(6.8)
Balance at 28 February 2015	<u>135.2</u>	<u>40.5</u>	<u>28.9</u>	<u>2.9</u>	<u>4.2</u>	<u>211.7</u>
Accumulated depreciation and impairment						
Balance at						
1 September 2014	26.9	13.0	10.1	1.0	—	51.0
Depreciation charge for the period	7.9	3.1	3.5	0.3	—	14.8
Disposals	—	(0.1)	(0.5)	(0.1)	—	(0.7)
Effect of movements in foreign exchange	(1.2)	(0.6)	(0.4)	(0.2)	—	(2.4)
Balance at 28 February 2015	<u>33.6</u>	<u>15.4</u>	<u>12.7</u>	<u>1.0</u>	<u>—</u>	<u>62.7</u>
Net book value						
At 1 September 2014	<u>79.9</u>	<u>20.4</u>	<u>12.6</u>	<u>1.1</u>	<u>26.1</u>	<u>140.1</u>
At 28 February 2015	<u>101.6</u>	<u>25.1</u>	<u>16.2</u>	<u>1.9</u>	<u>4.2</u>	<u>149.0</u>

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

8 Intangible assets

	Goodwill \$m	Brand names \$m	Customer relations \$m	Contracts \$m	Curriculum products & Intellectual property \$m	Computer software \$m	Total \$m
Cost							
Balance at							
1 September 2013	687.2	56.4	71.9	0.6	2.6	2.0	820.7
Additions	—	—	—	—	—	0.0	0.0
Disposals	—	—	—	—	—	(0.0)	(0.0)
Transfer	—	—	—	—	—	0.6	0.6
Effect of							
movements in							
foreign exchange	8.0	1.0	1.0	0.0	0.2	(0.0)	10.2
Balance at							
28 February 2014	<u>695.2</u>	<u>57.4</u>	<u>72.9</u>	<u>0.6</u>	<u>2.8</u>	<u>2.6</u>	<u>831.5</u>
Accumulated amortisation and impairment							
Balance at							
1 September 2013	46.7	0.3	8.7	0.5	0.2	0.9	57.3
Amortisation for the period	—	0.4	3.7	0.1	0.4	0.3	4.9
Effect of							
movements in							
foreign exchange	2.9	—	0.2	0.0	—	(0.0)	3.1
Balance at							
28 February 2014	<u>49.6</u>	<u>0.7</u>	<u>12.6</u>	<u>0.6</u>	<u>0.6</u>	<u>1.2</u>	<u>65.3</u>
Net book value							
At							
1 September 2013	<u>640.5</u>	<u>56.1</u>	<u>63.2</u>	<u>0.1</u>	<u>2.4</u>	<u>1.1</u>	<u>763.4</u>
At							
28 February 2014	<u>645.6</u>	<u>56.7</u>	<u>60.3</u>	<u>0.0</u>	<u>2.2</u>	<u>1.4</u>	<u>766.2</u>

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

8 Intangible assets (Continued)

	Goodwill \$m	Brand names \$m	Customer relations \$m	Contracts \$m	Curriculum products & Intellectual property \$m	Computer software \$m	Total \$m
Cost							
Balance at 1 September 201	701.6	71.8	92.5	0.6	3.0	2.1	871.6
Acquisition through business combinations	77.0	—	100.5	—	—	0.3	177.8
Additions	—	—	—	—	0.1	0.6	0.7
Disposal	—	—	—	—	—	(1.0)	(1.0)
Transfers	—	—	—	—	—	0.0	0.0
Effect of movements in foreign exchange	(20.5)	(1.8)	(2.1)	0.0	(0.2)	(0.0)	(24.6)
Balance at 28 February 201	<u>758.1</u>	<u>70.0</u>	<u>190.9</u>	<u>0.6</u>	<u>2.9</u>	<u>2.0</u>	<u>1,024.5</u>
Accumulated amortisation and impairment							
Balance at 1 September 201	49.3	1.1	16.6	0.6	1.2	1.3	70.1
Amortisation for the period	—	0.5	5.7	—	0.5	0.3	7.0
Amortisation on disposal	—	—	—	—	—	(0.9)	(0.9)
Amortisation on transfers	—	—	—	—	—	0.0	0.0
Effect of movements in foreign exchange	(2.8)	0.0	(0.3)	—	(0.1)	0.0	(3.2)
Balance at 28 February 201	<u>46.5</u>	<u>1.6</u>	<u>22.0</u>	<u>0.6</u>	<u>1.6</u>	<u>0.7</u>	<u>73.0</u>
Net book value							
At 1 September 201	<u>652.3</u>	<u>70.7</u>	<u>75.9</u>	<u>0.0</u>	<u>1.8</u>	<u>0.8</u>	<u>801.5</u>
Balance at 28 February 201	<u>711.6</u>	<u>68.4</u>	<u>168.9</u>	<u>0.0</u>	<u>1.3</u>	<u>1.3</u>	<u>951.5</u>

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

9 Other interest-bearing loans and borrowings

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

	28 February 2014 \$m	31 August 2014 \$m	28 February 2015 \$m
Current liabilities			
Current portion of secured bank loans and bank overdrafts	12.0	20.0	45.0
Current portion of Term loan due 2021	—	3.2	3.3
Current portion of 10.25% Senior secured notes due 2017	20.8	—	—
Working Capital loan	5.2	—	5.1
	<u>38.0</u>	<u>23.2</u>	<u>53.4</u>
Non-current liabilities			
Secured bank loans and overdrafts	—	—	—
Current portion of Term loan due 2021	—	499.2	497.1
10.25% Senior secured notes due 2017	485.4	—	—
8.50% Senior PIK toggle notes due 2018	141.6	—	—
	<u>627.0</u>	<u>499.2</u>	<u>497.1</u>

All borrowings in the period ended 28 February 2014 are secured by a debenture creating fixed and floating charges over all of the material current and future assets of certain Group entities. In addition to the above, specific registered pledges have been made over bank accounts, assignment of receivables and assignment of insurance.

All subsequent borrowings are secured by fixed and floating charges over all the current and future assets of certain Group entities. In addition to the above, specific share capital has also been pledged as part of the security arrangement, including the assignment of certain insurances.

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

9 Other interest-bearing loans and borrowings (Continued)

Terms and debt repayment schedule

		Nominal interest rate	Year of maturity	Face value 28 February 2014 \$m	Carrying amount 28 February 2014 \$m	Face value 31 August 2014 \$m	Carrying amount 31 August 2014 \$m	Face value 28 February 2015 \$m	Carrying amount 28 February 2015 \$m
Working capital facility	RMB	6.60%	2014	5.2	5.2	—	—	—	—
Working capital facility	VND	7.50%	2015	—	—	—	—	5.1	5.1
10.25% Senior secured notes	US \$	10.25%	2017	490.0	506.2	—	—	—	—
8.50% Senior PIK toggle notes	US \$	8.50%	2018	150.0	142.6	—	—	—	—
Revolving capital facility #	US \$		2021	12.0	12.0	20.0	20.0	45.0	45.0
Term loan*	US \$		2021	—	—	513.7	502.4	511.1	500.4
				<u>657.2</u>	<u>666.0</u>	<u>533.7</u>	<u>522.4</u>	<u>561.2</u>	<u>550.5</u>

* The term loan facility bears interest based on applicable margin percentages of 2.5% per annum for base rate loans and 3.5% per annum for LIBOR rate loans, provided that the base rate for base rate loans may not be lower than 2.00% and LIBOR may not be lower than 1.00%.

Revolving credit facility under the credit agreement will bear interest based on a margin ranging from 2.75% to 3.25% depending on our net-leverage ratio, plus the applicable LIBOR rate.

	28 February 2014 \$m	31 August 2014 \$m	28 February 2015 \$m
The Group borrowings maturity table:			
Less than six months	38.0	21.7	51.7
Between six months and one year	—	1.5	1.7
Between one and five years	627.0	13.4	13.4
More than five years	—	485.8	483.7
	<u>665.0</u>	<u>522.4</u>	<u>550.5</u>

10 Retirement benefit obligations

The Group operates a variety of post-employment benefit arrangements, covering both funded defined contribution and funded and unfunded defined benefit schemes. The most significant of these are the funded defined benefit pension schemes for the Group's employees in the UK and Switzerland.

The Group operates three defined benefit pension schemes in the UK, three defined benefit pension schemes in Switzerland and one in Thailand. In each case the assets of the scheme are held separately from those of the Group in independently administered funds. The current service costs of the schemes are charged to the income statement so as to spread the cost of pensions over the employees' working lifetimes with the Group. At 31 August 2011, all three UK schemes closed to future accruals and active members became deferred pension members. Whilst the Group will continue to make future employer contributions to the schemes member contributions are no longer made. There have been no significant changes in the Swiss or Thai pension schemes in the period.

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

10 Retirement benefit obligations (Continued)

The amounts recognised in the balance sheet were as follows:

	28 February 2014 \$m	31 August 2014 \$m	28 February 2015 \$m
Liability for defined benefit obligations recognised in the balance sheet:			
UK	15.6	18.6	18.8
Switzerland	5.8	7.1	7.2
Thailand	0.0	0.1	0.1
	<u>21.4</u>	<u>25.8</u>	<u>26.1</u>

The Group has reviewed the valuation of its principal defined benefit pension plan and, in light of changes in the key actuarial assumptions, an adjustment, has been incorporated into the Group interim financial statements at 28 February 2015. The actuarial assumption with the most significant impact at 28 February 2015 was caused by the decrease in the high quality corporate bonds yield of 0.5% for the UK schemes.

Expense recognised in the income statement

	28 February 2014 \$m	31 August 2014 \$m	28 February 2015 \$m
Current service cost	—	(1.9)	—
Past service cost	—	0.1	—
Net interest expense	(0.2)	(0.2)	(0.2)
Total	<u>(0.2)</u>	<u>(2.0)</u>	<u>(0.2)</u>

11 Provisions for other liabilities and charges

	Property \$m	Other \$m	Total \$m
Balance at 1 September 2013	—	5.8	5.8
Provisions utilised during the period	—	(1.0)	(1.0)
Provisions made during the period	—	3.9	3.9
Balance at 28 February 2014	<u>—</u>	<u>8.7</u>	<u>8.7</u>
Non-current	—	5.0	5.0
Current	—	3.7	3.7
	<u>—</u>	<u>8.7</u>	<u>8.7</u>

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

11 Provisions for other liabilities and charges (Continued)

	<u>Property \$m</u>	<u>Other \$m</u>	<u>Total \$m</u>
Balance at 1 September 2014	—	1.7	1.7
Provisions made during the period	—	0.3	0.3
Balance at 28 February 2015	—	2.0	2.0
Non-current	—	1.3	1.3
Current	—	0.7	0.7
	<u>—</u>	<u>2.0</u>	<u>2.0</u>

Other provisions relate to costs associated with the integration of newly acquired subsidiaries and overseas employees. The overseas employee's provision is likely to be utilised over several years, although the timing of utilisation is uncertain. The remaining balance is classified as current at the year end.

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

12 Authorised and issued share capital

Group and Company

<i>Authorised</i>	No.	2014 \$m	No.	2015 \$m
Ordinary shares of \$0.01 each	—	—	2,000,000,000	20.0
Ordinary shares 'A' of \$0.016281 each	300,000,000	4.8	—	—
Ordinary shares 'B' of \$0.016281 each	841,623	0.0	—	—
Ordinary shares 'C' of \$0.016281 each	210,406	0.0	—	—
Ordinary shares 'D' of \$0.016281 each	273,527	0.0	—	—
Ordinary shares 'E' of \$0.016281 each	3,000,000	0.1	—	—
Ordinary shares 'F' of \$0.016281 each	801,653	0.0	—	—
Ordinary shares 'G' of £0.01 each	100,000,000	1.6	—	—
Deferred shares of \$0.016281 each	200,000,000	3.3	—	—
Dollar deferred shares of \$0.01 each	6,500,000,000	65.0	—	—
Preference shares of \$1.00 each	65,246,059	65.2	—	—
New preference shares of \$0.01 each	4,475,805	0.1	—	—
At 28 February	<u>7,174,849,073</u>	<u>140.1</u>	<u>2,000,000,000</u>	<u>20.0</u>

<i>Allotted, called up and fully paid</i>	No.	2014 \$m	No.	2015 \$m
Ordinary shares of \$0.01 each	—	—	97,748,887	1.0
Ordinary shares 'A' of \$0.016281 each	137,045,844	2.2	—	—
Ordinary shares 'B' of \$0.016281 each	841,623	0.0	—	—
Ordinary shares 'C' of \$0.016281 each	210,406	0.0	—	—
Ordinary shares 'D' of \$0.016281 each	136,763	0.0	—	—
Ordinary shares 'E' of \$0.016281 each	2,212,188	0.1	—	—
Ordinary shares 'F' of \$0.016281 each	801,653	0.0	—	—
Deferred shares of \$0.016281 each	100	0.0	—	—
Dollar deferred shares of \$0.01 each	—	0.0	—	—
Preference shares of \$1.00 each	65,246,059	65.2	—	—
New preference shares of \$0.01 each	2,113,052	0.0	—	—
At 28 February	<u>208,607,688</u>	<u>67.5</u>	<u>97,748,887</u>	<u>1.0</u>

	2014 \$m	2015 \$m
Shares classified as liabilities	—	—
Shares classified in shareholders' funds	67.5	1.0
At 30 November	<u>67.5</u>	<u>1.0</u>

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

13 Financial risk management

13.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 August 2014.

There have been no changes in any risk management policies since 31 August 2014.

13.2 Fair value of financial assets and liabilities measured at amortised cost.

In the period ended 28 February 2015 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities, and there were no reclassifications of financial assets.

Fair values

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

	Carrying amount February 2014 \$m	Fair value February 2014 \$m	Carrying amount February 2015 \$m	Fair value February 2015 \$m
IAS 39 categories of financial instruments				
Loans and receivables				
Cash and cash equivalents	102.9	102.9	97.3	97.3
Other loans and receivables	47.9	47.9	66.9	66.9
Total financial assets	150.8	150.8	164.2	164.2
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 9)	(665.0)	(740.0)	(550.5)	(550.5)
Trade and other payables	(143.4)	(143.4)	(278.1)	(278.1)
Total financial liabilities	(808.4)	(883.4)	(828.6)	(828.6)
Total financial instruments	(657.6)	(732.6)	(664.4)	(664.4)

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

14 Commitments

Capital commitments

	28 February 2014 \$m	31 August 2014 \$m	28 February 2015 \$m
Contracted but not provided for	20.9	3.0	13.6
Authorised but not contracted or provided for	26.4	28.6	26.3
	<u>47.3</u>	<u>31.6</u>	<u>39.9</u>

All capital commitments relate to tangible assets.

15 Contingencies

In 2015 all borrowings are secured by fixed and floating charges over all the current and future assets of certain Group activities and by a fixed charge over specified Group bank accounts. In addition, specific registered pledges have been made by certain overseas subsidiaries.

The Group has provided the following bank guarantees:

To SCTAI Anglo Iskola KFT for €0.3 million (\$0.4 million) in respect of a 30 year lease of school premises in Budapest. The annual payments under this lease are €0.4 million (\$0.5 million) and the guarantee expires on 2 February 2016.

To Abu Dhabi Education Council for AED1.3 million (\$0.4 million) which is open ended.

To Dubai Islamic Bank for AED36.0 million (\$9.8 million) in respect of a 13 year lease for school premises in Dubai, the guarantee expires on 15 September 2017.

16 Related party transactions

Controlling entities

Premier Education Holdings Limited owns 72.2% of the ordinary shares of Nord Anglia Education, Inc., and Baring Private Equity Asia owns 100% of Premier Education Holdings Limited.

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

16 Related party transactions (Continued)

Transactions with related parties

During the year the Group and Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at period end with other related parties are as follows:

	Amounts owed by related parties at 2014 (\$m)	Amounts owed to related parties at 2014 (\$m)	Amounts owed by related parties at 2015 (\$m)	Amounts owed to related parties at 2015 (\$m)
Entities with significant influence over the Group:				
Premier Education Holdings Limited	—	31.4	—	—
	—	31.4	—	—
Other related parties	—	1.0	—	0.8

<u>Name of Company</u>	<u>Holding</u>	<u>Proportion of voting rights and shares held</u>	<u>Nature of business</u>
Subsidiary undertaking:			
Nord Anglia Education (UK) Holdings PLC	Ordinary	100%	Holding company

The Group holds a 50% shareholding in EduAction Waltham Forest Limited through its 100% owned subsidiary Nord Anglia Education Limited. At the balance sheet date the jointly controlled entity was owed an amount of \$1.1 million (2014—\$1.1 million) by the Group which is included within other creditors due less than one year.

During the period to 28 February 2015, consistent with 31 August 2014 financial statements, the Swiss schools continue to rent premises from companies which are controlled by a key member of management.

	Balance at 28 February 2014 (\$m)	Rental charge for the period (\$m)	Balance at 28 February 2015 (\$m)	Rental charge for the period (\$m)
Leosolis SA	0.0	1.7	nil	1.6
Hunters SA	nil	0.5	nil	0.5
Toumim SA	nil	0.2	nil	0.2
Delphim SA	0.8	—	0.8	—
La Renardières Service SA	nil	0.3	nil	0.3

There is a rental guarantee made to Delphim SA for CHF1.4 million in respect of a 14 year lease of school premises in Switzerland. The annual payment under this lease are CHF3.1 million (\$3.3 million) and the guarantee expires on 31 August 2026.

In addition to the above, the vendor was also paid a consultancy fee of \$0.2 million (2014: \$nil) and reimbursement of costs \$1.0 million (2014: \$1.5 million).

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

16 Related party transactions (Continued)

Included within other creditors is an amount of \$0.8 million (current \$0.2 million, non-current \$0.6 million) 2014: \$1.0 million (current: \$0.2 million, non-current: \$0.8 million). The \$0.8 million is due to the vendor of College Champittet for the earn-out agreement and is to be settled over the next 4 years (2014: \$1.0 million to be settled over 5 years).

17 Seasonality

Premium Schools' results are subject to seasonal fluctuation. As outlined in the accounting policy for revenue recognition, school fee income is recognised over the school terms. Term 1 being September to December, Term 2 being January to March and Term 3 being April to June.

Within the Learning Services business a number of contracts are performed in close alignment with the academic year of September to June.

18 Events after the balance sheet date

On 2 March 2015, we formally completed the acquisition of a 90% interest in BIS Vietnam. Under IFRS 10 Consolidated Financial Statements, the Group gained effective control of BIS Vietnam from 1 January 2015 and was consolidated into the Group's results from the same date resulting in a liability being recorded by the company for the purchase price. Details are disclosed in Note 2. In connection with this acquisition, the Group repaid the liability with the proceeds from an additional \$150m of incremental loans under our existing secured term loan facility on 2 March 2015.

On April 24, 2015, we entered into a definitive agreement to acquire a portfolio of six schools from Meritas, LLC, an operator of international schools based in Chicago, and certain affiliates (the "Meritas Schools") for \$575 million in cash, subject to certain adjustments. The transaction is scheduled to close in mid-2015, subject to the satisfaction of certain closing conditions.

19 Ultimate parent company

Nord Anglia Education, Inc. is controlled by its immediate parent company Premier Education Holdings Ltd.

The ultimate controlling party is Baring Private Equity Asia.

Notes to the interim financial statements for the 6 month period ended 28 February 2015 (Continued)

20 Earnings per share

	2014			2015		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit/(loss) (\$m)						
Continuing operations	18.1		18.1	34.4		34.4
Preference share redemption premium	—		—	—		—
Total profit attributable to equity shareholders	18.1		18.1	34.4		34.4
Weighted average number of shares (millions)	75.9	—	76.6	97.7	—	97.8
Earnings/(loss) per share (\$ per share)	0.24	—	0.24	0.35	—	0.35

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated annual and interim financial information and the related notes included as Exhibits 99.1 and 99.2 respectively to this report on Form 6-K.

Overview

We believe we are the world's leading international operator of premium schools. We have over 23,950 full time equivalent students ("FTEs"), from kindergarten through the end of secondary school ("K-12"), at our 35 premium schools in China, Europe, the Middle East and Southeast Asia ("ME/SEA") and North America. As of May 1, 2015, we had 23,985 FTEs and capacity of 34,539 seats, representing a utilization rate of 69%.

Recent Developments

On April 24, 2015, we entered into a definitive agreement to acquire a portfolio of six schools from Meritas, LLC, an operator of international schools based in Chicago, and certain affiliates (the "Meritas Schools") for \$575 million in cash, subject to certain adjustments. The transaction is scheduled to close in mid-2015, subject to the satisfaction of certain closing conditions. There is no assurance that the closing conditions will be satisfied.

The Meritas Schools comprise four schools in North America, one school in Switzerland and one school in China:

<u>School</u>	<u>Date Founded</u>	<u>Curriculum</u>	<u>Qualification ⁽¹⁾</u>	<u>Day/ Boarding</u>
China				
Léman International School (Chengdu, China)	2009	IB Curriculum	AP/IBD	Day
Europe				
			AP/IBD/IGCSE/	
Collège du Léman (Geneva, Switzerland)	1960	U.S., French, Swiss & IB Curriculum	Swiss Maturité/ French Bac	Day and Boarding
North America				
The Village School (Houston, Texas, USA)	1966	U.S. & IB Curriculum	AP/IBD	Day and Boarding
North Broward Preparatory School (Coconut Creek, Florida, USA).	1957	U.S. & IB Curriculum	AP/IBD	Day and Boarding
Windermere Preparatory School (Windermere, Florida, USA).	2000	U.S. & IB Curriculum	AP/IBD	Day and Boarding
Instituto San Roberto (Monterrey, Mexico)	1982	U.S. & IB Curriculum	K-9 ⁽²⁾	Day

(1) "AP" stands for Advanced Placement; "IBD" stands for International Baccalaureate Diploma Program; and "IGCSE" stands for International General Certificate of Secondary Education.

(2) This school educates students in pre-qualification years.

As of May 1, 2015, the Meritas Schools had approximately 8,629 FTEs with total capacity of 11,380 seats. In the fiscal year ended June 30, 2014, the schools generated average revenue per FTE of approximately \$26,900.

Upon the acquisition of these six schools, we will provide quality education to more than 32,600 students across a global network of 41 schools in 15 countries with more than 45,900 seats of capacity.



The Meritas Schools have excellent reputations in their markets and, similar to our schools, focus on delivering personalized instruction to help maximize every student's academic achievement. The Meritas Schools in Switzerland and North America offer a U.S. curriculum, which will provide us with a platform for accessing a large portion of the global premium schools market. In addition, the boarding program provided by the Swiss and U.S. schools will complement our existing boarding offering and provide us with boarding experience in the U.S. for the first time. The Meritas Schools maintain a strong, global boarding student recruitment team, which we will use to drive enrollment at our existing boarding schools, Collège Champittet and Collège Beau-Soleil in Switzerland and Regents International School Pattaya in Thailand, as well as at the Meritas Schools.

In connection with the acquisition of the Meritas Schools, we have also agreed to acquire from Meritas, LLC and certain affiliates for an additional \$7.5 million a convertible subordinated promissory note that is convertible into a 10% equity interest in Léman Manhattan Preparatory School (founded in 2005) in New York City ("Léman Manhattan") upon the occurrence of certain events. Under the terms of this investment, we may acquire 100% of the school in the future subject to certain conditions being met. Following this investment, Léman Manhattan Preparatory School will become a Nord Anglia Education affiliate school. The school will have limited rights to use the Nord Anglia Education brand, students at the school will have access to our Global Campus and teachers at the school will have access to Nord Anglia University.

On March 2, 2015, we acquired a 90% interest in The British International Schools Group in Vietnam ("BIS Vietnam"). Under applicable accounting standards, we gained effective control of BIS Vietnam from January 1, 2015 and incorporated the results of BIS Vietnam from the same date. BIS Vietnam comprises four schools, two in Ho Chi Minh City and two in Hanoi, including the flagship school The British International School, Ho Chi Minh City, which was founded in 2000. The other three schools include the British Vietnamese International School, Ho Chi Minh City, the British International School, Hanoi, and the British Vietnamese International School, Hanoi, which were founded in 2011, 2012 and 2012, respectively.

In connection with the acquisition and for general corporate purposes, we incurred \$150 million of incremental loans under our existing secured term loan facility.

On February 24, 2015, we announced The Juilliard-Nord Anglia Performing Arts Program, a multifaceted collaboration involving an innovative arts education curriculum for students in grades K-12. Developed in conjunction with The Juilliard School, the world-renowned performing arts conservatory, the program seeks to inspire and equip our students with the skills, curiosity and cultural literacy to engage in the performing arts throughout their lives.

Factors Affecting Our Results of Operations

Key Performance Indicators

We use the following key operating metrics to manage our schools: FTEs, capacity, utilization and revenue per FTE. We monitor FTEs on a weekly basis and the other operating metrics on a monthly, quarterly and annual basis, as we believe that they are the most reliable metrics for measuring the profitability of our schools.

The table below sets out our key operating data for the periods indicated. For fiscal 2013 pro forma, the key performance indicators are presented as if our acquisition of WCL Group Limited ("WCL Group") on May 22, 2013 had completed on September 1, 2012.

	Year Ended August 31,				Six Months Ended February 28,	
	2012	2013	2013	2014	2014	2015
	Actual	Actual	Pro forma	Actual	Actual	Actual
Full-time equivalent students (average for the period) ⁽¹⁾						
China	3,622	4,075	4,075	4,827	4,812	5,183
Europe	3,775	3,838	4,448	4,514	4,501	4,602
Middle East/South East Asia	783	2,112	3,363	5,230	4,964	8,605
North America	—	254	2,491	2,742	2,726	2,795
Total	8,180	10,279	14,377	17,313	17,003	21,185
Capacity (average for the period) ⁽²⁾						
China	5,360	5,375	5,375	6,964	6,964	7,756
Europe	4,342	4,496	5,160	5,322	5,322	6,084
Middle East/South East Asia	1,500	2,909	4,791	5,961	5,691	11,638
North America	—	366	3,660	3,760	3,760	3,760
Total	11,202	13,146	18,986	22,007	21,737	29,238

Utilization (average for the period) ⁽³⁾						
China	68%	76%	76%	69%	69%	67%
Europe	87%	85%	86%	85%	85%	76%
Middle East/South East Asia	52%	73%	70%	88%	87%	74%
North America	—	70%	68%	73%	72%	74%
Average	73%	78%	76%	79%	78%	72%
Revenue per FTE (in \$ thousands) ⁽⁴⁾						
China	30.8	33.8	33.8	34.3	20.1	20.7
Europe	29.5	30.2	28.7	30.1	17.8	16.8
Middle East/South East Asia	12.5	16.1	16.4	16.4	9.3	9.8
North America	—	31.1	25.0	25.1	14.9	15.3
Total	28.4	28.7	26.6	26.4	15.5	14.7

- (1) We calculate average FTEs for a period by dividing the sum of the number of FTEs at each calendar month end in the period by the number of calendar months in the period.
- (2) We calculate average capacity for a period by dividing the total number of FTEs that can be accommodated based on existing classrooms at each academic calendar month divided by the number of months in such period.
- (3) We calculate utilization for a period as a percentage equal to the average FTEs for the period divided by average capacity for the period.
- (4) We calculate revenue per FTE for a period by dividing revenue from our schools for the period by the average FTEs for the period.

Full-Time Equivalent Students. Because our schools derive substantially all of their revenue from tuition fees, the number of FTEs enrolled in our schools is critical to our operating performance and growth. As a result, we monitor the number of FTEs to measure the performance of our schools. We also monitor FTEs on a school-by-school basis to help plan capacity expansion and track local market trends.

We define a FTE as a student who is enrolled to attend school for the full school day, five days a week. For example, a student who enrolls for three full days a week equals 0.6 FTEs and a student who enrolls for five mornings a week equals 0.5 FTEs. We calculate average FTEs for a period by dividing the total number of FTEs at each calendar month-end in the period by the number of calendar months in the period.

The number of same-school FTEs fluctuates throughout the academic year, as new students enroll or as current students depart. Our average FTEs have grown from 8,180 in fiscal 2012 to 17,313 in fiscal 2014 and 21,185 for the six months ended February 28, 2015. The increases resulted from growing enrollments at our schools and acquisitions of new schools.

In addition to monitoring our FTEs, we also focus on the number of inquiries, visits and applications by prospective students at each of our schools and the number of applications that result in enrollments. In our experience, the ratios of inquiries to visits and of visits to enrollments are leading indicators of student enrollments. Thus, in our marketing and recruitment activities we seek to maximize the generation of inquiries, the conversion of inquiries into visits, of visits into applications and of applications into enrollments.

Capacity. We calculate average capacity for a period by dividing the total number of FTEs that we can accommodate at each calendar month-end in the period by the number of calendar months in the period.

We increased our average capacity from 11,202 places in fiscal 2012 to 22,007 places in fiscal 2014 and 29,238 for the six months ended February 28, 2015. The increase resulted primarily from the acquisition of new premium schools in China, Switzerland, Spain, Thailand, the United States, Qatar, Singapore, Cambodia and Vietnam and capacity expansion at our schools in China and Europe and the opening of new schools in Hong Kong and Dubai.

Utilization. We calculate utilization for a period as a percentage equal to the ratio of average FTEs for the period divided by average capacity for the period.

In fiscal 2012, 2013 pro forma and 2014 and the six months ended February 28, 2015 we had average utilization of 73%, 76%, 79% and 72% respectively. The increase in utilization in fiscal 2013 pro forma was primarily due to increased enrollment across our schools in China in fiscal 2012 and 2013, partially offset by lower utilization at some acquired schools and incremental capacity additions. The increase in fiscal 2014 was primarily due to the acquisition of schools in Thailand and China at the end of fiscal 2013 with higher utilization than our historical average, increased enrollment at our schools in China, Europe, ME/SEA and North America, partially offset by incremental capacity additions in each of our regions. The decrease in utilization in the six months to February 28, 2015 was primarily due to the opening of new greenfield school campuses in Dubai, Hong Kong and Aubonne, Switzerland, incremental capacity additions and the acquisition of schools in Vietnam with a lower utilization rate than our historical average, partially offset by increased enrollment in each of our regions.

Revenue per Full-Time Equivalent Student. We calculate revenue per FTE for a period by dividing the revenue from our schools for the period by the average FTEs for the period. Revenue per FTE is impacted primarily by the tuition fees we charge at each of our premium schools and the revenue per FTE of new schools that we acquire relative to our other premium schools within those regions.

Revenue per FTE, and therefore our revenue, is directly impacted by our ability to increase tuition fees year on year at each of our premium schools. A majority of our tuition fees are paid by expatriate employers, who we believe accept price increases because education allowances typically represent only a small percentage of an expatriate's total compensation package. We believe self-funding expatriates and affluent local families accept our price increases because of the importance they place on a quality education for their children. As a result, we have been able to increase tuition fees at our premium

schools at an average of approximately 4-5% per year over the last three years, which we believe to be in excess of the median rate of inflation in the markets where these schools are located.

Almost all of our tuition fees are charged in the local currencies of the countries where the schools are located. Therefore, our revenue per FTE is subject to fluctuations in foreign exchange rates between these local currencies and our reported currency, the US dollar. See "— Currency Translation."

Acquisitions

In the three years ended August 31, 2014, we acquired 17 schools in Switzerland, China, Thailand, Singapore, Cambodia, the United States, Qatar and Spain. On March 2, 2015, we acquired BIS Vietnam. We continue to assess a pipeline of acquisition opportunities and look for new acquisition opportunities.

The following table shows our acquisitions during the three fiscal years ended August 31, 2014 and the six months ended February 28, 2015:

Fiscal 2012		
La Côte International School	Switzerland	September 2011
Regents International School Pattaya	Thailand	August 2012 ⁽¹⁾
Fiscal 2013		
International College Spain	Spain	May 2013
Compass International School Doha, Gharaffa	Qatar	May 2013
Compass International School Doha, Madinat Khalifa	Qatar	May 2013
Compass International School Doha, Al Rayyan	Qatar	May 2013
Compass International School, Al Khor	Qatar	May 2013
The British School of Washington	United States	May 2013
The British International School of Boston	United States	May 2013
The British International School of Houston	United States	May 2013
The British School of Chicago	United States	May 2013
The British International School of Charlotte	United States	May 2013
World Class Learning Academy, New York	United States	May 2013
The British School of Guangzhou	China	July 2013 ⁽¹⁾
St. Andrews International School Bangkok	Thailand	August 2013 ⁽¹⁾
Fiscal 2014		
Dover Court International School	Singapore	April 2014
Northbridge International School	Cambodia	July 2014 ⁽¹⁾
Six Months Ended February 28, 2015 ⁽²⁾		
The British International School, Ho Chi Minh City	Vietnam	January 1, 2015
British Vietnamese International School, Ho Chi Minh City	Vietnam	January 1, 2015
British International School, Hanoi	Vietnam	January 1, 2015
British Vietnamese International School, Hanoi	Vietnam	January 1, 2015

- (1) Premium schools acquired during the summer months of July and August do not have a significant impact on the results of the fiscal year in which they are acquired as most school years commence on September 1, which is the first day of the following fiscal year, and revenue and direct teaching costs are not recognized during July and August in line with our accounting policies.

- (2) We completed the acquisition of BIS Vietnam on March 2, 2015. Under applicable accounting standards, we gained effective control of BIS Vietnam from January 1, 2015 and have incorporated the results of BIS Vietnam from the same date.

Increased Focus on Premium Schools

In fiscal 2012, we made a strategic decision to no longer bid on new learning services contracts and gradually phased out some of our existing contracts. As a result, our premium schools revenue, as a percentage of our total revenue, has grown significantly. In fiscal 2012, 2013 and 2014 and the six months ended February 28, 2015, revenue from our premium schools represented 84.7%, 91.2%, 96.2% and 97.9%, respectively, of our total revenue. In fiscal 2014, other revenue, which is predominantly revenue from learning services, accounted for 3.8% of our revenue and contributed 2.6% of our Adjusted EBITDA (before the allocation of central and regional costs). In the three years ended August 31, 2014, we acquired 17 schools in Switzerland, China, Thailand, the United States, Qatar, Spain, Singapore and Cambodia and expanded capacity at our schools in China, ME/SEA and Europe. In September 2014, we opened new schools in Hong Kong and Dubai, and in March 2015 we acquired BIS Vietnam. We expect to further expand our network of premium schools and increase capacity at existing schools.

Macroeconomic Conditions

The results of our operations are indirectly affected by general economic conditions in each of the countries in which we operate, which may influence the demand for premium schools education and the tuition fees we are able to charge at our schools. As a result of the importance parents place on education in the markets in which we operate and the relative resilience shown by expatriate flows during difficult economic conditions, we believe our revenue and profitability are resilient to fluctuations as a result of macro-economic conditions. We have grown our business significantly since 2008 despite a challenging global economic climate. Total enrollment in our schools grew at a CAGR of 29% from the end of fiscal 2008 to the end of fiscal 2014, and we raised our tuition fees by an average of approximately 4-5% over the three years ended August 31, 2014.

Currency Translation

We conduct our business in several major currencies, most notably the Chinese renminbi, Swiss franc, Polish zloty, pound sterling, U.A.E. dirham, Qatari riyal, Euro, Thai baht, Hong Kong dollar, Singapore dollar, Cambodian riel, Vietnamese dong and U.S. dollar, while our reporting currency is the U.S. dollar. Prior to our acquisition of WCL Group in May 2013, almost all of our revenue was recorded in currencies other than the U.S. dollar. Fluctuations in exchange rates between the U.S. dollar and our other operating currencies affect the translation of our results and the net assets or liabilities of our overseas entities into U.S. dollars.

In fiscal 2012, all of our material operating currencies except the Chinese renminbi weakened against the U.S. dollar which negatively influenced our results in that period.

In fiscal 2013, there was a more mixed impact with the Chinese renminbi, the Polish zloty and Thai baht all strengthening against the US dollar while the British pound and the Swiss franc weakened against the dollar. Overall, the impact of these movements positively influenced our results in that period.

In fiscal 2014, there was also a mixed impact with the Chinese renminbi, the Polish zloty, British pound, Euro and Swiss Franc all strengthening against the US dollar while the Thai baht weakened against the dollar. Overall, the impact of these movements positively influenced our results in that period.

In the six months ended February 2015, all of our material operating currencies weakened against the U.S. dollar, which negatively impacted our results for the period.

Substantially all of our revenues and costs are denominated in the local currencies of the countries in which we operate. We recognize translational gains and losses primarily upon the conversion of our foreign currency denominated earnings into U.S. dollars through other comprehensive income.

Selected Financial Data

The following selected consolidated income statement data for the years ended August 31, 2011, 2012, 2013 and 2014 have been derived from our audited consolidated financial statements, which were prepared in accordance with IFRS, as issued by the IASB.

The selected historical consolidated financial information presented in the table below should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and accompanying notes. The audited consolidated financial statements and the accompanying notes as of August 31, 2013 and 2014 and for the years ended August 31, 2012, 2013 and 2014 have been furnished as Exhibit 99.1 to our report on Form 6-K to which this is an exhibit.

Consolidated Income Statement Data:

	Year Ended August 31,			
	2011	2012	2013	2014
	(in millions of dollars, except per share data)			
Revenue	225.2	274.4	323.7	474.6
Cost of sales	(127.7)	(162.4)	(190.4)	(280.3)
Gross profit	97.5	112.0	133.3	194.3
Selling, general and administrative expenses	(60.6)	(58.3)	(64.5)	(92.9)
Depreciation	(2.0)	(0.3)	(0.4)	(2.0)
Amortization	(2.8)	(3.5)	(5.7)	(10.4)
Impairment of goodwill	(16.7)	(10.7)	—	—
Exceptional expenses	(9.4)	(12.5)	(17.7)	(100.2)
Total expenses	(91.5)	(85.3)	(88.3)	(205.5)
Operating profit/(loss)	6.0	26.7	45.0	(11.2)
Finance income	10.1	2.0	2.3	2.0
Finance expense	(51.7)	(49.7)	(51.3)	(55.5)
Net finance expense	(41.6)	(47.7)	(49.0)	(53.5)
Loss before income tax	(35.6)	(21.0)	(4.0)	(64.7)
Income tax expense	(12.5)	(16.4)	(19.3)	(25.7)
Loss for the period	(48.1)	(37.4)	(23.3)	(90.4)
Earnings per ordinary share ⁽¹⁾ (in dollars)				
Basic	(0.65)	(0.52)	(0.34)	(1.07)
Diluted	(0.65)	(0.52)	(0.34)	(1.07)

- (1) Earnings per ordinary share is calculated by dividing loss for the period by the weighted average ordinary shares outstanding for the period. For the fiscal years 2011, 2012 and 2013 the basic and diluted weighted average ordinary shares outstanding were 74.0 million ordinary shares. For the year ended August 31, 2014, the basic and diluted weighted average ordinary shares outstanding were 85.1 million ordinary shares. On completion of our initial public offering on March 31, 2014, we issued 21.8 million ordinary shares and all previously existing preference shares and classes of ordinary shares were converted into 75.9 million ordinary shares of par value \$0.01 per share.

Supplementary Financial Data

The following table sets forth certain supplementary financial data for the periods indicated. The pro forma financial data for the year ended August 31, 2013 give effect to our acquisition of WCL Group as though it had occurred on September 1, 2012.

	Year Ended August 31,				Six Months Ended February 28,	
	2012	2013	2013	2014	2014	2015
	Actual	Actual	Pro forma (unaudited)	Actual	Actual	Actual
(in millions of dollars, except per share data)						
Revenue (segment)						
Premium Schools						
China	111.5	137.7	137.7	165.6	96.7	107.1
Europe	111.2	115.8	127.6	136.0	79.9	77.4
ME/SEA	9.8	33.9	55.2	86.0	46.0	84.4
North America	—	7.9	62.2	68.8	40.7	42.6
Total Premium Schools	232.5	295.3	382.7	456.4	263.3	311.5
Other	41.9	28.4	32.3	18.2	8.6	6.8
Total Revenue	274.4	323.7	415.0	474.6	271.9	318.3
Adjusted EBITDA (segment)						
Premium Schools						
China	53.8	66.8	66.8	78.4	46.3	51.6
Europe	25.6	22.7	25.5	26.0	18.6	15.7
ME/SEA	(3.8)	5.9	11.8	22.2	12.4	23.4
North America	—	0.3	18.3	23.2	15.5	15.1
Total Premium Schools	75.6	95.7	122.4	149.8	92.8	105.8
Other	10.3	6.6	7.6	4.0	1.0	0.8
Central and regional expenses	(15.7)	(22.8)	(26.6)	(26.4)	(12.4)	(14.8)
Adjusted EBITDA	70.2	79.5	103.4	127.4	81.4	91.8
Adjusted Net Income	(4.4)	(1.3)	9.8	22.8	23.4	45.9

We use EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Earnings per Ordinary Share, Adjusted Cost of Sales and Adjusted Gross Profit as supplemental financial measures of our operating performance. We define EBITDA as (loss)/profit for the period plus income tax expense, net financing (expense)/income, exceptional items, impairment of goodwill, amortization and depreciation, and we define Adjusted EBITDA as EBITDA adjusted for the items set forth in the table below. We define Adjusted Net Income as Adjusted EBITDA adjusted for the items in the table below. We define Adjusted Earnings per Ordinary share as Adjusted Net Income divided by the weighted average ordinary shares outstanding for the period. We define Adjusted Cost of Sales as cost of sales excluding Premium School land and building operating lease costs and depreciation charges arising from tangible assets owned by Premium Schools, and we define Adjusted Gross Profit as revenue less Adjusted Cost of Sales. EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Earnings per Ordinary Share, Adjusted Cost of Sales and Adjusted Gross Profit are not standard measures under IFRS. These measures should not be considered in isolation or construed as alternatives to cash flows, net income, earnings per ordinary share or any other measure of financial performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We may incur expenses similar to the adjustments in this presentation in the future and certain of these items could be recurring. EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Earnings per Ordinary Share, Adjusted Cost of Sales and Adjusted Gross Profit presented herein may not be comparable to similarly titled measures presented by other companies.

Reconciliation of Adjusted Cost of Sales, Adjusted Gross Profit, EBITDA, Adjusted EBITDA and Adjusted Net Income

Set forth below is a reconciliation of Adjusted Cost of Sales, Adjusted Gross Profit, EBITDA, Adjusted EBITDA and Adjusted Net Income to the most directly comparable IFRS measure, (loss)/profit for the periods indicated:

	Year Ended August 31,				Six Months Ended February 28,	
	2012	2013	2013	2014	2014	2015
	Actual	Actual	Pro forma (unaudited)	Actual	Actual	Actual
(in millions of dollars, except per share data)						
Revenue	274.4	323.7	415.0	474.6	271.9	318.3
Cost of sales	(162.4)	(190.4)	(243.1)	(280.3)	(157.9)	(188.6)
Rent premium schools	26.3	31.5	38.6	44.5	23.1	24.9
Depreciation premium schools	9.6	11.3	14.7	21.4	10.2	14.4
Adjusted Cost of Sales	(126.5)	(147.6)	(189.8)	(214.4)	(124.6)	(149.3)
Adjusted Gross Profit	147.9	176.1	225.2	260.2	147.3	169.0
(Loss)/Profit for the period	(37.4)	(23.3)	(16.0)	(90.4)	18.1	34.7
Income tax expense	16.4	19.3	18.6	25.7	13.2	13.2
Net financing expense ⁽¹⁾	47.7	49.0	57.4	53.5	33.0	13.3
Exceptional items ⁽²⁾	12.5	17.7	9.1	100.2	2.5	2.7
Impairment of goodwill ⁽³⁾	10.7	—	—	—	—	—
Amortization	3.5	5.7	8.8	10.4	4.9	7.0
Depreciation	9.9	11.7	16.0	23.4	10.7	14.8
EBITDA	63.3	80.1	93.9	122.8	82.4	85.7
Loss on disposal of property, plant and equipment ⁽⁴⁾	0.3	0.1	0.1	0.1	—	0.3
FX loss/(gain) ⁽⁵⁾	4.6	(4.0)	(1.8)	(4.0)	(4.6)	4.6
Pre-opening losses ⁽⁶⁾	—	—	—	4.1	—	—
Restructuring ⁽⁷⁾	—	—	0.8	—	—	—
Pre-acquisition and corporate structuring costs ⁽⁸⁾	0.6	—	0.8	—	—	—
Share based payments ⁽⁹⁾	0.6	0.1	6.4	3.1	2.4	1.2
Management fees ⁽¹⁰⁾	—	3.3	3.3	1.2	1.0	—
Other	0.8	(0.1)	(0.1)	0.1	0.2	0.0
Adjusted EBITDA	70.2	79.5	103.4	127.4	81.4	91.8
Depreciation	(9.9)	(11.7)	(16.0)	(23.4)	(10.7)	(14.8)
Net financing expense ⁽¹⁾	(47.7)	(49.0)	(57.4)	(53.5)	(33.0)	(13.3)
Income tax expense	(16.4)	(19.3)	(18.6)	(25.7)	(13.2)	(13.2)
Tax adjustments ⁽¹¹⁾	(0.6)	(0.8)	(1.6)	(2.0)	(1.1)	(4.3)
Non-controlling interest	—	—	—	—	—	(0.3)
Adjusted Net Income	(4.4)	(1.3)	9.8	22.8	23.4	45.9
Adjusted Earnings per Ordinary Share						
(in dollars) ⁽¹²⁾						
Basic	(0.06)	(0.02)	0.13	0.27	0.31	0.47
Diluted	(0.06)	(0.02)	0.13	0.27	0.30	0.47
Pro forma Adjusted Earnings per Ordinary Share (in dollars) ⁽¹³⁾						
Basic				0.23		
Diluted				0.23		

- (1) On March 31, 2014 we drew down \$515.0 million on our new term loan facility and using proceeds from the loan and our initial public offering, we discharged our obligations under the indentures governing our \$490.0 million 10.25% senior secured notes and \$150.0 million 8.50%/9.50% PIK toggle notes, both of which were fully redeemed as of April 14, 2014. The new term loan facility bears interest based on applicable margin percentages of 2.50% per annum for base rate loans and 3.50% per annum for LIBOR rate loans,



provided that the base rate for base rate loans may not be lower than 2.00% and LIBOR may not be lower than 1.00%. Based on these interest rates, assuming our new term loan had been fully drawn during fiscal 2014, and that none of our notes were outstanding during fiscal 2014, we estimate that our net interest expense, before tax, would have decreased by approximately \$25.0 million for fiscal 2014.

- (2) In fiscal 2011, exceptional items included expenses related to the relocation of our central services function to Hong Kong. In fiscal 2012, 2013 and 2013 pro forma, exceptional items included expenses primarily related to the acquisition of schools, including associated transaction and integration costs, and transaction management fees paid to Baring Private Equity Asia or its affiliates associated with our notes issuances. In fiscal 2014, exceptional items primarily related to the costs associated with our initial public offering and refinancing and expenses related to the acquisitions of schools, including associated transaction and integration costs. In fiscal 2014, we incurred exceptional charges of \$89.9 million related to the redemption of our outstanding notes, including the release of \$12.9 million of prepaid costs. In the six months ended February 28, 2015, exceptional items primarily related to the acquisition of schools, including associated transaction and integration costs.
- (3) In fiscal 2012, impairment of goodwill included the non-cash impairment charge on the remaining balance of the goodwill relating to learning services in the Middle East.
- (4) In fiscal 2012 and 2013, includes loss on disposal of property, plant and equipment associated with the termination of learning services contracts in the UK.
- (5) Represents foreign currency translational gains primarily associated with our inter-company balances.
- (6) In fiscal 2014, includes the pre-opening costs associated with the opening of our schools in Hong Kong and Dubai in September 2014.
- (7) Represents the full-year benefit of headcount reductions that have already been implemented.
- (8) In fiscal 2012, represents costs associated with changes to our corporate structure and lending arrangements to enable us to acquire our schools in Switzerland. In fiscal 2013 pro forma, represents costs incurred by WCL Group in connection with our acquisition of WCL Group.
- (9) In fiscal 2012, 2013 and 2014 and the six months ended February 28, 2015, represents non-cash charges associated with equity investments in our company by members of our management. In 2013 pro forma, includes non-cash charges associated with share-based compensation of WCL Group.
- (10) Represents management fees paid to Premier Education Holdings Ltd.
- (11) Represents the tax impact associated with the exclusion of exceptional items and amortization in calculating Adjusted Net Income.
- (12) Adjusted Earnings per Ordinary Share is calculated by dividing Adjusted Net Income for the period by the weighted average ordinary shares outstanding for the period. For the years ended August 31, 2012 and 2013 the basic and diluted weighted average ordinary shares outstanding were 74.0 million. For the year ended August 31, 2014, the basic and diluted weighted average ordinary shares outstanding were 85.1 million. For the six months ended February 28, 2015 the basic and diluted weighted average ordinary shares outstanding were 97.7 million and 97.8 million ordinary shares, respectively. For the six months ended February 28, 2014 the basic and diluted weighted average ordinary shares outstanding were 75.9 million and 76.6 million ordinary shares, respectively.
- (13) Pro forma Adjusted Earnings per Ordinary Share is calculated by dividing Adjusted Net Income for the period by the number of ordinary shares outstanding following completion of our initial public offering. On completion of our initial public offering on March 31, 2014, we issued 21.8 million ordinary shares and all previously existing preference shares and classes of ordinary shares were converted into 75.9 million ordinary shares of par value \$0.01 per share. The basic and diluted weighted average ordinary shares outstanding for fiscal 2014 would have been 97.7 million and 97.9 million ordinary shares, respectively.

Principal Components of Our Results of Operations

Revenue

Revenue is recognized net of indirect taxes, returns, rebates and discounts. Sales of services which have been invoiced but not yet recognized as revenue are included on the balance sheet as deferred income and accounted for within trade and other payables.

School fee income

School fee income comprises tuition fees and income from ancillary sources, including registration fees, examinations, school trips, bus transportation and lunch fees. School fee income is generally payable in advance, on or before the first day of each term. We generally recognize school fee income over the ten months of the school terms from September to June. Where we receive fees in advance of more than one term, the income is recognized over the months in the terms for which payment has been made. At a majority of our schools, our terms and conditions require a full term's notice of withdrawal for a refund of prepaid tuition. Historically we have had few requests for refunds.

Cost of Sales

Cost of sales primarily represents direct educational expenses and consultancy expenses. Direct educational expenses primarily consist of salary and benefits for school principals, teaching staff and lecturers employed in our schools and the cost of teaching materials, school lunches, bus services and certain after school activities.

Consultancy expenses include the cost of independent consultants we use in the delivery of our learning services contracts.

Cost of sales also include expenses in respect of our premium schools' land and building operating leases and depreciation charges arising from tangible assets owned by premium schools.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist primarily of compensation and associated expenses for our management, finance, human resources, marketing, education policy and administrative personnel at our corporate headquarters as well as regional teams in China, Europe, ME/SEA and North America. Selling, general and administrative expenses also include compensation and associated costs for our admissions and marketing personnel and other support staff in our schools and outside professional fees, legal fees, audit fees and fees for tax advisory, and other corporate expenses. Unrealized foreign exchange gains and losses due primarily to retranslation of currencies on our inter-company balances are also included in our selling, general and administrative expenses but are added back or deducted when calculating our Adjusted EBITDA, as are any gains or losses on the disposal of property, plant and equipment.

Other Operating Expenses

Other operating expenses consist primarily of amortization and impairment charges on intangible assets, depreciation expenses and other non-operating expenses.

Finance Income

Finance income primarily consists of interest on bank deposits.

Finance Expenses

Finance expenses represent interest on borrowings and financial leases, shareholder loan notes and certain other miscellaneous interest costs.

Income Tax Expense

Income tax expense consists of corporate income tax in the jurisdictions in which we operate as well as withholding taxes on dividends. Income tax expense also includes a charge or credit for deferred tax. Fluctuations in our effective tax rate are primarily attributed to changes in the operating results of

our subsidiaries, which are subject to various tax rates and tax concessions in their respective jurisdictions.

Critical Accounting Policies

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

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

Revenue Recognition

Our school year runs from approximately September 1 through to the end of June, with term 1 from September to December, term 2 from January to March and term 3 from April to June. School fees are payable in advance on or before the first day of each term. When fees are invoiced in advance for future months, they are deferred in the balance sheet and released to revenue in the month to which they relate. This policy reflects the profile of our service delivery across the fiscal year. Our direct learning costs are accrued and recognized on a similar basis. As our fiscal year runs from September 1 to August 31, the majority of our earnings from our schools division are recognized over the first 10 months of the year, and on a quarterly basis three-tenths of our school fee income is recognized in each of our first three quarters, and one-tenth of our school fee income is recognized in our final quarter. This results in a significantly reduced operating profit for the fourth quarter compared to our first three quarters, while our indirect teaching costs and other costs are recognized as incurred across each quarter.

The revenue and costs of our learning services contracts and the costs of our central and regional support teams are recognized over 12 months. A degree of judgment is exercised where contracts have an element of revenue earned based on the delivery of contract milestones. Contract revenue and performance are monitored and any revisions to estimated revenue recognition are recorded in the period in which they are identified.

Goodwill and Intangible Assets

For the purpose of assessing impairment, assets are generally grouped into geographic regions as this represents the lowest levels for which there are separately identifiable cash flows. Intangible fixed assets that are not subject to amortization are tested annually for impairment. Goodwill and brand names with indefinite lives are the only intangible assets that are not subjected to amortization. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if those assets are identifiable and their fair value can be measured reliably. The initial identification of intangible assets requires considerable judgment in respect to the classification of the assets and in the assessment of their life. In addition, 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.

Pensions

We maintain three defined benefit plans in the UK and similar arrangements in our schools in Switzerland and Thailand, for which we have recorded a pension liability. This liability is based upon an actuarial valuation that requires a number of assumptions including discount rate, mortality rates and actual returns on plan assets that may necessitate material adjustments to the liability in the future. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions. Details of the principal actuarial assumptions used in calculating the recognized liability for the plans are given in note 18 of the audited financial statements for fiscal 2014, which are furnished as Exhibit 99.1 to the report on Form 6-K to which this is an exhibit.

Taxation

We are subject to income and other taxes in the various jurisdictions in which we operate. Judgments are required in determining the consolidated provision for income and other taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, we recognize tax liabilities for anticipated issues arising from tax audits based on our estimates of whether additional taxes might become due. The amount of such liabilities is based on an assessment of several factors, including experience of previous tax audits and differing interpretations of local tax law. This assessment relies on estimates and assumptions on future possible events and involves a series of complex judgments. To the extent that the final outcome is different from the amounts recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary timing differences can be deducted. Where the temporary differences relate to losses, the availability of the losses to offset against future forecast taxable profits is also considered. Recognition therefore involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognized.

Share-Based Compensation

We operate an equity settled share based compensation plan.

The fair value of the employee services received under share-based compensation plans is recognized as an expense in the income statement. Fair value is calculated by using the Black Scholes Option Pricing Model for share option schemes and the Binomial method for long term incentive plans. The amount charged over the vesting period is determined by reference to the fair value of share incentives excluding the impact of any non-market vesting conditions. Non-market vesting conditions are considered within the assumptions to estimate the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognized in the income statement over the remaining vesting period with corresponding adjustments made to equity. The cash payment is accounted for as a reduction to shareholders' equity, except when the cash settlement exceeds the fair value of the equity instruments that would have been issued, for which such amount is recorded to expense.

The application of both the Black-Scholes Option Pricing Model and the Binomial method require the application of a number of judgments including, the following; volatility, risk free interest rate, expected life to exercise. Accordingly the recognition of the fair value expense of the employee services received under share-based compensation plans could vary if significantly different assumptions were applied to the valuation models.

Seasonality

Premium Schools' results are subject to seasonal fluctuation. As outlined in the accounting policy for revenue recognition, school fee income is recognized over the school terms.

Our Results of Operations

The following tables sets forth income statement data as a percentage of revenue for the periods indicated.

	Six Months Ended February 28,			
	2014		2015	
	\$ Millions	% Revenue	\$ Millions	% Revenue
Revenue	271.9	100.0	318.3	100.0
Cost of sales	(157.9)	(58.1)	(188.6)	(59.3)
Gross profit	114.0	41.9	129.7	40.7
Selling, general and administrative expenses	(41.8)	(15.3)	(58.4)	(18.3)
Depreciation	(0.5)	(0.2)	(0.4)	(0.1)
Amortization	(4.9)	(1.8)	(7.0)	(2.2)
Exceptional items	(2.5)	(0.9)	(2.7)	(0.9)
Total expenses	(49.7)	(18.2)	(68.5)	(21.5)
Operating profit	64.3	23.7	61.2	19.2
Finance income	1.1	0.4	1.3	0.4
Finance expense	(34.1)	(12.5)	(14.6)	(4.6)
Net financing expense	(33.0)	(12.1)	(13.3)	(4.2)
Profit before tax	31.3	11.6	47.9	15.0
Income tax expense	(13.2)	(4.9)	(13.2)	(4.1)
Profit after income tax	18.1	6.7	34.7	10.9
Adjusted EBITDA	81.4	29.9	91.8	28.9
Adjusted Net Income	23.4	8.6	45.9	14.4

	Year Ended August 31,					
	2012		2013		2014	
	\$ Millions	% Revenue	\$ Millions	% Revenue	\$ Millions	% Revenue
Revenue	274.4	100.0 %	323.7	100.0 %	474.6	100.0 %
Cost of sales	(162.4)	(59.2)%	(190.4)	(58.8)%	(280.3)	(59.1)%
Gross profit	112.0	40.8 %	133.3	41.2 %	194.3	40.9 %
Selling, general and administrative expenses	(58.3)	(21.2)%	(64.5)	(19.9)%	(92.9)	(19.6)%
Depreciation	(0.3)	(0.1)%	(0.4)	(0.1)%	(2.0)	(0.4)%
Amortization	(3.5)	(1.3)%	(5.7)	(1.8)%	(10.4)	(2.2)%
Impairment of goodwill	(10.7)	(3.9)%	—	—	—	—
Exceptional expenses	(12.5)	(4.6)%	(17.7)	(5.5)%	(100.2)	(21.1)%
Total expenses	(85.3)	(31.1)%	(88.3)	(27.3)%	(205.5)	(43.3)%
Operating profit/(loss)	26.7	9.7 %	45.0	13.9 %	(11.2)	(2.4)%
Finance income	2.0	0.7 %	2.3	0.7 %	2.0	0.4 %
Finance expense	(49.7)	(18.1)%	(51.3)	(15.8)%	(55.5)	(11.7)%
Net finance expense	(47.7)	(17.4)%	(49.0)	(15.1)%	(53.5)	(11.3)%
Loss before income tax	(21.0)	(7.7)%	(4.0)	(1.2)%	(64.7)	(13.6)%
Income tax expense	(16.4)	(6.0)%	(19.3)	(6.0)%	(25.7)	(5.4)%
Loss for the year	(37.4)	(13.7)%	(23.3)	(7.2)%	(90.4)	(19.0)%
Adjusted EBITDA	70.2	25.6 %	79.5	24.6 %	127.4	26.8 %
Adjusted Net Income	(4.4)	(1.6)%	(1.3)	(0.4)%	22.8	4.8 %

Six months ended February 28, 2015 compared to six months ended February 28, 2014

Revenue

Revenue increased \$46.4 million, or 17.1% (20.9% on a constant currency basis), from \$271.9 million for the six months ended February 28, 2014 to \$318.3 million for the six months ended February 28, 2015. The increase was primarily due to higher revenues from our premium schools, partly offset by the impact of the strengthening US dollar on our premium schools revenue and a decrease in other revenue.

Revenue from our premium schools increased 18.3% (22.2% on a constant currency basis) from \$263.3 million in the six months ended February 28, 2014 to \$311.5 million in the same period in 2015. This increase was primarily due to increases in FTEs and tuition fees and the impact of the schools we acquired in Singapore, Cambodia and Vietnam. The most significant foreign exchange impact was experienced in Europe where revenue from premium schools decreased by 3.1% (on a constant currency basis this would have been an increase of 6.1%). For the six months to February 28, 2015, \$24.0 million of our premium schools revenue was attributable to the schools we acquired in Singapore, Cambodia and Vietnam.

Other revenue decreased 21.4% from \$8.6 million in the six months ended February 28, 2014 to \$6.8 million in the same period in 2015. The decrease was mainly due to the completion of our learning services contract in Malaysia.

Cost of Sales

Cost of sales increased \$30.7 million, or 19.4% (24.3% on a constant currency basis), from \$157.9 million for the six months ended February 28, 2014 to \$188.6 million for the same period in

2015. The increase was primarily due to direct costs associated with increased FTEs across our schools, particularly in ME/SEA, the number of teachers added as a result of the schools we acquired in Singapore, Cambodia and Vietnam and the schools we opened in Aubonne, Hong Kong and Dubai and the additional rent and depreciation with respect to those schools.

Adjusted cost of sales increased \$24.7 million, or 19.8%, from \$124.6 million for the six months ended February 28, 2014 to \$149.3 million for the same period in 2015.

Gross Profit

Gross profit increased \$15.7 million, or 13.8%, from \$114.0 million for the six months ended February 28, 2014 to \$129.7 million for the same period in 2015, resulting in a gross profit margin of 41.9% for the six months ended February 28, 2014 compared to 40.7% for the same period in 2015. The reduction in margin was largely due to the impact of stronger growth in the lower margin ME/SEA region and the adverse impact of the loss-making schools opened in Dubai and Aubonne, partly offset by price increases in excess of our cost inflation.

Adjusted gross profit increased \$21.7 million, or 14.7%, from \$147.3 million for the six months ended February 28, 2014 to \$169.0 million for the same period in 2015, resulting in an adjusted gross profit margin of 54.2% for the six months ended February 28, 2014 compared to 53.1% for the same period in 2015.

Selling, General and Administrative Expenses

Selling, general and administrative ("SGA") expenses increased \$16.6 million, or 39.8%, from \$41.8 million for the six months ended February 28, 2014 to \$58.4 million for the same period in 2015. SGA expenses for both periods include charges for largely non-cash foreign exchange gains/losses, loss on disposal of property, plant and equipment, share-based payments and (for the six months ended February 28, 2014 only) management fees. Adjusting for these items (see the itemized adjustments in the Reconciliation of Adjusted Cost of Sales, Adjusted Gross Profit, Adjusted Gross Profit, EBITDA, Adjusted EBITDA and Adjusted Net Income table for relevant amounts), SGA expenses would have been \$52.3 million for the three months ended February 28, 2015 compared to \$43.0 million for the same period in 2014, an increase of 21.6% and more in line with the increase in revenue of 17.1%.

Depreciation & Amortization Expenses

Depreciation expense was \$0.4 million for the six months ended February 28, 2015 compared to \$0.5 million for the same period in 2014.

Amortization expense on intangible assets increased by \$2.1 million from \$4.9 million for the six months ended February 28, 2014 to \$7.0 million for the same period in 2015 due to the impact of the acquisitions mentioned above.

Exceptional Expense

Exceptional expense was \$2.7 million for the six months ended February 28, 2015 compared to \$2.5 million for the six months ended February 28, 2014 and primarily related to the costs associated with acquiring schools.

Net Financing Expense

Net financing expense decreased \$19.7 million from \$33.0 million for the six months ended February 28, 2014 to \$13.3 million for the three months ended February 28, 2015, reflecting the reduced interest expense on our term loan facility, under which \$515.0 million was drawn on completion of our initial public offering in March 2014, compared to the interest expense on our

10.25% senior secured notes and 8.50%/9.50% PIK toggle notes, both of which were fully redeemed as of April 14, 2015 using borrowings under our term loan facility and proceeds from our IPO.

Income Tax Expense

We recorded an income tax expense of \$13.2 million for each of the six months ended February 28, 2015 and 2014, resulting in effective tax rates for the six months ended February 28, 2015 and 2014 of 27.6% and 42.2% respectively.

Profit for the Period

As a result of the foregoing, our profit for the period attributable to owners of the parent increased \$16.3 million from \$18.1 million for the six months ended February 28, 2014 to \$34.4 million for the same period in 2015.

Adjusted EBITDA

Adjusted EBITDA increased \$10.4 million, or 12.9% (15.5% on a constant currency basis), from \$81.4 million for the six months ended February 28, 2014 to \$91.8 million for the same period in 2015, due to growth in FTEs, tuitions fee increases and the impact of the Singapore, Cambodia and Vietnam acquisitions. The increase was less than the revenue increase primarily due to the adverse impact of the loss-making greenfield schools opened in Dubai and Aubonne in September 2014.

Adjusted Net Income

Adjusted net income increased \$22.5 million from \$23.4 million for the six months ended February 28, 2014 to \$45.9 million for the same period in 2015. This increase was primarily due to the Adjusted EBITDA increase plus the \$19.7 million reduction in our interest charge detailed above.

Year ended August 31, 2014 compared to year ended August 31, 2013

Revenue

Revenue increased \$150.9 million, or 46.6% (44.7% on a constant currency basis), from \$323.7 million in fiscal 2013 to \$474.6 million in fiscal 2014. The rise was due to increased revenue from our premium schools, partly offset by a decrease in other revenue.

Revenue from our premium schools increased \$161.1 million, or 54.5% (51.9% on a constant currency basis), from \$295.3 million in fiscal 2013 to \$456.4 million in fiscal 2014. This increase was primarily due to increases in FTEs and tuition fees and the impact of the schools we acquired in Bangkok, Guangzhou, North America, Qatar and Spain in fiscal 2013 and Singapore and Cambodia in fiscal 2014. \$39.1 million of our premium schools revenue in fiscal 2014 was attributable to the schools we acquired at the end of fiscal 2013 in Bangkok and Guangzhou and the schools we acquired during fiscal 2014 in Singapore and Cambodia. On a pro forma basis, including the schools we acquired as part of the acquisition of WCL Group in North America, Qatar and Spain in fiscal 2013, our premium schools revenue would have increased by 19.3% (17.9% on a constant currency basis) from \$382.7 million in fiscal 2013 to \$456.4 million in fiscal 2014.

Other revenue decreased \$10.2 million, or 36.0%, from \$28.4 million in fiscal 2013 to \$18.2 million in fiscal 2014. This decrease was due to the completion of learning services contracts in Abu Dhabi, Saudi Arabia and Malaysia and reduced revenues from our remaining UK contracts.

Cost of Sales

Cost of sales increased \$89.9 million, or 47.2% (45.1% on a constant currency basis), from \$190.4 million in fiscal 2013 to \$280.3 million in fiscal 2014. The increase was primarily due to increased direct costs associated with the number of teachers added as a result of the schools we acquired in Bangkok, Guangzhou, North America, Qatar, Spain, Singapore and Cambodia and the additional rent and depreciation with respect to those schools. This cost of sales increase was partly offset by the lower cost of sales associated with the reduced learning services contracts, which resulted in a reduction in the number of consultants we employed.

Adjusted cost of sales increased \$66.8 million, or 45.3%, from \$147.6 million in fiscal 2013 to \$214.4 million in fiscal 2014.

Gross Profit

Gross profit increased \$61.0 million, or 45.8%, from \$133.3 million for the fiscal 2013 to \$194.3 million in fiscal 2014, resulting in a gross profit margin of 41.2% for fiscal 2013 compared to 40.9% for fiscal 2014. The improvement in margin was largely due to the impact of tuition fee increases in excess of our cost inflation and increased enrollment within our existing schools.

Adjusted gross profit increased \$84.1 million, or 47.7%, from \$176.1 million in fiscal 2013 to \$260.2 million in fiscal 2014, resulting in an adjusted gross profit margin of 54.4% in fiscal 2013 compared to 54.8% in fiscal 2014.

Selling, General and Administrative Expenses

SGA expenses increased \$28.4 million, or 44.0%, from \$64.5 million for fiscal 2013 to \$92.9 million for fiscal 2014. SGA expenses for both periods include charges for largely unrealized foreign exchange gains/losses, share-based payments and management fees. Adjusting for these items (see itemized adjustments in the Reconciliation of EBITDA, Adjusted EBITDA and Adjusted Net Income table for relevant amounts), SGA expenses would have been \$65.1 million for fiscal 2013 compared to \$92.5 million in fiscal 2014, an increase of 42.1% and in line with the revenue increase of 46.6%.

Depreciation & Amortization Expenses

Depreciation expense increased \$1.6 million, from \$0.4 million in fiscal 2013 to \$2.0 million in fiscal 2014 due to the impact of the acquisitions mentioned above.

Amortization expense on intangible assets increased \$4.7 million, or 82.5%, from \$5.7 million in fiscal 2013 compared to \$10.4 million in fiscal 2014 due to the impact of the acquisitions mentioned above.

Exceptional Expense

Exceptional expense increased \$82.5 million, or 466.1%, from \$17.7 million in fiscal 2013 to \$100.2 million in fiscal 2014. The charge of \$100.2 million in fiscal 2014 reflects the impact of our IPO and refinancing completed in the third quarter, including charges of \$89.9 million related to the redemption of our outstanding notes (including the release of \$12.9 million of prepaid costs). We also incurred an exceptional charge of \$2.5 million in connection with the transfer of our transactional banking and revolving credit facility from Barclays Bank PLC to The Hong Kong and Shanghai Bank in January 2014.

Net Financing Expense

Net financing expense increased \$4.5 million, or 9.2%, from \$49.0 million for fiscal 2013 to \$53.5 million for fiscal 2014, due to the additional interest expense from the \$165.0 million 10.25% senior secured notes issued on July 3, 2013 to refinance the WCL Group acquisition plus the full period impact of the issuance of our \$150.0 million 8.50%/9.50% PIK toggle notes on February 8, 2013, partially offset by the reduced interest expense on the \$515.0 million term loan facility following the completion of our IPO. The \$515.0 million term loan and proceeds from our initial public offering were used to redeem the \$490.0 million 10.25% senior secured notes and \$150.0 million 8.50%/9.50% PIK toggle notes, both of which were fully redeemed as of April 14, 2014.

Income Tax Expense

Income tax expense increased \$6.4 million, or 33.1%, from \$19.3 million in fiscal 2013 compared to \$25.7 million in fiscal 2014, the increase primarily being due to the impact of higher profits in China.

Loss for the Year

As a result of the foregoing, our loss for the year increased from \$23.3 million in fiscal 2013 to \$90.4 million in fiscal 2014.

Adjusted EBITDA

Adjusted EBITDA increased by \$47.9 million, or 60.3% (59.0% on a constant currency basis), from \$79.5 million for fiscal 2013 to \$127.4 million for fiscal 2014. On a pro forma basis the increase was \$24.8 million, or 24.0% (23.2% on a constant currency basis) due to growth in FTEs, tuition fee increases and the impact of the Bangkok, Guangzhou, Singapore and Cambodia acquisitions.

Adjusted Net Income

Adjusted net income increased \$24.1 million from a loss of \$1.3 million in fiscal 2013 to a profit of \$22.8 million in fiscal 2014.

Year ended August 31, 2013 compared to year ended August 31, 2012

Revenue

Revenue increased \$49.3 million, or 17.9% (17.2% on a constant currency basis), from \$274.4 million in fiscal 2012 to \$323.7 million in fiscal 2013. The rise was due to increased revenue from premium schools, partly offset by a decrease in other revenue. Revenue from our premium schools increased \$62.8 million, or 27.0% (26.1% on a constant currency basis), from \$232.5 million in fiscal 2012 to \$295.3 million in fiscal 2013. This increase was primarily due to increases in FTEs and tuition fees, with \$17.2 million the result of the full-year impact of revenue from the school we acquired in Pattaya, Thailand in August 2012, and \$13.4 million from the partial year impact of schools we acquired through our acquisition of WCL Group.

Other revenue decreased \$13.5 million, or 32.2%, from \$41.9 million in fiscal 2012 to \$28.4 million in fiscal 2013.

Cost of Sales

Cost of sales increased \$28.0 million, or 17.2% (16.6% on a constant currency basis), from \$162.4 million in fiscal 2012 to \$190.4 million in fiscal 2013. This increase was primarily due to direct costs of \$8.4 million added as a result of the acquisition our school in Pattaya, Thailand in August 2012, direct costs of \$5.4 million added as a result of our acquisition of WCL Group, and the additional direct expenses associated with the increased student numbers at our China schools. There was also an increase in operating lease rental costs from \$27.6 million in fiscal 2012 to \$31.9 million in fiscal 2013, \$0.8 million of which resulted from the acquisition of our school in Pattaya, Thailand, and \$2.5 million from our acquisition of WCL Group. This cost of sales increase was partially offset by a decrease in the cost of sales associated with learning services due to the completion of certain contracts, which reduced the number of consultants employed by us.

Adjusted cost of sales increased \$21.1 million, or 16.7%, from \$126.5 million in fiscal 2012 to \$147.6 million in fiscal 2013.

Gross Profit

Our gross profit increased \$21.3 million, or 19.0%, from \$112.0 million in fiscal 2012 to \$133.3 million in fiscal 2013 resulting in a gross profit margin of 40.8% in fiscal 2012 and 41.2% in fiscal 2013. The slight increase in our gross profit margin was mainly due to the decrease in the contribution of the lower margin learning services business from fiscal 2012 to fiscal 2013.

Adjusted gross profit increased \$28.2 million, or 19.0%, from \$147.9 million in fiscal 2012 to \$176.1 million in fiscal 2013, resulting in an adjusted gross profit margin of 53.9% in fiscal 2012 compared to 54.4% in fiscal 2013.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses increased \$6.2 million, or 10.6%, from \$58.3 million in fiscal 2012 to \$64.5 million in fiscal 2013. This increase was primarily due to management fees of \$3.3 million paid to Premier Education Holdings in fiscal 2013 which were not charged in fiscal 2012. Following the IPO and the refinancing, we terminated our professional services and consultancy agreement with Premier Education Holdings. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" in our annual report Form 20-F for the year ended August 31, 2014 filed with the SEC on November 19, 2014. In addition, there was a foreign exchange loss of \$4.6 million in fiscal 2012 compared to a foreign exchange gain of \$4.0 million in fiscal 2013. Finally, the last quarter of fiscal 2013 includes legacy head office costs of WCL Group because post-acquisition streamlining of corporate operations had not yet been completed in that quarter.

Depreciation & Amortization Expenses

Depreciation expense increased \$0.1 million, or 33.3%, from \$0.3 million in fiscal 2012 to \$0.4 million in fiscal 2013 due to the impact of acquisitions made at the end of fiscal 2012 and the acquisition of our school in Pattaya, Thailand in August 2013.

There was no goodwill impairment charge in fiscal 2013 as the remaining goodwill against learning services was written-off in fiscal 2012, resulting in a decrease in impairment of goodwill of \$10.7 million. This decrease was partially offset by increased amortization charges of \$2.2 million, or 62.9%, from \$3.5 million in fiscal 2012 to \$5.7 million in fiscal 2013 due to the impact of acquisitions mentioned above.

Exceptional Expense

Exceptional expense increased \$5.2 million, or 41.6%, from \$12.5 million in fiscal 2012 to \$17.7 million in fiscal 2013. Exceptional items in both fiscal 2012 and fiscal 2013 primarily relate to the costs of acquiring schools, including associated transaction and integration costs, and in fiscal 2012 a transaction management fee paid to Baring Private Equity Asia associated with the notes issuance in that fiscal year.

Finance Income

Finance income was \$2.0 million in fiscal 2012 and \$2.3 million in fiscal 2013 and was comprised primarily of interest on bank deposits.

Finance Expenses

Our finance expenses increased \$1.6 million, or 3.2%, from \$49.7 million in fiscal 2012 to \$51.3 million in fiscal 2013 due to the higher interest expense on Nord Anglia Education (UK) Holdings plc's senior secured notes (\$325 million of senior secured notes were issued on March 28, 2012 and \$165 million additional senior secured notes were issued on July 3, 2013) and our 8.50%/9.50% PIK toggle notes (\$150 million PIK toggle notes were issued on February 8, 2013) compared to the interest expense on a bank facility which was repaid in full in March 2012. The increase in interest expense was partially offset by the reduced interest on shareholder loan notes following the redemption of all outstanding shareholder loan notes during fiscal 2012.

Income Tax Expense

Our income tax expense increased \$2.9 million, or 17.7%, from \$16.4 million in fiscal 2012 to \$19.3 million in fiscal 2013, primarily due to tax payable on higher profits in China.

Loss for the Year

As a result of the foregoing, our loss for the year reduced from \$37.4 million in fiscal 2012 to \$23.3 million in fiscal 2013.

Adjusted EBITDA

Our Adjusted EBITDA increased \$9.3 million, or 13.3% (12.5% on a constant currency basis), from \$70.2 million in fiscal 2012 to \$79.5 million for fiscal 2013 and Adjusted EBITDA as a percentage of revenue decreased from 25.6% in fiscal 2012 to 24.6% for fiscal 2013. The decrease in the margin was primarily due to the effect of the lower margins of the schools we acquired in Thailand, North America, Qatar and Spain, which was partially offset by increased enrollment in our Chinese schools and increased tuition fees. Our pro forma Adjusted EBITDA in fiscal 2013 was \$103.4 million, which represents an increase of 47.3% (46.3% on a constant currency basis) over our fiscal 2012 Adjusted EBITDA of \$70.2 million, primarily due to the completion of the WCL Group acquisition.

Adjusted Net Income

Adjusted net income decreased by \$3.1 million from a loss of \$4.4 million in fiscal 2012 to a loss of \$1.3 million in fiscal 2013.

Liquidity and Capital Resources

The following table sets forth certain information relating to our cash flows for the periods indicated:

<u>\$ millions</u>	<u>Six Months Ended February 28,</u>	
	<u>2014</u>	<u>2015</u>
	Net cash used in operating activities	(68.0)
Net cash used in investing activities	(14.3)	(19.7)
Net cash generated from financing activities	10.8	29.3
Cash and cash equivalents (end of period)	102.9	97.3

<u>\$ millions</u>	<u>Year Ended August 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net cash generated from/(used in) operating activities	51.7	12.3	(51.3)
Net cash used in investing activities	(27.9)	(262.4)	(87.3)
Net cash (used in)/generated from financing activities	(2.2)	307.9	133.7
Cash and cash equivalents (end of period)	108.5	171.1	166.2

Our on-going operations require the availability of cash to service debt, fund working capital needs, fund maintenance and capacity-expansion capital expenditure and expenses associated with the acquisition of schools.

Net Cash generated from/(used in) Operating Activities

Net cash used in operating activities was \$66.5 million for the six months ended February 28, 2015, compared to \$68.0 million for the same period in 2014. Net cash used in operations increased by \$24.3 million from \$21.1 million for the six months ended February 28, 2014 to \$45.4 million for the same period in 2015 primarily due to the increased number of schools following our acquisitions in Singapore, Cambodia and Vietnam and the larger scale of the business from organic growth. Interest paid decreased from \$33.8 million to \$12.5 million due to lower interest expense following our IPO and refinancing in March and April 2014. Tax paid decreased from \$13.1 million to \$8.6 million for the six months ended February 28, 2014 and 2015 respectively, primarily as a result of the timing of tax payments in Switzerland and China.

Net cash used in operating activities was \$51.3 million in fiscal 2014, primarily due to an operating profit before tax and non-cash expenses of \$109.6 million and a cash inflow from working capital changes of \$14.7 million, offset by tax paid of \$25.2 million, interest paid of \$73.4 million and the payment of \$77.0 million in make-whole premium on redemption of our notes. This represents a decrease of \$63.6 million from the \$12.3 million net cash generated from operating activities in fiscal 2013. The main reasons for the decrease was an increase in interest paid of \$27.6 million and the payment of \$77.0 million in make-whole premium on redemption of our notes.

Net cash generated from operating activities was \$12.3 million in fiscal 2013, primarily due to an operating profit before tax and non-cash expenses of \$65.4 million and a cash inflow from working capital changes of \$18.2 million, offset by tax paid of \$25.5 million and interest paid of \$45.8 million. This represents a decrease of \$39.4 million from the \$51.7 million generated in fiscal 2012. The main reason for the deterioration in net cash generated from operations was an increase in interest paid of \$39.0 million and an increase in tax paid of \$9.6 million, partly offset by an increase in working capital inflows in fiscal 2013.

Net cash generated from operating activities was \$51.7 million in fiscal 2012, primarily due to an operating profit before tax and non-cash expenses of \$59.3 million and a cash inflow from working capital changes of \$15.1 million, partly offset by tax paid of \$15.9 million and interest paid of \$6.8 million.

Net Cash used in Investing Activities

Net cash used in investing activities increased from \$14.3 million for the six months ended February 28, 2014 to \$19.7 million for the same period in 2015. Capital expenditure increased \$9.3 million from \$14.9 million in the six months ended February 28, 2014 to \$24.2 million in the six months ended February 28, 2015. This increase in capital expenditure reflected the impact of the increase in the number of schools following our acquisitions in Singapore, Cambodia and Vietnam as well as refurbishment expenditure on our new school in Hong Kong and the fit-out costs of our new schools in Aubonne and Dubai, which opened in September 2014.

Net cash used in investing activities was \$87.3 million in fiscal 2014. This was primarily due to the net cash used in the acquisition of our schools in Singapore (\$15.5 million) and Cambodia (\$14.9 million) and capital expenditure of \$53.6 million. Capital expenditure included the impact of the significant increase in the number of schools following our acquisitions in Thailand, China, North America, Qatar, Spain, Singapore and Cambodia as well as the refurbishment expenditure on our school in Hong Kong and the costs of our new schools in Aubonne and Dubai, which opened in September 2014.

Net cash used in investing activities was \$262.4 million in fiscal 2013. This was primarily due to the net cash used in the acquisition of the WCL Group (\$107.0 million) and the schools in Guangzhou (\$20.6 million) and Bangkok (\$11.2 million). Additionally, as part of our acquisition of WCL Group, we repaid \$98.2 million of WCL Group's third-party bank debt and shareholder loan notes. Capital expenditure in the year was \$23.9 million, an increase of \$12.6 million over fiscal 2012. This increase reflects expansion projects in our China, Central European and Houston premium schools as well as the significant increase in the size of the premium schools estate.

Net cash used in investing activities was \$27.9 million for fiscal 2012. This was due to the net cash used in the acquisition of the La Côte International School (\$1.0 million) and Regents International School Pattaya, Thailand (\$16.7 million) and capital expenditure of \$11.3 million.

Net Cash generated from/(used in) Financing Activities

Net cash from financing activities was \$29.3 million for the six months ended February 28, 2015 compared to \$10.8 million for the same period in 2014. The inflow for both periods was primarily due to drawings on our revolving credit facility of \$12.0 million and \$25.0 million for the six months ended February 28, 2014 and 2015, respectively.

Net cash from financing activities was \$133.7 million in fiscal 2014. The inflow was primarily due to the IPO proceeds net of fees and expenses of \$320.0 million and the draw-down of our new \$515.0 million senior secured term loan in March 2014 offset by repayment of the notes of \$640.0 million and the payment of \$63.5 million to redeem preference shares and deferred shares on completion of the IPO.

Net cash from financing activities was \$307.9 million in fiscal 2013. This was primarily due to proceeds of \$140.0 million from the issue of share capital to fund the acquisition of WCL Group and the issuance of our \$150.0 million of 8.50%/9.50% PIK Toggle Notes due 2018. In addition, Nord Anglia Education (UK) Holdings plc issued a further \$165.0 million of 10.25% senior secured notes due 2017 to partially finance the acquisition of WCL Group and our premium schools in Bangkok and Guangzhou.

Net cash used in financing activities was \$2.2 million in fiscal 2012. This was primarily due to proceeds from new loans (\$25.7 million) and the payment of borrowing expenses primarily related to the issuance of Nord Anglia Education (UK) Holdings plc's 10.25% senior secured notes due 2017 (\$26.0 million).

Borrowings

The following table sets forth our outstanding long-term debt on our balance sheet as of the dates indicated.

<u>\$ millions</u>	<u>August 31, 2014</u>	<u>February 28, 2015</u>
Term Loan	502.4	500.4
Revolving Credit Facility	20.0	45.0
Working capital loan	—	5.1
Total debt	522.4	550.5
Less current maturities	(23.2)	(53.4)
Long-term debt	499.2	497.1

We entered into a five-year senior secured revolving credit facility with Barclays Bank PLC on March 21, 2012, which provided for borrowings up to an aggregate of \$20.0 million. On July 23, 2012, Barclays Bank PLC increased its commitment under the revolving credit facility from \$20.0 million to \$30.0 million, and on March 28, 2013, Barclays Bank PLC increased its commitment from \$30.0 million to \$40.0 million. On January 13, 2014, Barclays Bank PLC transferred its commitments under the facility to HSBC Bank PLC.

Borrowings under the revolving credit facility bore interest at LIBOR/EURIBOR plus an applicable margin. The applicable margin was 4.25% per annum, except that if no event of default has occurred and is continuing, the applicable margin was based on total net leverage ratio (as defined in the revolving credit facility agreement) as set forth below:

<u>Total net leverage ratio (as defined in the revolving credit facility agreement)</u>	<u>Margin (%) per annum</u>
Greater than 4:1	4.25
Greater than 3.5:1 but less than or equal to 4:1	3.75
Less than or equal to 3.5:1	3.25

On January 13, 2014, we entered into an additional three-year senior secured revolving credit facility with The Hongkong and Shanghai Banking Corporation Limited, which provided for borrowings of up to \$20 million. Borrowings under this facility bore interest at LIBOR/EURIBOR plus an applicable margin of 4.25% per annum.

On March 31, 2014, we entered into a new credit agreement for a \$515.0 million term loan facility and a \$75.0 million revolving credit facility. The borrower under the credit agreement is a newly formed U.S. domestic limited liability company wholly owned by us. On the same date, we drew down the term loan facility in full and using proceeds from the loan and our initial public offering, we discharged our obligations under the indentures governing Nord Anglia Education (UK) Holdings plc's \$490.0 million of 10.25% senior secured notes due 2017 and our \$150.0 million of 8.50%/9.50% senior PIK toggle notes due 2018, both of which were fully redeemed as of April 14, 2014. On March 31, 2014, we also repaid (and terminated) our senior revolving facilities described above.

Our new credit agreement contains a number of covenants that, among other things and subject to certain exceptions, may restrict our ability to:

- incur additional debt;
- pay dividends or make other distributions or repurchase or redeem our shares;
- make investments; sell assets, including capital stock of subsidiaries;
- enter into agreements restricting our subsidiaries' ability to pay dividends;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into sale and leaseback transactions;
- enter into transactions with our affiliates; and
- incur liens.

The credit agreement also contains certain customary affirmative covenants and events of default.

The new term loan facility bears interest based on applicable margin percentages of 2.50% per annum for base rate loans and 3.50% per annum for LIBOR rate loans, provided that the base rate for base rate loans may not be lower than 2.00% and LIBOR may not be lower than 1.00%.

Based on these interest rates, assuming our new term loan had been fully drawn during fiscal 2014, and that none of our notes were outstanding during fiscal 2014, we estimate that our net interest expense, before tax, would have decreased by approximately \$25.0 million for fiscal 2014. We incurred an exceptional charge of approximately \$89.9 million related to the redemption of our notes in the three months ending May 31, 2014 (including the release of \$12.9 million of prepaid costs).

Revolving loans under the credit agreement bear interest based on a margin ranging from 2.75% to 3.25% depending on our net leverage ratio, plus the applicable LIBOR rate.

Capital Expenditures

Our capital expenditures were \$11.3 million, \$23.9 million, \$53.6 million and \$24.2 million in fiscal 2012, 2013, 2014 and the six months ended February 28, 2015, respectively. Our capital expenditures were primarily related to capacity expansion and maintenance. Our maintenance capital expenditures were \$6.4 million, \$10.8 million, \$14.0 million and \$14.3 million in fiscal 2012, 2013, 2014 and the six months ended February 28, 2015, respectively. We fund our capital expenditures primarily by cash generated from our operations, sale of shares, borrowings from commercial banks and the issuance of debt securities. We expect to fund future capital expenditures primarily by cash generated from operating and financing activities.

Research and Development, Patents and Licenses, Etc.

We do not conduct research and development activities.

Trend Information

Other than as disclosed elsewhere in this Management's Discussion and Analysis, we are not aware of any trends, uncertainties, demands, commitments or events since February 28, 2015 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements. We are sometimes required to provide bid or performance bank guarantees on certain of our learning service contracts. These bank guarantees provide legal evidence of our liability to our client or financial institution acting on their behalf, so that if we should default, the third party can require payment directly from the bank and we would be liable for the debt. As of August 31, 2014, we had \$10.6 million in such guarantees.

Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of August 31, 2014:

Contractual Obligations (in millions of dollars)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	522.5	23.2	9.8	7.4	482.1
Operating lease obligations	713.5	54.3	122.9	81.9	454.4
Purchase obligations ⁽¹⁾	31.6	31.6	0.0	0.0	0.0
Other long-term liabilities ⁽²⁾	6.0	2.3	3.7	0.0	0.0
Total	1,273.6	111.4	136.4	89.3	936.5

(1) Purchase obligations represent committed purchases for services or goods that have not been received as at August 31, 2014.

(2) Primarily relates to deferred consideration for Northbridge International School Cambodia and related party transactions in Collège Champittet.

Except as disclosed above and in Note 24 to our audited consolidated financial statements as of and for the year ended August 31, 2014 included as Exhibit 99.1 to this report on Form 6-K, as of August 31, 2014, we did not have any material contingent liabilities or guarantees.

QuickLinks

[Exhibit 99.3](#)

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

BIS Group

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Unaudited combined interim financial statements as of December 31, 2014 and for the six month periods ended December 31, 2014 and 2013

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Combined interim balance sheets

	Notes	Code	31 December 2014 VND (Unaudited)	30 June 2014 VND
ASSETS				
Current assets		100	207,907,051,519	423,822,078,769
Cash		110	123,080,288,727	83,931,131,031
Cash	9	111	70,080,288,727	45,931,131,031
Cash equivalents	9	112	53,000,000,000	38,000,000,000
Short term investments		120	25,000,000,000	12,000,000,000
Other short-term investments	10	128	25,000,000,000	12,000,000,000
Accounts receivable		130	25,799,236,180	24,872,934,362
Trade accounts receivable		131	1,363,473,540	1,240,628,468
Prepayments to suppliers	11	132	5,166,278,622	22,607,333,906
Receivables from related parties		133	10,545,656,069	—
Other receivables		135	8,781,799,949	1,082,943,988
Provision for short term doubtful debts		139	(57,972,000)	(57,972,000)
Inventories		140	8,483,961,529	5,745,368,030
Inventories		141	8,483,961,529	5,745,368,030
Other current assets		150	25,543,565,083	297,272,645,346
Short term prepaid expenses	12	151	19,441,044,897	7,616,425,172
Value added tax to be reclaimed		152	807,464,117	1,464,746,293
Taxes and amounts receivable from the State Budget		154	248,053	113,369,186
Other current assets	13	158	5,294,808,016	288,078,104,695

The accompanying notes are an integral part of these statements

	Notes	Code	31 December 2014 VND (Unaudited)	30 June 2014 VND
Non-current assets		200	848,563,779,570	865,480,223,721
Long term receivables		210	2,947,983,053	3,405,179,139
Other long- term receivables		218	2,947,983,053	3,405,179,139
Fixed assets		220	329,813,554,920	326,333,631,369
Tangible fixed assets	14	221	324,191,058,962	318,042,618,145
- <i>Historical cost</i>		224	418,707,257,719	399,206,988,001
- <i>Accumulated depreciation</i>		225	(94,516,198,757)	(81,164,369,856)
Intangible fixed assets		227	5,622,495,958	4,997,081,788
- <i>Historical cost</i>		228	8,876,171,225	8,674,609,760
- <i>Accumulated amortisation</i>		229	(3,253,675,267)	(3,677,527,972)
Construction in progress		230	—	3,293,931,436
Long- term investments		250	—	25,500,000,000
Investment in subsidiary	15	251	—	25,500,000,000
Other non-current assets		260	515,802,241,597	510,241,413,213
Long term prepaid expenses	16	261	78,457,652,897	72,854,824,513
Deferred tax assets		262	837,884,758	837,884,758
Other non-current assets	17	268	436,506,703,942	436,548,703,942
		270	<u>1,056,470,831,089</u>	<u>1,289,302,302,490</u>

The accompanying notes are an integral part of these statements

	Notes	Code	31 December 2014 VND (Unaudited)	30 June 2014 VND
RESOURCES				
Liabilities		300	961,191,015,723	806,716,182,395
Current liabilities		310	695,415,798,158	547,658,244,350
Short term borrowings and debts	18	311	—	365,255,450,234
Trade accounts payable	19	312	4,223,904,321	18,684,891,592
Advances from customers		313	58,876,422,892	92,564,281,252
Taxes and amounts payable to the State				
Budget	20	314	35,373,134,952	39,324,971,018
Payables to employees		315	25,152	174,030,293
Accrued expenses payable	21	316	10,774,172,542	19,872,821,229
Other payables	22	319	586,168,138,299	11,781,798,732
Long- term liabilities		330	265,775,217,565	259,057,938,045
Other long-term liabilities	22	333	43,355,788,953	43,355,788,953
Long- term borrowings and debts	23	334	187,500,000,000	189,679,960,000
Provision for severance allowance		336	34,919,428,612	26,022,189,092
Owners' equity				
Capital sources and funds		410	95,279,815,366	482,586,120,095
Paid-in capital	24	411	142,295,031,393	364,295,031,393
Foreign currency translation differences	24	416	—	7,341,448,727
Retained earnings	24	420	(47,015,216,027)	110,949,639,975
		440	1,056,470,831,089	1,289,302,302,490

22 May 2015

/s/ Graeme Robert Halder

Graeme Robert Halder
Director

/s/ George Rosales

George Rosales
Chief Financial Officer

The accompanying notes are an integral part of these statements

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Combined interim statements of income

	Notes	Code	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Gross sales	26	01	521,800,023,394	457,636,543,253
Less sale deductions:		02	(8,615,455)	—
Net sales		10	521,791,407,939	457,636,543,253
Cost of sales	27, 31	11	(338,082,267,331)	(279,878,842,839)
Gross profit		20	183,709,140,608	177,757,700,414
Income from financial activities	28	21	8,621,532,776	7,311,070,188
Expenses from financial activities	29	22	(8,027,348,801)	(13,833,617,290)
<i>Including: interest expense</i>		23	(7,064,713,243)	(13,764,337,197)
Selling expenses	31	24	(3,025,286,585)	(1,489,745,381)
General and administrative expenses	30,31	25	(103,112,145,000)	(93,768,398,245)
Operating profit		30	78,165,892,998	75,977,009,686
Other income		31	741,931,098	52,322,390
Other expenses		32	(187,754,316)	(9,303,911,084)
Other profit/ (loss)		40	554,176,782	(9,251,588,694)
Profit before tax		50	78,720,069,780	66,725,420,992
Corporate income tax	32	51	(6,733,416,980)	(9,307,775,048)
Net profit		60	71,986,652,800	57,417,645,944

22 May 2015

/s/ Graeme Robert Halder

Graeme Robert Halder

/s/ George Rosales

George Rosales

Director

Chief Financial Officer

The accompanying notes are an integral part of these statements

Combined interim statements of cash flows

	Code	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Cash flows from operating activities			
Profit before tax	01	78,720,069,780	66,725,420,992
<i>Adjustments for:</i>			
Depreciation and amortisation	02	13,935,080,121	13,131,689,718
Unrealised loss from foreign exchange differences	04	689,394,843	—
Loss from disposal of fixed assets	05	(63,758,549)	9,005,440,337
Interest expenses	06	7,283,807,082	13,761,428,697
Interest income	07	(6,994,437,823)	(7,271,714,715)
Operating profit before adjustments to working capital	08	93,570,155,454	95,352,265,029
Changes in accounts receivable	09	15,304,431,340	26,301,030,638
Changes in inventory	10	(2,722,860,827)	(2,493,523,747)
Changes in accounts payable	11	530,156,551,812	468,329,735,355
Changes in prepaid expenses	12	(13,438,378,565)	(34,953,562,299)
Interest paid	13	(8,643,360,902)	(14,457,168,464)
Corporate income tax paid	14	(22,118,532,543)	(32,906,712,001)
Other cash inflows from operating activities	15	5,500,000,000	3,447,010,243
Other cash outflows from operating activities	16	(396,468,400)	—
Cash generated from operating activities	20	597,211,537,369	508,619,074,754
Cash flows from investing activities			
Acquisitions of fixed assets	21	(27,920,483,653)	(16,985,271,196)
Proceeds from disposal of fixed assets	22	174,077,442	74,422,690,226
Purchase of short-term investments	23	(25,000,000,000)	(8,000,000,000)
Proceeds from disposal of short-term investments	24	12,000,000,000	52,000,000,000
Purchase of long-term investments	25	—	(25,500,000,000)
Proceeds from disposal of long-term investments	26	15,000,000,000	—
Interest received	27	6,994,437,823	7,271,714,715
Rental deposits	29	—	(197,754,000,000)
Net cash outflows from investing activities	30	(18,751,968,388)	(114,544,866,255)

The accompanying notes are an integral part of these statements

Combined statements of cash flows (Continued)

	Code	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Cash flows from financing activities			
Loan proceeds	33	8,503,478,188	286,416,692,026
Debt repayments	34	(375,938,888,422)	(341,701,011,928)
Dividends paid	36	(171,185,606,208)	(217,993,127,609)
Net cash outflows from financing activities	40	(538,621,016,442)	(273,277,447,511)
Net increase in cash	50	39,838,552,539	120,796,760,988
Cash and cash equivalents at beginning of the year	60	83,931,131,031	73,077,632,874
Effects of changes in foreign exchange rates	61	(689,394,843)	—
Cash and cash equivalents at end of the year	70	123,080,288,727	193,874,393,862

During the periods, the significant non-cash transactions were are shown below:

	Six months ended 31 December 2014 VND	Six months ended 31 December 2013 VND
Transfers from dividends payable to capital contributions	48,000,000,000	—

22 May 2015

/s/ Graeme Robert Halder

Graeme Robert Halder
Director

/s/ George Rosales

George Rosales
Chief Financial Officer

The accompanying notes are an integral part of these statements

Notes to the unaudited combined interim financial statements

1 Nature of operations of the companies

The British International School Company Limited

The British International School Company Limited (“BIS HCMC”) formerly known as British International School, was established in the Socialist Republic of Vietnam on 7 November 2001 as a joint venture between BIS Ltd., a company incorporated in the British Virgin Islands, and Thien Huong Company Ltd., for a period of 20 years pursuant to Investment Licence No. 2231/GP issued by the Ministry of Planning and Investment.

BIS HCMC changed its name to The British International School Company Limited and increased its charter capital to US\$1,500,000 and extended the period of operations to 50 years in accordance with the new Investment Licence No. 411022000066 dated 14 May 2007 issued by the People’s Committee of Ho Chi Minh City.

On 5 November 2014, the People’s Committee of Ho Chi Minh City approved and issued the amended investment license of BIS HCMC. The amended investment license include, among others, the increase in its charter capital from US\$1,500,000 (equivalent to VND23,595,031,393) to US\$3,766,824 (equivalent to VND72,000,000,000). Thien Huong Co Ltd did not contribute to the increase in charter capital and as a result its interest went down to 10%.

The principal activities of BIS HCMC are to provide educational services at kindergarten, primary, secondary and high school levels to foreign and overseas Vietnamese children; to provide pilot educational services at kindergarten, primary, secondary and high school levels to Vietnamese children and to provide Management Consulting service for education from foundation to high school level.

As at 31 December 2014, BIS HCMC operates 3 campuses in Ho Chi Minh City as follows:

- An Phu 1 Campus - Fundino and Primary: located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2;
- An Phu 2 Campus - Secondary: located at 246 Nguyen Van Huong Street, Thao Dien Ward, District 2; and,
- Tu Xuong Campus - Primary: located at No. 43-45, Tu Xuong Street, Ward 7, District 3.

As at 31 December 2014, the BIS HCMC had 473 employees, including 16 managers.

Thien Huong Education Joint Stock Company

Thien Huong Education Joint Stock Company (“THE”) was established as a joint stock company pursuant to Business Registration Certificate No. 4103013677 dated 15 June 2009 and other amended certificates thereafter with the latest one dated 21 August 2013 granted by the Department of Planning and Investment of Ho Chi Minh City.

THE's head office and the campus are located at no. 44-46 Street 1, Binh Hung Ward, Binh Chanh District, Ho Chi Minh City, Vietnam.

In accordance with the business registration certificate, THE's principal activities are to provide education and services related to education.

As at 31 December 2014, THE had 170 employees.

Thien Huong Investment Company Limited

Thien Huong Investment Company Limited ("THI"), formerly known as Thien Huong Investment Joint Stock Company, was established on 08 August 2008 pursuant to Investment Certificate No. 011032000098 issued by the People's Committee of Hanoi City for a period of 50 years. It was converted into a limited liability company pursuant to Investment Certificate No. 011022002138 dated 30 October 2013 issued by the People's Committee of Hanoi City.

THI's head office is located at Area A, Tay Mo Professional and Vocational Training School Complex, Tay Mo Ward, Nam Tu Liem District, Hanoi City.

In accordance with the business registration certificate, THI's principal activities include the provision of: education services (Kindergarten, Primary, Secondary and High school); bilingual education on a pilot basis for students in kindergarten, primary, secondary and high school; providing teachers, students and parents with services such as entertainment, sports, commercial centres; providing parents with house leasing services and catering services within the International Educatown complex.

As at 31 December 2014, THI had 1 employee.

Project Management Office "British International School — Hanoi"

Project Management Office "British International School — Hanoi" ("BIS HN"), formerly known as the Project Management Office "British Vietnamese International School- Hanoi", is a Business Cooperation Contract between Sai Dong Urban Development & Investment Joint Stock Company and Thien Huong Investment Company Limited pursuant to Investment Certificate No. 01124001559 dated 22 March 2012 issued by the People's Committee of Hanoi City and other amended certificates thereafter with the latest one dated 11 March 2014 issued by the People's Committee of Hanoi City.

BIS HN's project office and campus are located at Lot H3 — H4 Urban Ecology Vincom Village, Long Bien District, Hanoi City.

In accordance with the investment certificate, the principal activities of BIS HN include the provision of: education services for kindergarten, primary, secondary and high school for children of foreigners, overseas Vietnamese living in Vietnam and Vietnamese students; bilingual education (English — Vietnamese according to the curriculum and diplomas of the Ministry of Education of the United Kingdom); providing teachers, students and parents with boarding services for students, sports, food services, school bus, uniform, books and learning tools.

As at 31 December 2014, BIS HN had 171 employees.

Project Management Office “British Vietnamese International School — Royal City Campus”

Project Management Office “British Vietnamese International School — Royal City Campus” (“BVIS HN”) is a Business Cooperation Contract between Royal City Real Estate Development & Investment Joint Stock Company and Thien Huong Investment Company Limited pursuant to Investment Certificate No. 01124001890 dated 06 November 2012 issued by the People’s Committee of Hanoi City.

BVIS HN’s project office and campus are located at 72 Nguyen Trai Street, Thuong Dinh Ward, Thanh Xuan District, Hanoi City.

In accordance with the investment certificate, the principal activities of BVIS HN include the provision of: education services for kindergarten, primary, secondary and high school for children of foreigners, overseas Vietnamese living in Vietnam and Vietnamese students; bilingual education (English — Vietnamese according to the curriculum and diplomas of the Ministry of Education of the United Kingdom); providing teachers, students and parents with boarding services for students, sports, food services, school bus, uniform, books and learning tools.

As at 31 December 2014, BVIS HN had 128 employees.

Revenue sharing

According to the BIS HN’s business license, Sai Dong Urban Development & Investment Joint Stock Company is entitled to a 15% share of BIS HN’s revenue commencing from 1 July 2013.

According to the BVIS HN’s business license, Royal City Real Estate Development & Investment Joint Stock Company is entitled to a 15% share of the BCC’s revenue commencing from 1 July 2014.

BIS HN and BVIS HN accounts for their respective revenue and expenses in operating the schools. For statutory reporting purposes, the revenues and expenses are consolidated with the accounts of THI.

Revenue sharing to Sai Dong Urban Development & Investment Joint Stock Company and Royal City Real Estate Development & Investment Joint Stock Company is deducted directly from revenue of BIS HN and BVIS HN.

Financial position accounts

BIS HN and BVIS HN own their respective assets and all their respective liabilities are payable by the schools. For statutory reporting purposes, the assets and liabilities of BIS HN and BVIS HN are consolidated into the accounts of THI. The respective accounts and balances of BIS HN and BVIS HN are included in the accompanying combined financial statements.

2 Fiscal year and currency

Fiscal year

The BIS Group’s fiscal year starts on 1 July and ends on 30 June of the following year.

Currency and foreign exchange

The combined interim financial statements are prepared in Vietnamese Dong (“VND”).

3 Accounting framework

The combined interim financial statements have been prepared in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System, and relevant statutory requirements of the Ministry of Finance (“VAS”), which may differ in some material respects from the International Financial Reporting Standards and the generally accepted accounting principles and standards of the country of the reader.

Although there is no specific guidance under VAS with respect to combination of financial statements of entities under common control or which do not form a Group relationship, the Boards of Directors considered VAS's conceptual framework and use their own judgment in the development of accounting policies with respect to the presentation of the combined interim financial statements of the BIS Group as described in Note 4. This is a complete set of financial statements.

The accounting policies applied are consistent with those of the annual combined financial statements for the year ended 30 June 2014, as described in the annual combined financial statements.

4 Basis of preparation of the combined financial statements

Basis of preparation of the combined interim financial statements

The purpose of the preparation of the combined interim financial statements comprising the accounts of The British International School Company Limited, Thien Huong Education Joint Stock Company and Thien Huong Investment Company Limited is due to a change in management and control effective from 1 January 2015, which formally completed on 2 March 2015. For purposes of statutory filings of the ultimate parent company after the change in ownership, there was a need to carve out the accounts of the various businesses affected by the change in ownership which are principally those entities operating certain educational institutions. All the other companies under the common control of the Owners were excluded in the combined interim financial statements and all transactions and balances with those other entities are disclosed in the combined interim financial statements as transactions with related parties. The entities included in the combined interim financial statements are owned by various entities representing the various indirect beneficial ownerships of Mr. and Mrs. Nguyen Duc Hinh (the "Owners"). For purposes of determining common control, all the various indirect beneficial ownerships of the Owners in the combined entities were taken as a whole and were made as the basis of their full ownerships of the entities included in the combined interim financial statements. Therefore certain entities with direct or indirect ownerships in the entities included in the combined interim financial statements are referred to as related parties in the combined interim financial statements instead of shareholders'.

The combined interim financial statements have been prepared by combining the interim financial statements of The British International School Company Limited, Thien Huong Education Joint Stock Company and Thien Huong Investment Company Limited. Thien Huong Investment Company Limited is the partner to the BCC contracts that operates BIS HN and BVIS HN and the accounts of the aforementioned BCC's are included in the combined interim financial statements through the inclusion of Thien Huong Investment Company Limited. In the combined interim financial statements all assets and liabilities, equity accounts and revenues and expenses were combined and all inter-company transactions and balances were eliminated.

5 Accounting policies

5.1 Foreign exchange

The Group's reporting currency is the VND. Transactions arising in currencies other than the reporting currency are translated at the prevailing exchange rates at transaction dates. Monetary assets and liabilities denominated in currencies other than the reporting currency are translated at the prevailing exchange rates at the balance sheet date. Translation gains and losses and expenses relating to foreign exchange transactions arising thereafter are recorded in the statement of income.

During the construction stage of fixed assets, foreign exchange differences arising from the settlement of foreign currency monetary items used in the construction of said asset are recorded in owner's equity. When the construction work is completed and the fixed assets are ready for their intended use, the foreign exchange differences arising during the construction phase are reclassified to its proper account in the balance sheet and amortised or recognised in the statement of operations over a maximum period of five years.

5.2 Estimates

The preparation of combined financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5.3 Cash and cash equivalents

Cash and cash equivalents include cash at bank and cash on hand as well as short term highly liquid investments such as money market instruments and bank deposits with original maturity terms of not more than three months .

5.4 Other short term investments

Pertain to other short term bank deposits with original maturity terms of more than three months .

5.5 Accounts receivable

Accounts receivable are carried at invoice value less a provision for doubtful debts at an amount that reflects the extent to which it is estimated that the accounts will not be collected in full.

5.6 Short term prepaid expense

Short term prepaid expenses represent pre-payments pertaining to prepaid expenses for periods less than one year. These expenses are amortised on a straight line basis over the prepayment term.

5.7 Inventories

Inventories are accounted for using the perpetual method and valued at the lower of cost and net realizable value. Cost of inventory, calculated on a weighted average basis, is composed of purchase costs and related costs. Net realizable value comprises the estimated sales proceeds less estimated selling expenses. A provision for decline in inventory value is recorded where cost exceeds net realizable value.

5.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

Cost

The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statement of income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of a tangible fixed asset beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of tangible fixed asset.

Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of items of tangible fixed assets. The estimated useful lives are as follows:

Buildings and structures	08 - 50 years
Leasehold improvements	10 years
Machinery and equipment	08 - 10 years
Motor vehicle	08 - 10 years
Office and other equipment	03 – 10 years
Others	04 – 10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of tangible fixed assets.

5.9 Intangible fixed assets

Intangible fixed assets are initially recognised at cost. The cost of intangible fixed asset is the total amount of expense incurred by the BIS Group to acquire an asset at the time the asset is considered ready for its intended use.

Computer software

The cost of computer software, which is not an integral part of the related hardware, is amortised on a straight-line basis over the estimated useful lives of the assets which is estimated to be within 2-10 years.

5.10 Long-term investments

Investment in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Group's combined balance sheet, subsidiaries are carried at cost and are excluded from consolidation when there is evidence that the subsidiary is acquired with the intention to dispose of it within twelve months and that management is actively seeking a buyer.

The results of the subsidiaries are accounted for by the Group on the basis of dividends received and receivable at the balance sheet date.

5.11 Long- term prepaid expense

Repair and maintenance

Repair and maintenance expenses represent the costs of repair of campuses which do not satisfy the requirements for capitalization as fixed assets and these are amortised over periods of 2 to 3 years.

Tools and supplies

Tools and supplies represent tools and supplies put into use which are amortised over period of 2 to 3 years.

5.12 Financial instruments — presentation and disclosures

On 6 November 2009, the Ministry of Finance issued Circular 210/2009/TT-BTC providing guidance on the application of International Financial Reporting Standards (“IFRS”) on the presentation and disclosure of financial instruments (“Circular 210”) which is effective for the financial years beginning on or after 1 January 2011.

As Circular 210 only requires the presentation and disclosure of financial instruments in accordance with IFRS, recognition and measurement of these assets and liabilities on the BIS Group’s combined financial statements are still in accordance with Vietnamese Accounting Standards and System.

Classification

In accordance with Circular 210, the BIS Group classifies its financial assets and financial liabilities in the following categories:

For financial assets:

- financial assets at fair value through profit or loss (“FVTPL”)
- held-to-maturity (“HTM”) investments
- available-for-sale (“AFS”) financial assets
- loans and receivables

For financial liabilities:

- financial liabilities at FVTPL
- other financial liabilities at the amortised cost

Fair value measurement and disclosure

In accordance with Circular 210, the BIS Group discloses fair values of financial assets and financial liabilities along with their corresponding book values and these are disclosed unless impacts are immaterial.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

The BIS Group does not have any financial instruments traded on an active market. The fair values of financial instruments that are not traded in an active market are determined using valuation techniques.

5.13 Payables and accruals

Payables and accruals are recognised as amounts to be paid in the future for goods and services received, whether or not billed to the Group.

5.14 Employee benefits

Post employment benefits

Post employment benefits are paid to retired employees of the BIS Group by the Social Insurance Agency which is administered by the Ministry of Labour and Social Affairs. The BIS Group is required to contribute to these post employment benefits by paying the monthly social insurance premiums to the Social Insurance Agency at the rate of 17% (18% from 2014) of an employee’s basic salary. The BIS Group has no further obligation to fund the post employment benefits of its employees, other than the liability to pay the monthly premiums to the Social Insurance Agency.

Provision for severance allowance

In accordance with Vietnamese Labour Laws and Law on Social Insurance, employees of the BIS Group are entitled to severance allowance based on their years of service payable by the BIS Group as a lump sum amount at the time the employees terminate their employment with the BIS Group. The employees shall not be entitled for job loss allowances or job severance allowances for the time they have been paying unemployment benefits as mentioned in *Unemployment benefits*.

The balance of the provision for severance allowance represents the estimated liability as a result of services rendered by employees. For Vietnamese employees, the provision is calculated on the basis of a half-month salary for each employee for each year of service with the BIS Group until 31 December 2008 based on basic salary levels at the balance sheet date. For Expatriate employees, the provision is calculated based on the specific contractual amount stated in the labour contracts.

Unemployment benefits

According to Circular No. 04/2009/TT-BLDTBXH which provides guidance to the implementation of Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the BIS Group is obliged to pay unemployment insurance equivalent to 1% of the employees basic salary and deduct 1% from the basic salary of each employee then simultaneously remit said amounts to the Unemployment Insurance Fund.

5.15 Revenue

Revenue from tuition fees is recognised in the statement of income when services are rendered or evenly over the school year or academic year which basically last approximately 10 months.

In compliance with Decision No. 15/2006/QD-BTC, tuition fees received in advance are initially recorded as advances from customers in the balance sheet. At the beginning of each school year, advances from customers are reclassified to unearned revenue.

Revenue from non-refundable registration fees received in advance is initially recorded as advances from customers in the balance sheet. At the beginning of each school year, said advances from customers are recognised in the statement of income outright.

Revenue from non-refundable application fees and sale of books are recorded upon receipt.

Interest income is recorded on a time-proportion basis using the effective interest method.

5.16 Operating leases

Leases wherein substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental payments applicable to such leases are recognized as expense on a straight-line basis over the term of the lease.

5.17 Provisions

A provision is recognised if, as a result of a past event, the BIS Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.18 Borrowing costs

Borrowing costs, comprising interest and related costs are recognized as an expense in the period in which they are incurred, except for borrowing costs relating to the acquisition of tangible fixed assets that are incurred during the period of construction and installation of the assets, which are capitalised as part of the cost of the related assets.

5.19 Income taxes

Current income tax assets and/or liabilities comprise obligations to, or claim from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. In addition, taxes losses are available to be carried forward as well as other income tax credits to the BIS Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted at the balance sheet date. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

5.20 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

5.21 Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

5.22 Off-balance sheet items

Amounts which are defined as off-balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these financial statements.

6 Going concern assumptions

The financial statements of THE, which is included in these combined financial statements, have been prepared on a going-concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding the fact that THE has incurred accumulated losses of VND77,294,489,180 and has significant working capital deficiency of VND94,344,425,795 as at 31 December 2014.

The ability of THE to continue as a going concern depends on the continued financial support of its owners and ultimately dependent on the success of its future operations. An intermediate holding company has agreed to provide adequate funds for THE to meet its liabilities as they fall due. As such, the accompanying combined financial statements as at and for the period ended 31 December 2014 have been prepared assuming that THE will continue as a going concern for at least 12 months from the balance sheet date.

7 Rental contracts

BIS HCMC entered into various rental contracts with Thien Huong Co Ltd, a related party, as follows:

- Contract No. TH-BIS0108 dated 1 August 2002 and its annexes covering the lease of An Phu 1 Campus, located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City with an area of 6,164.15 m² together with the existing structures and fixtures for a period of 49 years and expiring on 7 November 2051;

- Contract No. TH-BIS2-05/HD dated 15 August 2005 and its annexes for the rental of An Phu 2 Campus, located at 246 Nguyen Van Huong, Thao Dien Ward, District 2, Ho Chi Minh City with an area of 11,654.75 m² together with the existing structures and fixtures for a period of 46 years and expires on 7 November 2051;
- Contract No. TH-BIS0207/HD.2007 dated 2 July 2007 and its annexes for the rental of Tu Xuong Campus at 43-45, Tu Xuong Street, Ward 7, District 3, Ho Chi Minh City with an area of 4,665 m² together with the existing structures and fixtures for a period of 30 years from 15 December 2007;
- Contract No. TH-BIS0109/HD.2009 dated 26 June 2009 and its annexes for the lease of An Phu 1 school, located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City with an area of 6,926 m² together with the existing structures and fixtures for a period of 42 years and expires on 7 November 2051;
- Contract No TH-BIS3107.07/HD dated 31 July 2007 and its annexes provides for the lease of 36 apartments at Central Point located in 215 Nguyen Van Thu Street, Dakao Ward, District 1, Ho Chi Minh City for a period of 4 year from 30 June 2010;
- Contract No. TH-BIS0111/HD.2011-AP2MR dated 8 June 2011 and its annexes for the lease of An Phu 2 Campus, located at 246 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City which includes a 5 storey building with an area of 5,016.38 m² and the walking overpass connecting the school located at An Phu 1 (225 Nguyen Van Huong Street) and at An Phu 2 (246 Nguyen Van Huong Street) for a period of 40 years and expires on 7 November 2051; and,
- Contract No. TH — BIS0112/HD.2012-IP dated 31 July 2012 and its annexes provides for the lease of 38 apartments at Imperia An Phu located in Lot 5, An Phu Ward, District 2, Ho Chi Minh City, for the period of 3 years from 1 August 2012.

The rental fees are reviewed annually. All utility charges and repairs and maintenance are for the account of BIS HCMC.

On 31 December 2014, BIS HCMC signed a new lease agreement to replace the above lease agreements with Thien Huong Co Ltd. The new lease agreement provides the same terms and conditions except for the following:

- The lease term for Tu Xuong campus is extended up to 7 November 2051;
- Monthly rental fee shall be paid quarterly at the beginning of each quarter; and,
- From 1 September 2018 the rental deposit of VND426,198,118,942 shall be applied against quarterly rental payments until the balance of rental deposit is equivalent to 2 years of rental fee.

THE entered into rental contract with Thien Huong Co Ltd with contract No. TH — GDTH/0112/HD.2012-IP dated 31 July 2012 and its annexes which covers the lease of 11 apartments at Imperia An Phu located in Lot 5, An Phu Ward, District 2, Ho Chi Minh City, for the period of 5 years from 1 August 2012.

8 Spin off of the non-educational related business

On 7 August 2014, the People's Committee of Hanoi City issued the amended investment license of THI after the spun off of the International Educatown Project in Tay Mo Ward into a separate legal entity. Pursuant to such spun off, the value of the following assets, liabilities and equities were carved out and transferred to the new entity:

	Amount VND (Unaudited)
Assets	286,626,760,793
Advance to suppliers	282,378,746,040
Construction in progress	3,293,931,436
Value added tax to be reclaimed	954,083,317
LIABILITIES & EQUITIES	278,809,656,586
Payable to related parties	16,702,305,265
Paid in Capital	270,000,000,000
Foreign currency translation differences	7,341,448,727
Accumulated losses	(15,234,097,406)

9 Cash and cash equivalents

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Cash on hand	291,440,166	691,364,695
Cash in bank	69,788,848,561	45,239,766,336
Cash equivalents	70,080,288,727	45,931,131,031
	123,080,288,727	83,931,131,031

Cash and cash equivalents at 31 December include foreign currencies as follows:

	31 December 2014 (Unaudited)	30 June 2014
In original foreign currencies:		
- United states dollars (USD)	1,429,547	685,861

10 Other short-term investments

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Deposits at HSBC Bank (Vietnam) Ltd ("HSBC")	25,000,000,000	12,000,000,000
	25,000,000,000	12,000,000,000

Other short-term investments represent time deposits which will mature in 6 months. The said time deposits earn interest at the rate of 5.6% - 7.4% per annum (30 June 2014: 4.04% per annum).

11 Prepayments to suppliers

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Prepayments to local suppliers	4,858,043,920	14,555,597,400
Prepayments to overseas suppliers	308,234,702	8,051,736,506
	5,166,278,622	22,607,333,906

Prepayments to suppliers represent the advance payments for purchases of teaching equipment and tools for the renovation of school facilities.

12 Short-term prepaid expenses

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Opening balance	7,616,425,172	4,722,872,564
Additions	47,505,632,405	50,210,229,139
Transferred from long-term prepaid expenses	—	994,358,746
Amortisation	(35,681,012,680)	(48,311,035,277)
Closing balance	19,441,044,897	7,616,425,172

13 Other current assets

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Advances for acquisition of land use rights (*)	—	282,378,746,040
Short-term deposits	2,636,426,961	4,580,864,179
Advances to employees	2,658,381,055	1,118,494,476
	5,294,808,016	288,078,104,695

(*) This represents the advances to Tu Liem Land Development Center for the compensation, support, resettlement and site clearance for the International Educatown Project in Tay Mo Ward. This project was spun off to a new entity in August 2014 (Note 8).

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14 Tangible fixed assets

	Building and structures VND	Leasehold improvements VND	School and office equipment and furniture VND	Motor vehicle VND	Others VND	Total VND
Historical cost						
1 July 2014	247,672,154,935	17,918,087,242	103,670,453,271	25,654,329,309	4,291,963,244	399,206,988,001
Acquisitions	979,660,272	5,252,037,342	11,234,401,753	2,164,970,000	43,277,793	19,674,347,160
Disposals	—	—	(174,077,442)	—	—	(174,077,442)
31 December 2014 (unaudited)	248,651,815,207	23,170,124,584	114,730,777,582	27,819,299,309	4,335,241,037	418,707,257,719
Fully depreciated	—	226,212,878	5,964,193,507	1,878,296,280	—	8,068,702,665
Accumulated depreciation						
1 July 2014	(29,292,456,595)	(5,065,136,471)	(39,645,839,564)	(6,511,598,311)	(649,338,915)	(81,164,369,856)
Depreciation for the year	(5,077,262,855)	(1,061,877,584)	(5,965,393,109)	(1,071,739,259)	(285,874,987)	(13,462,147,794)
Disposals	—	—	110,318,893	—	—	110,318,893
31 December 2014 (unaudited)	(34,369,719,450)	(6,127,014,055)	(45,500,913,780)	(7,583,337,570)	(935,213,902)	(94,516,198,757)
Net book value						
30 June 2014	218,379,698,340	12,852,950,771	64,024,613,707	19,142,730,998	3,642,624,329	318,042,618,145
31 December 2014 (unaudited)	214,282,095,757	17,043,110,529	69,229,863,802	20,235,961,739	3,400,027,135	324,191,058,962

19

15 Investment in a subsidiary

This represents THE's 51% interest in Vietnam Living Joint Stock Company ("Vietnam Living"), a company under common control. The subsidiary's purported business activity is to construct and operate a nursing home on the parcel of land in Go Dua Ward, Thu Duc District, Ho Chi Minh City which was originally being acquired by THE and then subsequently transferred to Vietnam Living. The investment was temporarily made through THE to facilitate the procurement of the necessary business licenses and pending the establishment of a more permanent ownership and operating structure and as such, THE's Management did not consolidate Vietnam Living to THE's accounts due to such temporary arrangement. THE disposed said interest on 2 December 2014.

16 Long-term prepaid expenses

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Opening balance	70,657,361,058	45,267,811,050
Additions	31,464,121,757	35,213,334,113
Transferred to short term prepaid expenses	—	(994,358,746)
Transferred from fixed assets	—	51,346,816,539
Disposal	(6,273,123)	(586,363,635)
Amortisation	(23,657,556,795)	(57,392,414,808)
Closing balance	<u>78,457,652,897</u>	<u>72,854,824,513</u>

The details of the long-term prepaid expenses are as follows:

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Repair and maintenance	960,977,188	645,665,391
Tools and supplies	65,827,187,941	60,992,915,817
Others	11,669,487,768	11,216,243,305
	<u>78,457,652,897</u>	<u>72,854,824,513</u>

17 Other non-current assets

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Long-term deposit	436,506,703,942	436,548,703,942

Other non-current assets represent:

- Rental deposits amounting to VND 426,198,118,942 (30 June 2014: VND 426,198,118,942) (Note 33) placed with Thien Huong Co., Ltd. Said deposits covers various lease agreements for various school facilities and premises of BIS HCMC (see Note 7). Pursuant to the amended lease agreement dated 31 December 2014, the rental deposits shall be partially offset against rental payments from 1 September 2018 until the balance is equivalent to 2 years of the rental fees.
- Deposit for implementing Business Cooperation Contracts placed with the parties to the two BCCs in relation to BIS HN and BVIS HN amounting to VND 10,270,000,000.

	31 December 2014 VND (Unaudited)	31 December 2013 VND
Loan from Standard Chartered Bank (a)	—	169,980,000,000
Loan from VID Public Bank (b)	—	85,584,042,794
Loan from Eximbank (c)	—	64,754,607,440
Current portion of long term debts (Note 23)	—	44,936,800,000
	<u>—</u>	<u>365,255,450,234</u>

- (a) The loan from Standard Chartered Bank represents a short term credit facility with a credit limit of USD 5,000,000 and VND 63,480,000,000 granted to BIS HCMC. The loan bear interest at the rate of 1.5% per annum for USD loans and 7.0% per annum for VND loans. This loan is secured by a mortgage over properties known as Lot No. 910, map No. 1 An Phu village, Thao Dien Ward, District 2, Ho Chi Minh City which are owned by Thien Huong Co Ltd, a related party.

On 14 October 2014, BIS HCMC paid back its outstanding loan with Standard Chartered Bank — Taiwan amounting to US\$5,000,000 including accrued interest. On 20 October 2014, BIS HCMC paid back its outstanding loan with Standard Chartered Bank Vietnam amounting to VND63,480,000,000. All mortgages and guarantees in connection with these loans were terminated accordingly.

- (b) This short term credit facility has a credit limit of US\$4,000,000 which can be withdrawn in both USD and VND, and intended to finance the acquisitions of school equipment and augment the BIS HCMC's working capital. The loan bear interest at the higher of SIBOR (for respective tenor) plus 1.5% per annum or fixed deposit rate (for respective tenor). Overdue amounts are subject to interest at 1.5 times of the prevailing interest rate and overdue interest is subject to additional overdue interest charge of 5%. The loan is secured by a mortgage over the properties known as An Phu 1 Campus located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City which are owned by Thien Huong Co Ltd, a related party. During the year, the borrowings in VND bear interest at the rate of 10% per annum while the borrowings in USD bear interest at the rate of 3.5% per annum. The outstanding loan was fully paid in 2014 and on 12 December 2014, VID Public Bank confirmed the cancelations of all credit facilities of BIS HCMC and handed over the original ownership documents kept by the bank as security for the credit facilities.

This also includes short term credit facility of VND25,000,000,000 granted to THI to finance the working capital requirements of BVIS HN. The loan bears interest at 8% per annum. The loan is secured by a mortgage over the 3-storey Gym and canteen, library, basket field, football field and other infrastructures (including the Land use right of 6,719.4 m²) located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City which are owned by Thien Huong Co., Ltd. In November 2014, the credit facility with VID Public Bank was discharged including the mortgage related thereto.

- (c) This short term credit facility has a credit limit of VND20,000,000,000 granted to THI to finance the working capital requirements of BIS HN. The loan bears interest at 7.8% per annum. The loan is secured by a mortgage over 10 apartments in Sai Gon View Residences, located at 117 Nguyen Cuu Van Street, Ward 17, Binh Thanh District, Ho Chi Minh City owned by Hieu Duc Joint Stock Company, a related party under common control. As of 31 December 2014 the loan is fully paid and in January 2015, the credit facility was cancelled and the corresponding mortgages on certain assets of the owners were released accordingly.

This also includes short term credit facilities of VND40,000,000,000 and VND20,000,000,000 granted to THE. The loans bears interest from 7.5% to 8% per annum. The loan is secured by a mortgage over certain apartments units in Saigon Riverview located at 117 Nguyen Cuu Van Street, Ward 17, Binh Thanh District, Ho Chi Minh City owned by Hieu Duc Joint Stock Company, a related party under common control.

On 27 November 2014, THE and Eximbank signed the liquidation of the credit contract and the related mortgage contract and pledge contract.

On 25 December 2014, BIS HCMC signed a new loan agreement with Eximbank for working capital facility amounting to VND110 billion. The loan is secured by certain assets of the owners. As at 31 December 2014, BIS HCMC had not drawn from this new facility.

The summary of the interest expense incurred is as follows:

Bank	Six months ended 31 December 2014		Six months ended 31 December 2013	
	Interest rate %	Interest expenses VND	Interest rate %	Interest expenses VND
HSBC Bank (Vietnam) Ltd - VND	7.00% - 9.00%	—	7.00% - 9.00%	1,391,366,168
Standard Chartered Bank - VND	7.00% - 9.50%	4,635,242,847	7.00% - 9.50%	3,842,950,957
Standard Chartered Bank - USD	3.75%	476,395,208	3.75%	1,907,467,200
VID Public Bank — VND	8.00% - 10.00%	460,268,437	8.00% - 10.00%	2,370,539,955
VID Public Bank - USD	4.50%	1,014,847,387	4.50%	2,416,937,577
Eximbank — VND	7.80% - 8.00%	477,959,364	7.80% - 8.00%	1,835,075,340
		7,064,713,243		13,764,337,197

19 Trade accounts payable

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Payable for management fees (Note 33)	—	7,010,823,508
Others	4,223,904,321	11,674,068,084
	4,223,904,321	18,684,891,592

20 Taxes and amounts payable to State Budget

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Value added tax	1,311,682,710	1,326,414,104
Corporate income tax	5,535,308,395	20,920,423,958
Personal income tax	27,799,425,299	17,039,280,708
Others	726,718,548	38,852,248
	35,373,134,952	39,324,971,018

21 Accrued expenses

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Professional fee	—	220,000,000
13th month salary	4,589,545,271	2,186,747,661
Loan interest	950,000,000	2,724,779,827
Utilities	1,761,677,309	3,179,180,498
Taxes	—	1,231,596,401
Revenue sharing to counter parties in the BCCs (Note 1)	—	9,583,828,939
Others	3,472,949,962	746,687,903
	10,774,172,542	19,872,821,229

22 Other payables

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Unearned revenue	546,970,570,942	—
Dividend payable (Note 33)	26,000,000,000	—
Refundable security deposit (*)	10,034,846,740	7,651,021,580
Social, health and unemployment insurance	390,366,784	705,073,558
Others	2,772,353,833	3,425,703,594
	586,168,138,299	11,781,798,732

(*) This pertains to the current portion of the deposits made by pupils and said deposits are supposed to be returned to them when they leave the school. The balance amounting to VND43,355,788,953 (30 June 2014: VND43,355,788,953) is presented under other long-term liabilities.

23 Long-term borrowings and debts

	31 December 2014 VND (Unaudited)	31 December 2013 VND
Loan from VID Public Bank (a)	—	34,616,760,000
Loan from Standard Chartered Bank (b)	187,500,000,000	175,000,000,000
Less: Current portion of long-term borrowings and debts (Note 18)	—	(19,936,800,000)
	187,500,000,000	189,679,960,000

(a) This long-term loan from VID Public Bank represents a long-term credit facility granted to BIS HCMC with a credit limit of US\$5,000,000 to finance the lease of school facilities and rental deposits. The credit facility shall be subject to periodic/annual review and all drawings are payable in twenty-three (23) equal quarterly instalments starting on 31 August 2010. The loan bear interest at the higher of SIBOR (6 months) plus 2% per annum or fixed deposit rate (6 months) plus 2% per annum. Overdue amounts are subject to interest at 1.5 times of the prevailing interest rate and overdue interest is subject to additional overdue interest charge of 5%.

The loan is secured by a mortgage over the properties known as An Phu 1 Campus located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City which are owned by Thien Huong Co Ltd, a related party.

On 12 December 2014, VID Public Bank confirmed the cancelations of all credit facilities of BIS HCMC and handed over the original ownership documents kept by the bank as security for the credit facilities.

- (b) This pertains to THE's long-term loan from Standard Chartered Bank. The loan is for a period of 10 years and bore interest at rates ranging from 9.0% to 9.5% per annum. The loan is secured by the guarantee letter issued by BIS HCMC, certain assets of the Owners and certain assets of Thien Huong Co Ltd a related party, which include the land use rights and assets attached to those land use rights where the An Phu 1 and An Phu 2 campuses of BIS HCMC are located.

On 15 December 2014, Standard Chartered Bank Vietnam confirmed the termination of the banking facility of THE with the bank.

On 9 December 2014, THE signed a new loan agreement with Eximbank for VND188 billion. The loan is for a term of 120 months and bears interest at 9% per annum. The loan is secured by certain properties owned by Hieu Duc Joint Stock Company. The loan was paid back in March 2015.

24 Owners' equity

	Paid-in capital VND	Retained earnings VND	Foreign currency translation difference VND	Total VND
1 July 2013	364,295,031,393	130,210,162,973	7,341,448,727	501,846,643,093
Net profit	—	198,732,604,611	—	198,732,604,611
Dividends	—	(217,993,127,609)	—	(217,993,127,609)
30 June 2014	364,295,031,393	110,949,639,975	7,341,448,727	482,586,120,095
1 July 2014	364,295,031,393	110,949,639,975	7,341,448,727	482,586,120,095
Contributions	48,000,000,000	—	—	48,000,000,000
Net profit	—	71,986,652,800	—	71,986,652,800
Dividends	—	(245,185,606,208)	—	(245,185,606,208)
Transferred to carved out entity (Note 8)	(270,000,000,000)	15,234,097,406	(7,341,448,727)	(262,107,351,321)
31 December 2014 (Unaudited)	142,295,031,393	(47,015,216,027)	—	95,279,815,366

Paid-in capital

	31 December 2014 VND (Unaudited)	31 December 2013 VND
The British International School Company Limited	71,595,031,393	23,595,031,393
Thien Huong Education Joint Stock Company	50,000,000,000	50,000,000,000
Thien Huong Investment Company Limited (net off contribution from The British International School Company Limited)	20,700,000,000	290,700,000,000
	142,295,031,393	364,295,031,393

As mentioned in Note 4, *Basis of preparation of the combined financial statements*, the various entities included in the combined financial statements are owned by Mr. and Mrs. Nguyen Duc Hinh and various entities which in turn are owned as well by Mr. and Mrs. Nguyen Duc Hinh. Such underlying common beneficial ownership was the basis for the preparation of the combined financial statements. The legal ownerships though are as presented below:

The British International School Company Limited

In accordance with the Business Registration Certificate No. 411022000066 BVIS HCMC's charter capital has been fully contributed by the shareholders as follows:

	Charter capital		Contribution as of 31 December 2014 USD (Unaudited)	Equivalent VND (Unaudited)
	USD	%		
BIS Ltd	3,316,824	90	3,316,824	64,516,522,000
Thien Huong Company Limited	450,000	10	450,000	7,078,509,393
	3,766,824	100	3,766,824	71,595,031,393

On 5 November 2014, the People's Committee of Ho Chi Minh City approved and issued the amended investment license of BIS HCMC. The amended investment license include, among others, the increase in its charter capital from US\$1,500,000 (equivalent to VND23,595,031,393) to US\$3,766,824 (equivalent to VND72,000,000,000). Thien Huong Co Ltd did not contribute to the increase in charter capital and as a result its interest went down to 10%.

Thien Huong Education Joint Stock Company

In accordance with the Business Registration Certificate No. 4103013677 THE's shares capital have been fully contributed by the shareholders as follows:

	Registered charter capital		Contributed charter capital as at 31 December 2014 (Unaudited)
	VND	%	VND
Thien Huong Company Limited	45,000,000,000	90	45,000,000,000
Ms Ngo Thu Thuy	2,500,000,000	5	2,500,000,000
Mr Nguyen Duc Hinh	2,500,000,000	5	2,500,000,000
		100	50,000,000,000
		Common shares Share	Amount VND
Authorised, issued and outstanding		5,000,000,000	50,000,000,000

Thien Huong Investment Company Limited

In accordance with the Business Registration Certificate No. 011022002138, THI's charter capital has been fully contributed by the shareholders as follows:

	Charter capital		Paid up as of 31 December 2014 (Unaudited)
	VND	%	VND
Thien Huong Company Limited	1,320,000,000	2.5	1,320,000,000
Oasis Development Management Company Limited	19,380,000,000	36.5	19,380,000,000
The British International School Company Limited	32,300,000,000	61	32,300,000,000
	53,000,000,000	100	53,000,000,000

25 Dividends

During the 6 months period ending 31 December 2014, BIS HCMC declared dividends amounting to VND245,185,606,208 out of which VND48,000,000,000 was reinvested into the charter capital and the rest was paid out to the shareholders.

26 Revenue

	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
By School		
BIS HCMC	310,733,770,099	316,107,806,760
BVIS HCMC	77,580,494,265	68,012,156,715
BIS HN	81,888,343,527	45,081,827,500
BVIS HN	51,597,415,503	28,434,752,278
	<u>521,800,023,394</u>	<u>457,636,543,253</u>
By services		
Tuition fees	480,635,295,005	414,455,492,008
Registration fees	30,838,003,749	37,889,733,991
Language classes	4,451,234,874	2,988,800,000
Sale of uniforms	501,069,949	490,956,164
Others	5,374,419,817	1,811,561,090
	<u>521,800,023,394</u>	<u>457,636,543,253</u>

27 Cost of services rendered

	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Salaries and employee benefits	227,738,885,752	180,927,780,838
Housing and other allowances	39,574,378,788	35,827,111,845
Amortisation of long- term prepaid expenses	23,978,822,777	22,918,621,767
Depreciation	12,128,652,464	11,594,505,825
Food and beverage	8,528,654,135	7,501,562,821
Supplies	7,777,008,305	7,139,986,913
Uniforms	4,372,609,623	5,305,973,308
Travel expenses	3,604,386,709	3,459,133,693
Examination fees	1,664,457,924	284,646,245
CPD and training fees	696,175,183	279,972,652
Others	8,018,235,671	4,639,546,932
	<u>338,082,267,331</u>	<u>279,878,842,839</u>

28 Income from financial activities

	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Interest income from bank deposits	6,994,437,823	7,271,714,715
Realised gain from foreign exchange differences	1,627,094,953	39,355,473
	<u>8,621,532,776</u>	<u>7,311,070,188</u>

29 Expenses from financial activities

	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Interest expense	7,283,807,082	13,764,337,197
Realised loss from foreign exchange differences	54,146,876	69,280,093
Unrealised loss from foreign exchange differences	689,394,843	—
	<u>8,027,348,801</u>	<u>13,833,617,290</u>

30 General and administration expenses

	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Salaries and employee benefits	41,787,741,622	32,976,644,902
Rent	19,239,162,000	19,214,377,599
Housing and other allowances	8,821,096,062	8,301,677,364
Electricity and water	3,568,966,899	2,781,764,974
Travel and transportation	1,820,113,340	1,816,207,365
Depreciation and amortisation	1,806,427,657	1,537,183,893
Supplies	1,664,980,366	1,689,103,322
Meals	579,195,743	379,036,556
Security	584,100,962	499,760,002
Amortisation of pre-operating expenses	391,426,798	5,385,487,848
Fuel	130,033,450	169,518,980
Other outside services	4,978,067,222	6,034,686,697
Others	17,740,832,879	12,982,948,743
	103,112,145,000	93,768,398,245

31 Cost by elements

	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Supplies	9,441,988,671	8,829,090,235
Salaries and employee benefits	317,922,102,224	258,033,214,949
Depreciation and amortisation	13,935,080,121	13,131,689,718
Outside service costs	77,161,459,350	77,520,042,555
Other costs	25,759,068,550	17,622,949,008
	444,219,698,916	375,136,986,465

32 Corporate income tax

The British International School Company Limited

BIS HCMC is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. BIS HCMC is entitled to corporate income tax exemption for a period of four years from the first profitable year (which was in 2003) and to a further 50% reduction for the ensuing four years for taxable income from school fees .

Thien Huong Education Joint Stock Company

THE is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. THE is entitled to corporate income tax exemption for a period of four years from the first profitable year and to a further 50% reduction for the ensuing five years for taxable income from school fees .

Thien Huong Investment Company Limited

BIS HN is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. THE is entitled to corporate income tax exemption for a period of four years from the first profitable year and to a further 50% reduction for the ensuing five years for taxable income from school fees .

BVIS HN is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. THE is entitled to corporate income tax exemption for a period of four years from the first profitable year and to a further 50% reduction for the ensuing five years for taxable income from school fees .

In accordance with the Law 32/2013/QH13 issued by the National Assembly of Vietnam on 19 June 2013 which is effective on 1 January 2014, the standard corporate income tax rate has been reduced to 22% and 20% from 2014 and 2016 respectively.

Recognised in the statement of income:

The corporate income tax (“CIT”) expense for the year has been calculated as follows:

	Six months ended 31 December 2014 (Unaudited)	Six months ended 31 December 2013 (Unaudited)
Current Corporate income tax expenses - Current income tax	6,733,416,980	9,307,775,048
	6,733,416,980	9,307,775,048
Deferred corporate income tax	—	—
Total estimated corporate income tax expenses	6,733,416,980	9,307,775,048

(*) This amount represents the over declared and recorded corporate income tax expense for the 6 months periods ending 31 December 2014 and 2013 in BIS HCMC.

The calculation of current CIT expenses is subject to the review and approval of the local tax authorities.

Reconciliation of effective tax rate:

	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Profit before tax	78,720,069,780	66,725,420,992
Tax at the Group’s tax rate (10%)	7,872,006,978	6,672,542,099
<i>Effects of:</i>		
Deferred tax asset on tax losses unrecognised	715,674,369	2,659,876,447
Effects of income tax on exempted taxable profits	(1,854,264,367)	(36,690,144)
Effects of tax at standard tax rate (22%/25%)	—	12,046,646
	6,733,416,980	9,307,775,048

BIS Group did not recognise deferred income tax since the amount is considered immaterial.

33 Transactions with related parties

During the 6 months periods ending 31 December 2014 and 2013, the Group had transactions with related parties as follows:

Related Parties	Relationship	Transactions	2014 VND (Unaudited)	2013 VND (Unaudited)
Thien Huong Co., Ltd	Under common ownership	School and apartment rental fees and utilities charged to BIS HCMC	27,004,195,739	26,695,541,788
		Dividends	73,555,682,208	65,398,127,622
		Rental deposit made by BIS HCMC	91,754,000,000	5,500,000,000
		Apartment rental for teachers charged to BVIS HCMC	1,251,005,897	1,283,093,980
		Sales of investment in subsidiary	25,500,000,000	—
		Bank guarantees to Standard Chartered Bank and VID Public Bank (Note 18 & Note 23)	NA	NA
BIS Ltd.	Under common ownership	Dividends	123,629,924,346	152,608,991,000

		Capital contributions	48,000,000,000	—
		Management fees charged to the Group	—	4,625,483,975
Ms Ngo Thu Thuy	Owner	Loans repayments by BVIS HCMC	—	12,850,000,000
Hieu Duc Joint Stock Company	Under common ownership	Bank guarantees to Eximbank (Note 18)	NA	NA

As at 31 December 2014 and 30 June 2014, the following balances were outstanding with related parties:

<u>Related parties</u>	<u>Relationship</u>	<u>Transactions</u>	<u>31 December 2014 VND (Unaudited)</u>	<u>30 June 2014 VND</u>
<i>Receivables</i>				
Thien Huong Co., Ltd	Under common ownership	Long term deposit (Note 17)	426,198,118,942	426,198,118,942
		Advances for apartment rental	—	4,188,706
			<u>426,198,118,942</u>	<u>426,202,307,648</u>
<i>Payables</i>				
Thien Huong Co., Ltd	Under common ownership	Payable for apartment rental for teachers	185,312	—
		Dividends payable (Note 22)	26,000,000,000	—
BIS Ltd.	Under common ownership	Management fee payable (Note 19)	—	7,010,823,508
			<u>26,000,185,312</u>	<u>7,010,823,508</u>

34 Remuneration of the Boards of Directors

During each of the six months periods, the Boards of Directors received total remuneration as the follows:

	Six months ended 31 December 2014 VND (Unaudited)	Six months ended 31 December 2013 VND (Unaudited)
Salary	704,880,000	692,185,000

35 Fair value of financial instruments

As at 31 December 2014, the details of the carrying amounts as well as the fair values of the Group's financial assets and liabilities are presented below:

	31 December 2014		30 June 2014	
	Carrying value VND (Unaudited)	Fair value VND (Unaudited)	Carrying value VND	Fair value VND
Financial assets				
<i>Financial assets carried at amortised costs</i>				
Cash and cash equivalents	123,080,288,727	123,080,288,727	83,931,131,031	83,931,131,031
Trade accounts receivable (net)	1,305,501,540	1,305,501,540	1,182,656,468	1,182,656,468
Other receivables	8,781,799,949	8,781,799,949	1,082,943,988	1,082,943,988
Other long- term receivables	2,947,983,053	2,947,983,053	3,405,179,139	3,405,179,139
Refundable long term deposits (*)	10,270,000,000	2,735,950,447	10,270,000,000	2,670,014,241
<i>Held to maturity investment</i>				
Other short-term investments	25,000,000,000	25,000,000,000	12,000,000,000	12,000,000,000
Financial liabilities				
<i>Short term financial liabilities carried at amortised costs</i>				
Short term borrowings and debts (***)	—	—	365,255,450,234	365,255,450,234
Trade accounts payable	4,223,904,321	4,223,904,321	18,684,891,592	18,684,891,592
Other liabilities	85,344,900,003	85,344,900,003	71,153,621,272	71,153,621,272
<i>Long term financial liabilities carried at amortised costs</i>				
Severance allowances(**)	34,919,428,612	26,673,744,355	26,022,189,092	19,877,450,662
Other long-term liabilities (**)	43,355,788,953	31,261,671,234	43,355,788,953	31,261,671,234
Long term borrowings and debts (***)	187,500,000,000	187,500,000,000	189,679,960,000	189,679,960,000

(*) Fair value of long term deposits is determined by discounting the associated future cash flows at the expected market deposit interest rate of 5% per annum.

(**) Fair value of severance allowances and other long-term liabilities is determined by discounting the associated future cash flows at the expected market lending interest rate of 8% per annum.

(***) Borrowings from banks are at market interest rates, therefore their carrying values approximate their fair values.

The carrying values of other financial assets and liabilities are considered reasonable approximation of their fair values as at the balance sheet date because of their short term nature or due to immaterial differences.

36 Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments which were presented in Note 35, including market risk, credit risk and liquidity risk. While there is no official written risk management policies, the directors meet often to review and manage the risks on a regular basis. Exposure to each kind of risk is summarized below:

(a) Market risk

Foreign exchange sensitive

Most of the Company's transactions were carried out in Vietnamese dong. However, the Company had cash in US Dollars and a huge amount of bank loans denominated in US Dollars. As a result, the fluctuation of foreign exchange rate would have a significant impact on the Company's financial performance and position. Financial assets and financial liabilities in US Dollars converted into VND using the commercial bank rate at the balance sheet date, are as follows:

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Denominated in USD		
Financial assets	30,735,751,230	14,056,867,111
Financial liabilities	(8,167,804,050)	(34,117,862,050)
Short-term exposure	22,567,947,180	(20,060,994,939)
Financial assets	—	—
Financial liabilities	—	(14,679,960,000)
Long-term exposure	—	(14,679,960,000)

If assumes a +/- 1 % change of the US-Dollar/VND exchange rate for the year ended at 31 December 2014 (30 June 2014: +/-1%), which have been determined based on the average market volatility in exchange rates in the previous 12 months the closing market volatility in exchange rates, the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities as followings:

If the VND had weakened against the US Dollar by 1% (30 June 2014: 1%) then this would have had the following impact:

	Six months ended 31 December 2014 VND (Unaudited)	Year ended 30 June 2014 VND
Effect on net result for the year	194,943,721	(326,849,657)
Effect on equity	194,943,721	(326,849,657)

If the VND had strengthened against the US Dollar 1% (30 June 2014: 1%), then this would have had the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

Interest rate sensitivity

Interest rate risk is the risk that the fair value (fair value interest rates risk) or future cash flows (cash flow interest rates risks) of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rates risk arising from financial instruments carried fixed interest rates which are measured at fair value. As 31 December 2014, the Company's borrowings carrying floating interest rates amounts to VND187,500,000,000 regarding loans due to Eximbank. The Company does not have any financial instruments that require measurement at fair value. Therefore, changes in interest rate risk do not impact the Company's financial statements in relation to fair value of the financial instruments.

The Company is however exposed to changes in interest rate in relation to interest expenses from floating rates borrowings. The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-1% for loans and +/-4% for deposits with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's floating rate financial instruments held at each balance sheet date. All other variables are held constant.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-1% and +/-4% for loan and deposit.

	For the year ended 31 December 2014			
	VND (Unaudited)			
	Deposit		Loans	
	+4%	-4%	+1%	-1%
Effect on gain	900,000,000	(900,000,000)	(1,687,500,000)	1,687,500,000
Effect on owner's equity	900,000,000	(900,000,000)	(1,687,500,000)	1,687,500,000

(b) Credit risk

The majority of financial assets are cash, other short-term investments and trade and other receivables as presented at Note 33. Cash and cash equivalents are strictly managed on account at trusted banks with high prestige while trade receivables are secured by pupils' school reports. As such the management considers the credit risk as reasonably low.

	31 December 2014 VND (Unaudited)	30 June 2014 VND
Financial assets		
Cash and cash equivalents	123,080,288,727	83,931,131,031
Other short-term investments	25,000,000,000	12,000,000,000
Trade and other receivables	33,850,940,611	5,670,779,595
	181,931,229,338	101,601,910,626

(c) Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing, payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Payment schedule is regularly reviewed by Directors to ensure cash available for payment and control risks on payment. As of 31 December 2014, the Company is obligated to pay for debts on due as the following:

	Current		Non-current
	Within 6 months VND	6 to 12 months VND	1 to 5 years VND
Long term borrowings and debts	—	—	187,500,000,000
Trade payables	4,223,904,321	—	—
Severance allowance	—	—	34,919,428,612
Other financial liabilities	85,344,900,003	—	43,355,788,953
	89,568,804,324	—	265,775,217,565

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Comparative figures (30 June 2014)

	Current		Non-current
	Within 6 months VND	6 to 12 months VND	1 to 5 years VND
Short term borrowings and debts	200,965,045,751	164,290,404,483	—
Long term borrowings and debts	—	—	189,679,960,000
Trade payables	18,684,891,592	—	—
Severance allowance	—	—	26,022,189,092
Other financial liabilities	71,153,621,272	—	43,355,788,953
	290,803,558,615	164,290,404,483	259,057,938,045

37 Commitment

As at 30 June 2014, the BIS Group was committed under lease agreements for leasehold properties and apartments for foreigner teachers in the following amounts:

31 December 2014

VND

30 June 2014

	<u>(Unaudited)</u>	<u>VND</u>
Within the next year	23,248,710,000	46,497,420,000
Within two to five years	152,719,085,000	152,719,085,000
Over five years	361,144,300,000	361,144,300,000
	<u>537,112,095,000</u>	<u>560,360,805,000</u>

38 Subsequent Events

General:

Effective 1 January 2015 the respective entities within the combined financial statements came under new management and operational control by Nord Anglia Education Inc. a global operator of Premium International Schools and listed on the New York Stock Exchange. Following this on 2 March 2015, the respective legal shareholders' or legal owners of the various companies included in the combined financial statements approved a resolution to amend the charter of each companies and various other resolutions for the resignations of Members of the Board of Management and the Board of Directors, appointment of Members of the Board of Management and the Board of Directors, appointment of legal representative, and appointment of bank signatories.

The British International School Company Limited (BIS HCMC)

- a. On 9 February 2015, HSBC confirmed the termination of the general credit facility and the release of the related pledge representing certain cash deposits.
- b. On 25 February 2015, the Board of Management of BIS HCMC approved a resolution to acquire 90% of the outstanding shares of Thien Huong Education Joint Stock Company from the original shareholders.
- c. On 2 March 2015, BIS HCMC signed a shareholder loan agreement with NAE HK Holdings Limited for a total credit facility of US\$12 million. Each drawdown shall be for a period of 12 months and shall bear interest at 5.25% per annum. BIS HCMC had drawn the total amount of US\$7 million and US\$500 thousand on 21 March 2015 and 21 April 2015 respectively from the said facility.
- d. On 20 April 2015, the People's Committee of Ho Chi Minh City issued the amended investment license of BIS HCMC which included, among others, the change of representative of BIS Ltd and the change of the Legal Representative and General Director of BIS HCMC.

Thien Huong Education Joint Stock Company (THE)

- a. On 9 February 2015, HSBC confirmed termination of the general credit facility and the release of the related pledged cash deposits.
- b. On 29 January 2015, THE signed a new revolving credit facility of VND31 billion for the payment of the land use right where the school campus is located. The loan was paid in full in March 2015.
- c. On 20 January 2015, the People's Committee of HCMC issued the land use rights to THE where the school campus is located. The land use right fee was paid on 9 February based on the decision of the Ho Chi Minh City tax office.
- d. On 26 February 2015, BIS HCMC acquired 90% of the outstanding shares of THE from the original shareholders at par value.
- e. In March 2015, the buildings and structures, and the land use rights were transferred to Thien Huong Co Ltd for a total consideration of VND 200,879,000,000 plus VAT of VND20,087,900,000 for the buildings and structures and VND 31,615,000,000 for the land use rights.
- f. On 2 March 2015, THE signed a lease agreement, as amended, with Thien Huong Co Ltd for the lease of the buildings and structures where the school is located for a period of 25 years. Monthly rental from commencement date to the end of financial year 2106/2017 is VND1,323,958,600. From the financial year immediately following financial year 2016 until the end of the lease term, the rent shall be determined as follows:
 - i. If the audited revenue in that financial year is less than or equivalent to VND214,580,000,000, no rent for that financial year shall be payable;
 - ii. If the audited revenue in that financial year exceeds VND214,580,000,000 but is less than or equivalent to VND321,870,000,000, the rent for that financial year shall be an amount equal to six percent (6%) of the audited revenue in that financial year.
 - iii. If the audited revenue in that financial year exceeds VND321,870,000,000 but is less than or equivalent to VND429,160,000,000, the rent for that financial year shall be an amount equal to six percent (8%) of the audited revenue in that financial year.
 - iv. If the audited revenue in that financial year exceeds VND429,160,000,000, the rent for that financial year shall be an amount equal to six percent (10%) of the audited revenue in that financial year.
- g. On 2 March 2015, in a shareholders general meeting, the shareholders approved various resolutions to amend the charter of THE, resignation of Members of the Board of Management and the Board of Directors, appointment of Members of the Board of Management and the Board of Directors, appointment of legal representative, and appointment of bank signatories.

Thien Huong Investment Company Limited (THI)

In January 2015, the credit facilities with Eximbank were liquidated and the corresponding mortgages on certain assets of the owners were released accordingly.

On 9 February 2015, HSBC confirmed the termination of the general credit facility and the release of the related pledge representing certain cash deposits.

39 Approval of the combined financial statement

The combined financial statements were approved for issuance by the members of the Boards of Directors of the combined entities on 22 May 2015.

/s/ Graeme Robert Halder

Graeme Robert Halder
Director

/s/ George Rosales

George Rosales
Chief Financial Officer

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Report of Independent Certified Public Accountants

on the combined financial statements of The British International School Company Limited, Thien Huong Education Joint Stock Company and Thien Huong Investment Company Limited for the year ended 30 June 2014

**To: The Boards of Directors
British International School Company Limited
Thien Huong Education Joint Stock Company and
Thien Huong Investment Company Limited**

We have audited the accompanying combined financial statements of The British International School Company Limited, Thien Huong Education Joint Stock Company and Thien Huong Investment Company Limited (hereafter collectively referred as “the BIS Group”), which comprise the combined balance sheet as of 30 June 2014, and the related combined statement of income and cash flows for the year then ended, and the related notes to the combined financial statements .

Boards of Management’s joint responsibility for the combined financial statements

The Boards of Management are responsible for the preparation and fair presentation of these combined financial statements in accordance with Vietnamese Accounting Standards and System and in compliance with the relevant requirements on preparation and presentation of the financial statements ; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion .

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the BIS Group as of 30 June 2014, and the result of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards and System and relevant requirements on preparation and presentation of the financial statements in the Socialist Republic of Vietnam.

Other matters

The accompanying combined financial statements of the BIS Group as at and for the year ended 30 June 2013 were not audited, reviewed, or compiled by us, and accordingly, we do not express an opinion or any other form of assurance on them.

As mentioned in Note 3 — Accounting Framework, the combined interim financial statements have been prepared in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System which vary in certain significant respect from U.S. generally accepted accounting principles.

GRANT THORNTON (VIETNAM) LIMITED

/s/ Alan Villasanta Dy

Alan Villasanta Dy

Auditor's Certificate No 2229-2014-068-1

Audit Partner and Deputy General Director

Ho Chi Minh City, Vietnam

22 May 2015

Combined balance sheet

	Notes	Code	30 June 2014 VND	30 June 2013 VND (Unaudited)
ASSETS				
Current assets		100	423,822,078,769	432,408,425,877
Cash		110	83,931,131,031	73,077,632,874
Cash	8	111	45,931,131,031	38,577,632,874
Cash equivalents	8	112	38,000,000,000	34,500,000,000
Short term investments		120	12,000,000,000	52,000,000,000
Other short-term investments	9	128	12,000,000,000	52,000,000,000
Accounts receivable		130	24,872,934,362	29,908,440,052
Trade accounts receivable		131	1,240,628,468	654,207,292
Prepayments to suppliers	10	132	22,607,333,906	21,729,812,271
Other receivables		135	1,082,943,988	7,524,420,489
Provision for short term doubtful debts		139	(57,972,000)	—
Inventories		140	5,745,368,030	263,068,570
Inventories		141	5,745,368,030	263,068,570
Other current assets		150	297,272,645,346	277,159,284,381
Short term prepaid expenses		151	7,616,425,172	4,722,872,564
Value added tax to be reclaimed		152	1,464,746,293	1,420,710,083
Taxes and amounts receivable from the State Budget		154	113,369,186	236,876,425
Other current assets	11	158	288,078,104,695	270,778,825,309

The accompanying notes are an integral part of these statements

	Notes	Code	30 June 2014 VND	30 June 2013 VND (Unaudited)
Non-current assets		200	865,480,223,721	831,384,228,758
Long term receivables		210	3,405,179,139	4,491,618,524
Other long- term receivables		218	3,405,179,139	4,491,618,524
Fixed assets		220	326,333,631,369	436,848,680,242
Tangible fixed assets	12	221	318,042,618,145	357,049,040,564
- <i>Historical cost</i>		224	399,206,988,001	440,274,594,278
- <i>Accumulated depreciation</i>		225	(81,164,369,856)	(83,225,553,714)
Intangible fixed assets		227	4,997,081,788	4,637,767,905
- <i>Historical cost</i>		228	8,674,609,760	7,552,145,609
- <i>Accumulated amortisation</i>		229	(3,677,527,972)	(2,914,377,704)
Construction in progress	13	230	3,293,931,436	75,161,871,773
Long- term investments		250	25,500,000,000	—
Investment in subsidiary	14	251	25,500,000,000	—
Other non-current assets		260	510,241,413,213	390,043,929,992
Long term prepaid expenses	15	261	72,854,824,513	45,267,811,050
Deferred tax assets		262	837,884,758	—
Other non-current assets	16	268	436,548,703,942	344,776,118,942
		270	1,289,302,302,490	1,263,792,654,635

The accompanying notes are an integral part of these statements

	Notes	Code	30 June 2014 VND	30 June 2013 VND (Unaudited)
RESOURCES				
Liabilities		300	806,716,182,395	761,946,011,542
Current liabilities		310	547,658,244,350	427,035,005,627
Short term borrowings and debts	17	311	365,255,450,234	267,422,285,277
Trade accounts payable	18	312	18,684,891,592	14,503,676,886
Advances from customers		313	92,564,281,252	91,506,675,949
Taxes and amounts payable to the State Budget	19	314	39,324,971,018	22,211,003,850
Payables to employees		315	174,030,293	78,228,478
Accrued expenses payable	20	316	19,872,821,229	9,765,435,846
Payable to related parties	32	317	—	13,991,013
Other payables	21	319	11,781,798,732	21,533,708,328
Long- term liabilities		330	259,057,938,045	334,911,005,915
Other long-term liabilities	21	333	43,355,788,953	26,348,821,202
Long- term borrowings and debts	22	334	189,679,960,000	290,551,476,000
Provision for severance allowance		336	26,022,189,092	18,010,708,713
Owners' equity				
Capital sources and funds		410	482,586,120,095	501,846,643,093
Paid-in capital	23	411	364,295,031,393	364,295,031,393
Foreign currency translation differences	23	416	7,341,448,727	7,341,448,727
Retained earnings	23	420	110,949,639,975	130,210,162,973
		440	1,289,302,302,490	1,263,792,654,635

22 May 2015

/s/ Graeme Robert Halder

Graeme Robert Halder
Director

/s/ George Rosales

George Rosales
Chief Financial Officer

The accompanying notes are an integral part of these statements

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Combined statement of income

	Notes	Code	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Gross sales	25	01	1,046,692,040,938	866,489,849,527
Less sale deductions:		02	(272,728)	(218,366,000)
Net sales		10	1,046,691,768,210	866,271,483,527
Cost of sales	26,30	11	(584,802,979,545)	(461,446,089,249)
Gross profit		20	461,888,788,665	404,825,394,278
Income from financial activities	27	21	10,609,028,297	16,736,756,821
Expenses from financial activities	28	22	(32,318,758,377)	(20,546,047,374)
<i>Including: interest expense</i>		23	(30,657,590,152)	(18,999,317,690)
Selling expenses	30	24	(5,527,155,586)	(8,374,022,535)
General and administrative expenses	29,30	25	(194,589,421,180)	(169,240,279,670)
Operating profit		30	240,062,481,819	223,401,801,520
Other income		31	107,164,101	1,155,451,358
Other expenses		32	(10,891,453,898)	(429,849,774)
Other (loss)/ profit		40	(10,784,289,797)	725,601,584
Profit before tax		50	229,278,192,022	224,127,403,104
Corporate income tax	31	51	(31,383,472,169)	(25,600,472,022)
Deferred corporate income tax	31	52	837,884,758	—
Net profit		60	198,732,604,611	198,526,931,082

22 May 2015

/s/ Graeme Robert Halder

/s/ George Rosales

Graeme Robert Halder
Director

George Rosales
Chief Financial Officer

The accompanying notes are an integral part of these statements

Combined statement of cash flows

	Code	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Cash flows from operating activities			
Profit before tax	01	229,278,192,022	224,127,403,104
<i>Adjustments for:</i>			
Depreciation and amortisation	02	25,365,635,273	27,986,094,293
Changes in provisions	03	57,972,000	(526,644,800)
Unrealised loss from foreign exchange differences	04	1,576,307,453	436,174,331
Loss/ (gain) from disposal of fixed assets	05	9,771,998,630	(5,782,597,881)
Interest expenses	06	30,657,590,152	18,999,317,690
Interest income	07	(10,540,502,574)	(10,637,816,421)
Operating profit before adjustments to working capital	08	286,167,192,956	254,601,930,316
Changes in accounts receivable	09	(9,496,143,631)	(7,833,588,317)
Changes in inventory	10	(5,482,299,460)	(263,068,570)
Changes in accounts payable	11	39,897,443,332	25,595,196,772
Changes in prepaid expenses	12	20,499,997,235	(1,717,761,124)
Interest paid	13	(38,424,590,928)	(49,634,375,542)
Corporate income tax paid	14	(26,184,315,872)	(22,625,506,198)
Other cash inflows from operating activities	15	9,447,010,243	25,450,339,753
Other cash outflows from operating activities	16	(633,506,290)	(1,311,232,027)
Cash generated from operating activities	20	275,790,787,585	222,261,935,063

The accompanying notes are an integral part of these statements

Combined statement of cash flows (Continued)

	Code	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Cash flows from investing activities			
Acquisitions of fixed assets	21	(38,465,648,337)	(73,447,263,653)
Proceeds from disposal of fixed assets	22	62,862,500,000	117,600,000
Purchases of short-term investments	23	(25,500,000,000)	(52,000,000,000)
Proceeds from disposal of short-term investments	24	40,000,000,000	—
Purchase of long-term investments	26	—	(1,500,000,000)
Interest received	27	10,540,502,574	16,396,189,302
Rental deposits	29	(91,754,000,000)	(5,500,000,000)
Net cash outflows from investing activities	30	(42,316,645,763)	(115,933,474,351)
Cash flows from financing activities			
Capital contributions	31	—	15,000,000,000
Loan proceeds	33	385,529,115,769	283,584,381,893
Debt repayments	34	(390,142,640,812)	(214,689,036,393)
Dividends paid	36	(218,007,118,622)	(185,005,996,149)
Net cash outflows from financing activities	40	(222,620,643,665)	(101,110,650,649)
Net increase in cash	50	10,853,498,157	5,217,810,063
Cash and cash equivalents at beginning of the year	60	73,077,632,874	67,643,674,368
Effects of changes in foreign exchange rates	61	—	216,148,443
Cash and cash equivalents at end of the year	70	83,931,131,031	73,077,632,874

22 May 2015

/s/ Graeme Robert Halder

Graeme Robert Halder
Director

/s/ George Rosales

George Rosales
Chief Financial Officer

The accompanying notes are an integral part of these statements

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Notes to the combined financial statements

1 Nature of operations of the companies

The British International School Company Limited

The British International School Company Limited (“BIS HCMC”) formerly known as British International School, was established in the Socialist Republic of Vietnam on 7 November 2001 as a joint venture between BIS Ltd., a company incorporated in the British Virgin Islands, and Thien Huong Company Ltd., for a period of 20 years pursuant to Investment Licence No. 2231/GP issued by the Ministry of Planning and Investment.

BIS HCMC changed its name to The British International School Company Limited and increased its charter capital to US\$1,500,000 and extended the period of operations to 50 years in accordance with the new Investment Licence No. 411022000066 dated 14 May 2007 issued by the People’s Committee of Ho Chi Minh City.

The principal activities of BIS HCMC are to provide educational services at kindergarten, primary, secondary and high school levels to foreign and overseas Vietnamese children; to provide pilot educational services at kindergarten, primary, secondary and high school levels to Vietnamese children and to provide Management Consulting service for education from foundation to high school level.

As at 30 June 2014, BIS HCMC operates 3 campuses in Ho Chi Minh City as follows:

- An Phu 1 Campus - Fundino and Primary: located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2;
- An Phu 2 Campus - Secondary: located at 246 Nguyen Van Huong Street, Thao Dien Ward, District 2; and,
- Tu Xuong Campus - Primary: located at No. 43-45, Tu Xuong Street, Ward 7, District 3.

As at 30 June 2014, the BIS HCMC had 500 employees, including 16 managers (30 June 2013: 479 employees, including 16 managers).

Thien Huong Education Joint Stock Company

Thien Huong Education Joint Stock Company (“THE”) was established as a joint stock company pursuant to Business Registration Certificate No. 4103013677 dated 15 June 2009 and other amended certificates thereafter with the latest one dated 21 August 2013 granted by the Department of Planning and Investment of Ho Chi Minh City.

THE’s head office and the campus are located at no. 44-46 Street 1, Binh Hung Ward, Binh Chanh District, Ho Chi Minh City, Vietnam.

In accordance with the business registration certificate, THE's principal activities are to provide education and services related to education.

As at 30 June 2014, THE had 168 employees (30 June 2013: 146).

Thien Huong Investment Company Limited

Thien Huong Investment Company Limited ("THI"), formerly known as Thien Huong Investment Joint Stock Company, was established on 08 August 2008 pursuant to Investment Certificate No. 011032000098 issued by the People's Committee of Hanoi City for a period of 50 years. It was converted into a limited liability company pursuant to Investment Certificate No. 011022002138 dated 30 October 2013 issued by the People's Committee of Hanoi City.

The THI's head office is located at Area A, Tay Mo Professional and Vocational Training School Complex, Tay Mo Ward, NamTu Liem District, Hanoi City.

In accordance with the business registration certificate, the THI's principal activities include the provision of: education services (Kindergarten, Primary, Secondary and High school); bilingual education on a pilot basis for students in kindergarten, primary, secondary and high school; providing teachers, students and parents with services such as entertainment, sports, commercial centres; providing parents with house leasing services and catering services within the International Educatown complex.

As at 30 June 2014, THI had 7 employees (30 June 2013: 3 employees).

Project Management Office "British International School — Hanoi"

Project Management Office "British International School — Hanoi" ("BIS HN"), formerly known as the Project Management Office "British Vietnamese International School- Hanoi", is a Business Cooperation Contract between Sai Dong Urban Development & Investment Joint Stock Company and Thien Huong Investment Company Limited pursuant to Investment Certificate No. 01124001559 dated 22 March 2012 issued by the People's Committee of Hanoi City and other amended certificates thereafter with the latest one dated 11 March 2014 issued by the People's Committee of Hanoi City.

BIS HN's project office and campus are located at Lot H3 — H4 Urban Ecology Vincom Village, Long Bien District, Hanoi City.

In accordance with the investment certificate, the principal activities of BIS HN include the provision of: education services for kindergarten, primary, secondary and high school for children of foreigners, overseas Vietnamese living in Vietnam and Vietnamese students; bilingual education (English — Vietnamese according to the curriculum and diplomas of the Ministry of Education of the United Kingdom); providing teachers, students and parents with boarding services for students, sports, food services, school bus, uniform, books and learning tools.

As at 30 June 2014, BIS HN had 155 employees.

Project Management Office "British Vietnamese International School — Royal City Campus"

Project Management Office "British Vietnamese International School — Royal City Campus" ("BVIS HN") is a Business Cooperation Contract between Royal City Real Estate Development & Investment Joint Stock Company and Thien Huong Investment Company Limited pursuant to Investment Certificate No. 01124001890 dated 6 November 2012 issued by the People's Committee of Hanoi City.

BVIS HN's project office and campus are located at 72 Nguyen Trai Street, Thuong Dinh Ward, Thanh Xuan District, Hanoi City.

In accordance with the investment certificate, the principal activities of BVIS HN include the provision of: education services for kindergarten, primary, secondary and high school for children of foreigners, overseas Vietnamese living in Vietnam and Vietnamese students; bilingual education (English — Vietnamese according to the curriculum and diplomas of the Ministry of Education of the United Kingdom); providing teachers, students and parents with boarding services for students, sports, food services, school bus, uniform, books and learning tools.

As at 30 June 2014, BVIS HN had 104 employees.

Revenue sharing

According to the BIS HN's business license, Sai Dong Urban Development & Investment Joint Stock Company is entitled to a 15% share of BIS HN's revenue commencing from 1 July 2013.

According to the BVIS HN's business license, Royal City Real Estate Development & Investment Joint Stock Company is entitled to a 15% share of the BCC's revenue commencing from 1 July 2014.

BIS HN and BVIS HN accounts for their respective revenue and expenses in operating the schools. For statutory reporting purposes, the revenues and expenses are consolidated with the accounts of THI.

Revenue sharing to Sai Dong Urban Development & Investment Joint Stock Company and Royal City Real Estate Development & Investment Joint Stock Company is deducted directly from revenue of BIS HN and BVIS HN.

Financial position accounts

BIS HN and BVIS HN own their respective assets and all their respective liabilities are payable by the schools. For statutory reporting purposes, the assets and liabilities of BIS HN and BVIS HN are consolidated into the accounts of THI. The respective accounts and balances of BIS HN and BVIS HN are included in the accompanying combined financial statements.

2 Fiscal year and currency

Fiscal year

The BIS Group's fiscal year starts on 01 July and ends on 30 June of the following year.

Currency and foreign exchange

The combined financial statements are prepared in Vietnamese Dong ("VND").

3 Accounting framework

The combined financial statements have been prepared in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System, and relevant statutory requirements of the Ministry of Finance ("VAS"), which may differ in some material respects from the generally accepted accounting principles and standards of the country of the reader.

Although there is no specific guidance under VAS with respect to combination of financial statements of entities under common control or which do not form a Group relationship, the Boards of Directors considered VAS's conceptual framework and use their own judgment in the development of accounting policies with respect to the presentation of the combined financial statements of the BIS Group as described in Note 4.

4 Basis of preparation of the combined financial statements

Basis of preparation of the combined financial statements

The purpose of the preparation of the combined financial statements comprising the accounts of The British International School Company Limited, Thien Huong Education Joint Stock Company, Thien Huong Investment Company Limited is due to a change in management and control from 1 January 2015, which led to the change in legal ownership on 2 March 2015. For purposes of statutory filings of the ultimate parent company after the change in ownership, there was a need to carve out the accounts of the various businesses affected by the change in ownership which are principally those entities operating certain educational institutions. All the other companies under the common control of the Owners were excluded in the combined financial statements and all transactions and balances with those other entities are disclosed in the combined financial statements as transactions with related parties. The entities included in the combined financial statements are owned by various entities representing the various indirect beneficial ownerships of Mr. and Mrs. Nguyen Duc Hinh (the “Owners”). For purposes of determining common control, all the various indirect beneficial ownerships of the Owners in the combined entities were taken as a whole and were made as the basis of their full ownerships of the entities included in the combined financial statements. Therefore certain entities with direct or indirect ownerships in the entities included in the combined financial statements are referred to as related parties in the combined financial statements instead of shareholders’.

The combined financial statements have been prepared by combining the financial statements of The British International School Company Limited, Thien Huong Education Joint Stock Company, Thien Huong Investment Company Limited. Thien Huong Investment Company Limited is the partner to the BCC contracts that operates BIS HN and BVIS HN and the accounts of the aforementioned BCC’s are included in the combined financial statements through the inclusion of Thien Huong Investment Company Limited. In the combined financial statements all assets and liabilities, equity accounts and revenues and expenses were combined and all inter-company transactions and balances were eliminated.

5 Accounting policies

5.1 Foreign exchange

The Group’s reporting currency is the VND. Transactions arising in currencies other than the reporting currency are translated at the prevailing exchange rates at transaction dates. Monetary assets and liabilities denominated in currencies other than the reporting currency are translated at the prevailing exchange rates at the balance sheet date. Translation gains and losses and expenses relating to foreign exchange transactions arising thereafter are recorded in the statement of income.

During the construction stage of fixed assets, foreign exchange differences arising from the settlement of foreign currency monetary items used in the construction of said asset are recorded in owner’s equity. When the construction work is completed and the fixed assets are ready for its intended use, the foreign exchange differences arising during the construction phase are reclassified to its proper account in the balance sheet and amortised or recognised in the statement of operations over a maximum period of five years.

5.2 Estimates

The preparation of combined financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5.3 Cash and cash equivalents

Cash and cash equivalents include cash at bank and cash on hand as well as short term highly liquid investments such as money market instruments and bank deposits with original maturity terms of not more than three months .

5.4 Other short term investments

Pertain to other short term bank deposits with original maturity terms of more than three months .

5.5 Accounts receivable

Accounts receivable are carried at invoice value less a provision for doubtful debts at an amount that reflects the extent to which it is estimated that the accounts will not be collected in full.

5.6 Short term prepaid expense

Short term prepaid expenses represent pre-payments pertaining to prepaid expenses for periods less than one year. These expenses are amortised on a straight line basis over the prepayment term.

5.7 Inventories

Inventories are accounted for using the perpetual method. Cost is accounted for under the weighted average basis and valued at the lower of cost and net realizable value. Cost of inventory is composed of purchase costs and related costs. Net realizable value comprises the estimated sales proceeds less estimated selling expenses. A provision for decline in inventory value is recorded where cost exceeds net realizable value.

5.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

Cost

The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statement of income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of a tangible fixed asset beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of tangible fixed asset.

Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of items of tangible fixed assets. The estimated useful lives are as follows:

Buildings and structures	08 - 50 years
Leasehold improvements	10 years
Machinery and equipment	08 - 10 years
Motor vehicle	08 - 10 years
Office and other equipment	03 – 10 years
Others	04 – 10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of tangible fixed assets.

5.9 Intangible fixed assets

Intangible fixed assets are initially recognised at cost. The cost of intangible fixed asset is the total amount of expense incurred by the BIS Group to acquire an asset at the time the asset is considered ready its intended use.

Computer software

The cost of computer software, which is not an integral part of the related hardware, is amortised on a straight-line basis over the estimated useful lives of the assets which is estimated to be within 2-10 years.

5.10 Long-term investments

Investment in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Group's combined balance sheet, subsidiaries are carried at cost and are excluded from consolidation when there is evidence that the subsidiary is acquired with the intention to dispose of it within twelve months and that management is actively seeking a buyer.

The results of the subsidiaries are accounted for by the Group on the basis of dividends received and receivable at the balance sheet date.

5.11 Long-term prepaid expense

Repair and maintenance

Repair and maintenance expenses represent the costs of repair of campuses which do not satisfy the requirements for capitalization as fixed assets and these are amortised over periods of 2 to 3 years.

Tools and supplies

Tools and supplies represent tools and supplies put into use which are amortised over period of 2 to 3 years.

5.12 Financial instruments — presentation and disclosures

On 6 November 2009, the Ministry of Finance issued Circular 210/2009/TT-BTC providing guidance on the application of International Financial Reporting Standards ("IFRS") on the presentation and disclosure of financial instruments ("Circular 210") which is effective for the financial years beginning on or after 1 January 2011.

As Circular 210 only requires the presentation and disclosure of financial instruments in accordance with IFRS, recognition and measurement of these assets and liabilities on the BIS Group's combined financial statements are still in accordance with Vietnamese Accounting Standards and System.

Classification

In accordance with Circular 210, the BIS Group classifies its financial assets and financial liabilities in the following categories:

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For financial assets:

- financial assets at fair value through profit or loss ("FVTPL")
- held-to-maturity ("HTM") investments
- available-for-sale ("AFS") financial assets
- loans and receivables

For financial liabilities:

- financial liabilities at FVTPL
- other financial liabilities at the amortised cost

Fair value measurement and disclosure

In accordance with Circular 210, the BIS Group discloses fair values of financial assets and financial liabilities along with their corresponding book values and these are disclosed unless impacts are immaterial.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The BIS Group does not have any financial instruments traded on an active market. The fair values of financial instruments that are not traded in an active market are determined using valuation techniques.

5.13 Payables and accruals

Payables and accruals are recognised as amounts to be paid in the future for goods and services received, whether or not billed to the Group.

5.14 Employee benefits

Post employment benefits

Post employment benefits are paid to retired employees of the BIS Group by the Social Insurance Agency which is administered by the Ministry of Labour and Social Affairs. The BIS Group is required to contribute to these post employment benefits by paying the monthly social insurance premiums to the Social Insurance Agency at the rate of 17% (18% from 2014) of an employee's basic salary. The BIS Group has no further obligation to fund the post employment benefits of its employees, other than the liability to pay the monthly premiums to the Social Insurance Agency.

Provision for severance allowance

In accordance with Vietnamese Labour Laws and Law on Social Insurance, employees of the BIS Group are entitled to severance allowance based on their years of service payable by the BIS Group as a lump sum amount at the time the employees terminate their employment with the BIS Group. The employees shall not be entitled for job loss allowances or job severance allowances for the time they have been paying unemployment benefits as mentioned in *Unemployment benefits*.

The balance of the provision for severance allowance represents the estimated liability as a result of services rendered by employees. For Vietnamese employees, the provision is calculated on the basis of a half-month salary for each employee for each year of service with the BIS Group until 31 December 2008 based on basic salary levels at the balance sheet date. For Expatriate employees, the provision is calculated based on the specific contractual amount stated in the labour contracts.

Unemployment benefits

According to Circular No. 04/2009/TT-BLDTBXH which provides guidance to the implementation of Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the BIS Group is obliged to pay unemployment insurance equivalent to 1% of the employees basic salary and deduct 1% from the basic salary of each employee then simultaneously remit said amounts to the Unemployment Insurance Fund.

5.15 Revenue

Revenue from tuition fees is recognised in the statement of income when services are rendered or evenly over the school year/academic year which basically last approximately 10 months.

In compliance with Decision No. 15/2006/QD-BTC, tuition fees received in advance are initially recorded as advances from customers in the balance sheet. At the beginning of each school year, advances from customers are reclassified to unearned revenue.

Revenue from non-refundable registration fees received in advance is initially recorded as advances from customers in the balance sheet. At the beginning of each school year, said advances from customers are recognised in the statement of income. Non-refundable registration fees received during the year for the current academic year is recognised in the statement of income outright.

Revenue from non-refundable application fees from sale of books are recorded upon receipt.

Interest income is recorded on a time-proportion basis using the effective interest method.

5.16 Direct costs included in cost of sales

Direct costs consist principally of salary and benefits for school principals and teaching staff and lecturers employed, plus the costs of teaching materials as well as expenses for the provision of school lunches, bus services and athletics programmes. These costs are recognised as incurred or over the school year/academic year which correspond to the period over which educational services are being provided.

5.17 Operating leases

Leases wherein substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental payments applicable to such leases are recognized as expense on a straight-line basis over the term of the lease.

5.18 Provisions

A provision is recognised if, as a result of a past event, the BIS Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.19 Borrowing costs

Borrowing costs, comprising interest and related costs are recognized as an expense in the period in which they are incurred, except for borrowing costs relating to the acquisition of tangible fixed assets that are incurred during the period of construction and installation of the assets, which are capitalised as part of the cost of the related assets.

5.20 Income taxes

Current income tax assets and/or liabilities comprise obligations to, or claim from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. In addition, taxes losses are available to be carried forward as well as other income tax credits to the BIS Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted at the balance sheet date. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

5.21 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

5.22 Subsequent events

Post-year-end events that provide additional information subsequent to the balance sheet date to the date of issuance of the combined financial statements (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

5.23 Off-balance sheet items

Amounts which are defined as off-balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these financial statements.

6 Going concern assumptions

The financial statements of THE, which is included in these combined financial statements, have been prepared on a going-concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding the fact that THE has incurred accumulated losses of VND20,441,010,249 and has significant working capital deficiency of VND110,177,393,944 as at 30 June 2014.

The ability of THE to continue as a going concern depends on the continued financial support of its owners and ultimately dependent on the success of its future operations. An intermediate holding company has agreed to provide adequate funds for THE to meet its liabilities as they fall due. As such, the accompanying combined financial statements as at and for the year ended 30 June 2014 have been prepared assuming that THE will continue as a going concern for at least 12 months from the balance sheet date.

7 Rental contracts

BIS HCMC entered into various rental contracts with Thien Huong Co Ltd, a related party, as follows:

- Contract No. TH-BIS0108 dated 1 August 2002 and its annexes covering the lease of An Phu 1 Campus, located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City with an area of 6,164.15 m² together with the existing structures and fixtures for a period of 49 years and expiring on 7 November 2051;
- Contract No. TH-BIS2-05/HD dated 15 August 2005 and its annexes for the rental of An Phu 2 Campus, located at 246 Nguyen Van Huong, Thao Dien Ward, District 2, Ho Chi Minh City with an area of 11,654.75 m² together with the existing structures and fixtures for a period of 46 years and expires on 7 November 2051;

- Contract No. TH-BIS0207/HD.2007 dated 2 July 2007 and its annexes for the rental of Tu Xuong Campus at 43-45, Tu Xuong Street, Ward 7, District 3, Ho Chi Minh City with an area of 4,665 m² together with the existing structures and fixtures for a period of 30 years from 15 December 2007;
- Contract No. TH-BIS0109/HD.2009 dated 26 June 2009 and its annexes for the lease of An Phu 1 school, located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City with an area of 6,926 m² together with the existing structures and fixtures for a period of 42 years and expires on 7 November 2051;
- Contract No TH-BIS3107.07/HD dated 31 July 2007 and its annexes provides for the lease of 36 apartments at Central Point located in 215 Nguyen Van Thu Street, Dakao Ward, District 1, Ho Chi Minh City for a period of 4 year from 30 June 2010;
- Contract No. TH-BIS0111/HD.2011-AP2MR dated 8 June 2011 and its annexes for the lease of An Phu 2 Campus, located at 246 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City which includes a 5 storey building with an area of 5,016.38 m² and the walking overpass connecting the school located at An Phu 1 (225 Nguyen Van Huong Street) and at An Phu 2 (246 Nguyen Van Huong Street) for a period of 40 years and expires on 7 November 2051; and,
- Contract No. TH — BIS0112/HD.2012-IP dated 31 July 2012 and its annexes provides for the lease of 38 apartments at Imperia An Phu located in Lot 5, An Phu Ward, District 2, Ho Chi Minh City, for the period of 3 years from 1 August 2012.

The rental fees are reviewed annually. All utility charges and repairs and maintenance are for the account of BIS HCMC.

THE entered into rental contract with Thien Huong Co Ltd with contract No. TH — GDTH/0112/HD.2012-IP dated 31 July 2012 and its annexes which covers the lease of 11 apartments at Imperia An Phu located in Lot 5, An Phu Ward, District 2, Ho Chi Minh City, for the period of 5 years from 1 August 2012.

8 Cash and cash equivalents

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Cash on hand	691,364,695	351,925,434
Cash in bank	45,239,766,336	38,225,707,440
	45,931,131,031	38,577,632,874
Cash equivalents	38,000,000,000	34,500,000,000
	83,931,131,031	73,077,632,874

Cash and cash equivalents at 30 June include foreign currencies as follows:

	30 June 2014	30 June 2013 (Unaudited)
In original foreign currencies:		
- United states dollars (USD)	685,861	393,768

9 Other short-term investments

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Deposits at HSBC Bank (Vietnam) Ltd (“HSBC”)	<u>12,000,000,000</u>	<u>52,000,000,000</u>
	<u>12,000,000,000</u>	<u>52,000,000,000</u>

Other short-term investments represent time deposits which will mature in 6 months. The said time deposits earn interest at the rate of 4.04% per annum (2013: 8.2%-8.8% per annum).

10 Prepayments to suppliers

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Prepayments to local suppliers	<u>14,555,597,400</u>	<u>18,387,643,997</u>
Prepayments to overseas suppliers	<u>8,051,736,506</u>	<u>3,342,168,274</u>
	<u>22,607,333,906</u>	<u>21,729,812,271</u>

Prepayments to suppliers represent the advance payments for purchases of teaching equipment and tools, and for the renovation of school facilities.

11 Other current assets

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Advances for acquisition of land use rights (*)	<u>282,378,746,040</u>	<u>265,828,567,595</u>
Short-term deposits	<u>4,580,864,179</u>	<u>3,652,760,397</u>
Advances to employees	<u>1,118,494,476</u>	<u>1,297,497,317</u>
	<u>288,078,104,695</u>	<u>270,778,825,309</u>

(*) This represents the advances to Tu Liem Land Development Center for the compensation, support, resettlement and site clearance for the International Educatown Project in Tay Mo Ward. This project was subsequently carve out and spun off to a new entity in August 2014 (Note 37).

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12 Tangible fixed assets

	Building and structures VND	Leasehold improvements VND	School and office equipment and furniture VND	Motor vehicle VND	Others VND	Total VND
Historical cost						
30 June 2013 - unaudited	245,184,601,135	12,158,876,765	160,992,623,794	16,159,718,769	5,778,773,815	440,274,594,278
Acquisitions	2,487,553,800	6,065,163,754	20,363,049,704	9,524,860,540	1,320,281,300	39,760,909,098
Disposals	—	—	(458,431,471)	(30,250,000)	(2,885,004)	(491,566,475)
Transferred to prepaid expenses	—	(305,953,277)	(77,226,788,756)	—	(2,804,206,867)	(80,336,948,900)
30 June 2014	<u>247,672,154,935</u>	<u>17,918,087,242</u>	<u>103,670,453,271</u>	<u>25,654,329,309</u>	<u>4,291,963,244</u>	399,206,988,001
Fully depreciated	—	226,212,878	5,964,193,507	1,878,296,280	—	8,068,702,665
Accumulated depreciation						
30 June 2013 - unaudited	(19,297,767,475)	(3,597,328,845)	(55,880,475,820)	(4,229,193,821)	(220,787,753)	(83,225,553,714)
Depreciation for the year	(9,994,689,120)	(1,617,699,064)	(10,181,826,842)	(2,282,404,490)	(428,551,162)	(24,505,170,678)
Disposals	—	—	105,373,572	—	—	105,373,572
Transferred to prepaid expenses	—	149,891,438	26,311,089,526	—	—	26,460,980,964
30 June 2014	<u>(29,292,456,595)</u>	<u>(5,065,136,471)</u>	<u>(39,645,839,564)</u>	<u>(6,511,598,311)</u>	<u>(649,338,915)</u>	(81,164,369,856)
Net book value						
30 June 2013 - unaudited	225,886,833,660	8,561,547,920	105,112,147,974	11,930,524,948	5,557,986,062	357,049,040,564
30 June 2014	218,379,698,340	12,852,950,771	64,024,613,707	19,142,730,998	3,642,624,329	318,042,618,145

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13 Construction in progress

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Opening balance	75,161,871,773	7,047,185,683
Additions	—	68,542,307,019
Transferred to fixed assets	—	(123,176,489)
Disposal (*)	(71,867,940,337)	—
Write offs	—	(304,444,440)
Closing balance	<u>3,293,931,436</u>	<u>75,161,871,773</u>

(*) This relates to the payments for the compensation and site clearance of the parcel of land in Go Dua Ward, Thu Duc District, Ho Chi Minh City. The project was later on transferred to Vietnam Living Joint Stock Company, a subsidiary, for the consideration of VND 62,862,500,000 (Note 37).

14 Investment in a subsidiary

This represents THE's 51% interest in Vietnam Living Joint Stock Company ("Vietnam Living"). The subsidiary's purported business activity is to construct and operate a nursing home on the parcel of land in Go Dua Ward, Thu Duc District, Ho Chi Minh City which was originally being acquired by THE and then subsequently transferred to Vietnam Living. The investment was temporarily made through THE to facilitate the procurement of the necessary business licenses and pending the establishment of a more permanent ownership and operating structure and as such, THE's Management did not consolidate Vietnam Living to THE's accounts due to such temporary arrangement. THE subsequently disposed said interest on 2 December 2014 (Note 37).

15 Long-term prepaid expenses

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Opening balance	45,267,811,050	44,384,231,128
Additions	35,213,334,113	31,014,775,054
Transferred to short term prepaid expenses	(994,358,746)	—
Transferred from fixed assets	51,346,816,539	—
Disposal	(586,363,635)	—
Amortisation	(57,392,414,808)	(30,131,195,132)
Closing balance	<u>72,854,824,513</u>	<u>45,267,811,050</u>

The details of the long-term prepaid expenses are as follows:

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Repair and maintenance	645,665,391	301,723,524
Tools and supplies	60,992,915,817	18,429,565,019
Others	11,216,243,305	26,536,522,507
	<u>72,854,824,513</u>	<u>45,267,811,050</u>

16 Other non-current assets

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Long-term deposit	436,548,703,942	344,776,118,942

Other non-current assets represent:

- Rental deposits amounting to VND 426,198,118,942 (2013: VND 334,444,118,942) (Note 32) placed with Thien Huong Co., Ltd. Said deposits covers various lease agreements for various school facilities and premises of BIS HCMC (see Note 7). The advances will be applied as rental fees towards the end of the lease terms. Pursuant to the amended lease agreement dated 31 December 2014, the rental deposits shall be partially offset against rental payments from 1 September 2018 until the balance is reduced equivalents to 2 years of the rental fees.
- Deposit for implementing Business Cooperation Contracts placed with the parties to the two BCCs in relation to BIS HN and BVIS HN amounting to VND 10,270,000,000 (2013: VND 10,270,000,000).

17 Short- term borrowings and debts

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Loan from HSBC Bank (Vietnam) Ltd (HSBC)	—	72,262,385,532
Loan from Standard Chartered Bank (a)	169,980,000,000	—
Loan from VID Public Bank (b)	85,584,042,794	119,046,603,637
Loan from VID Public Bank — overdraft	—	11,012,325,054
Loan from Eximbank (c)	64,754,607,440	14,023,291,054
Current portion of long term debts (Note 22)	44,936,800,000	51,077,680,000
	365,255,450,234	267,422,285,277

(a) The loan from Standard Chartered Bank represent a short term credit facility with a credit limit of USD 5,000,000 and VND 63,480,000,000 granted to BIS HCMC. The loan bear interest at the rate of 1.5% per annum for USD loans and 7.0% per annum for VND loans. This loan is secured by a mortgage over properties known as Lot No. 910, map No. 1 An Phu village, Thao Dien Ward, District 2, Ho Chi Minh City which are owned by Thien Huong Co Ltd, a related party.

(b) This short term credit facility has a credit limit of US\$4,000,000 which can be withdrawn in both USD and VND, and intended to finance the acquisitions of school equipment and augment the BIS HCMC's working capital. The loan bear interest at the higher of SIBOR (for respective tenor) plus 1.5% per annum or fixed deposit rate (for respective tenor). Overdue amounts are subject to interest at 1.5 times of the prevailing interest rate and overdue interest is subject to additional overdue interest charge of 5%. The loan is secured by a mortgage over the properties known as An Phu 1 Campus located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City which are owned by Thien Huong Co Ltd, a related party. During the year, the borrowings in VND bear interest at the rate of 10% per annum while the borrowings in USD bear interest at the rate of 3.5% per annum.

This also includes short term credit facility of VND25,000,000,000 granted to THI to finance the working capital requirements of BVIS HN. The loan bears interest at 8% per annum. The loan is secured by a mortgage over the 3-storey Gym and canteen, library, basket field, football field and other infrastructures (including the Land use right of 6,719.4 m²) located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City which are owned by Thien Huong Co., Ltd.

- (c) This short term credit facility has a credit limit of VND20,000,000,000 granted to THI to finance the working capital requirements of BIS HN. The loan bears interest at 7.8% per annum. The loan is secured by a mortgage over 10 apartments in Sai Gon View Residences, located at 117 Nguyen Cuu Van Street, Ward 17, Binh Thanh District, Ho Chi Minh City owned by Hieu Duc Joint Stock Company, a related party under common control.

This also includes short term credit facilities of VND40,000,000,000 and VND20,000,000,000 granted to THE. The loans bears interest from 7.5% to 8% per annum. The loan is secured by a mortgage over certain apartments units in Saigon Riverview located at 117 Nguyen Cuu Van Street, Ward 17, Binh Thanh District, Ho Chi Minh City owned by Hieu Duc Joint Stock Company, a related party under common control.

The summary of the interest expense incurred is as follows:

Bank	Year ended 30 June 2014		Year ended 30 June 2013 (Unaudited)	
	Interest rate %	Interest expenses VND	Interest rate %	Interest expenses VND
HSBC Bank (Vietnam) Ltd - VND	7.00% - 9.00%	1,926,427,968	7.00% - 8.60%	4,501,466,373
HSBC Bank (Vietnam) Ltd - USD	3.50%	4,944,736	0.00%	—
Standard Chartered Bank - VND	7.00% - 9.50%	14,631,318,901	3.89% -10.25%	8,093,410,383
Standard Chartered Bank - USD	3.75%	4,202,756,250	0.00%	—
VID Public Bank — VND	8.00% - 10.00%	3,799,579,309	9.00% - 10.00%	3,181,885,511
VID Public Bank - USD	4.50%	3,131,076,171	4.50%	3,222,555,423
Eximbank — VND	7.80% - 8.00%	2,961,486,817	0.00%	—
		30,657,590,152		18,999,317,690

18 Trade accounts payable

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Payable for management fees (Note 32)	7,010,823,508	7,937,570,350
Others	11,674,068,084	6,566,106,536
	18,684,891,592	14,503,676,886

19 Taxes and amounts payable to State Budget

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Value added tax	1,326,414,104	5,925,919
Corporate income tax	20,920,423,958	16,068,400,753
Personal income tax	17,039,280,708	6,137,678,054
Others	38,852,248	(1,000,876)
	39,324,971,018	22,211,003,850

20 Accrued expenses

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Professional fee	220,000,000	210,000,000
13th month salary	2,186,747,661	3,333,121,927
Loan interest	2,724,779,827	1,009,067,105
Utilities	3,179,180,498	1,003,196,149
Taxes	1,231,596,401	1,064,937,578
Management fee (Note 32)	—	2,520,000,000
Revenue sharing to parties in the BCC (Note 1)	9,583,828,939	—
Others	746,687,903	625,113,087
	19,872,821,229	9,765,435,846

21 Other payables

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Refundable security deposit (*)	7,651,021,580	4,649,791,977
Social, health and unemployment insurance	705,073,558	269,051,924
Payables to related party (Note 32)	—	14,250,000,000
Others	3,425,703,594	2,364,864,427
	11,781,798,732	21,533,708,328

(*) This pertains to the current portion of the deposits made by pupils and said deposits are supposed to be returned to them when they leave the school. The balance amounting to VND43,355,788,953 (2013: VND26,348,821,202) is presented under other long-term liabilities.

22 Long-term borrowings and debts

	30 June 2014 VND	30 June 2013 VND (Unaudited)
Loan from VID Public Bank (a)	34,616,760,000	54,118,156,000
Loan from Standard Chartered Bank (b)	175,000,000,000	256,211,000,000
Less: Current portion of long-term borrowings and debts (Note 17)	(19,936,800,000)	(19,777,680,000)
	189,679,960,000	290,551,476,000

(a) This long-term loan from VID Public Bank represents a long-term credit facility granted to BIS HCMC with a credit limit of US\$5,000,000 to finance the lease of school facilities and rental deposits. The credit facility shall be subject to periodic/annual review and all drawings are payable in twenty-three (23) equal quarterly instalments starting on 31 August 2010. The loan bear interest at the higher of SIBOR (6 months) plus 2% per annum or fixed deposit rate (6 months) plus 2% per annum. Overdue amounts are subject to interest at 1.5 times of the prevailing interest rate and overdue interest is subject to additional overdue interest charge of 5%.

The loan is secured by a mortgage over the properties known as An Phu 1 Campus located at 225 Nguyen Van Huong Street, Thao Dien Ward, District 2, Ho Chi Minh City which are owned by Thien Huong Co Ltd, a related party.

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(b) This pertains to THE's long-term loan from Standard Chartered Bank. The loan is for a period of 10 years and bore interest at rates ranging from 9.0% to 9.5% per annum. The loan is secured by the guarantee letter issued by BIS HCMC, certain assets of the Owners and certain assets of Thien Huong Co Ltd a related party, which include the land use rights and assets attached to those land use rights where the An Phu 1 and An Phu 2 campuses of BIS HCMC are located.

23 Owners' equity

	Paid-in capital VND	Retained earnings VND	Foreign currency translation difference VND	Total VND
01 July 2012 — unaudited	364,295,031,393	116,703,219,053	7,341,448,727	488,339,699,173
Net profit	—	198,526,931,082	—	198,526,931,082
Dividends	—	(185,019,987,162)	—	(185,019,987,162)
30 June 2013 — unaudited	364,295,031,393	130,210,162,973	7,341,448,727	501,846,643,093

01 July 2013 - unaudited	364,295,031,393	130,210,162,973	7,341,448,727	501,846,643,093
Net profit	—	198,732,604,611	—	198,732,604,611
Dividends	—	(217,993,127,609)	—	(217,993,127,609)
30 June 2014	364,295,031,393	110,949,639,975	7,341,448,727	482,586,120,095

(*) This pertains to the advances made for the acquisition of land use rights mentioned in Note 11. The carrying balance of this account as at August 2014 was removed as a result of the spun off of the related assets into a newly established entity.

Paid-in capital

	30 June 2014 VND	30 June 2013 VND (Unaudited)
The British International School Company Limited	23,595,031,393	23,595,031,393
Thien Huong Education Joint Stock Company	50,000,000,000	50,000,000,000
Thien Huong Investment Company Limited (net off contribution from The British International School Company Limited)	290,700,000,000	290,700,000,000
	364,295,031,393	364,295,031,393

As mentioned in Note 4, *Basis of preparation of the combined financial statements*, the various entities included in the combined financial statements are owned by Mr. and Mrs. Nguyen Duc Hinh and various entities which in turn are owned as well by Mr. and Mrs. Nguyen Duc Hinh. Such underlying common beneficial ownership was the basis for the preparation of the combined financial statements. The legal ownerships though are as presented below:

The British International School Company Limited

In accordance with the Business Registration Certificate No. 411022000066 BVIS HCMC's charter capital has been fully contributed by the shareholders as follows:

	Charter capital		Contribution as of 30 June 2014 USD	Equivalent VND
	USD	%		
BIS Ltd	1,050,000	70	1,050,000	16,516,522,000
Thien Huong Company Limited	450,000	30	450,000	7,078,509,393
	1,500,000	100	1,500,000	23,595,031,393

Thien Huong Education Joint Stock Company

In accordance with the Business Registration Certificate No. 4103013677 THE's shares capital have been fully contributed by the shareholders as follows:

	Registered charter capital		Contributed charter capital as at 30 June 2014
	VND	%	VND
Thien Huong Company Limited	45,000,000,000	90%	45,000,000,000
Ms Ngo Thu Thuy	2,500,000,000	5%	2,500,000,000
Mr Nguyen Duc Hinh	2,500,000,000	5%	2,500,000,000
			50,000,000,000
		Common shares Share	Amount VND
Authorised, issued and outstanding		5,000,000,000	50,000,000,000

Thien Huong Investment Company Limited

In accordance with the Business Registration Certificate No. 011022002138, THI's charter capital has been fully contributed by the shareholders as follows:

	Charter capital		Paid up as of 30 June 2014
	VND	%	VND
Thien Huong Company Limited	271,320,000,000	84	271,320,000,000
Oasis Development Management Company Limited	19,380,000,000	6	19,380,000,000
The British International School Company Limited	32,300,000,000	10	32,300,000,000
	323,000,000,000	100	323,000,000,000

24 Dividends

During the years ending 30 June 2014 and 2013, the BIS HCMC declared and paid dividends to investors based on the operating results of their respective immediately preceding years. The details of declaration and payments are as follows.

	Total VND
Dividends declared during the year ended 30 June 2013 — unaudited	185,019,987,162
Dividend paid during the year ended 30 June 2013 - unaudited	(185,005,996,149)
Dividends declared during the year ended 30 June 2014	217,993,127,609
Dividend paid during the year ended 30 June 2014	(218,007,118,622)

25 Revenue

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
By School		
BIS HCMC	729,950,301,704	651,608,938,397
BVIS HCMC	156,899,796,838	118,530,928,722
BIS HN	102,856,062,915	96,349,982,408
BVIS HN	56,985,879,481	—
	<u>1,046,692,040,938</u>	<u>866,489,849,527</u>
By services		
Tuition fees	988,546,892,496	808,355,126,838
Registration fees	45,072,694,112	46,515,662,184
Language classes	7,995,130,700	6,025,949,520
Sale of uniforms	1,003,106,543	1,067,590,304
Others	4,074,217,087	4,525,520,681
	<u>1,046,692,040,938</u>	<u>866,489,849,527</u>

26 Cost of services rendered

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Salaries and employee benefits	394,122,377,175	319,741,917,206
Housing and other allowances	49,225,134,966	29,513,152,442
Amortisation of long- term prepaid expenses	46,923,632,290	10,282,483,156
Depreciation	22,005,582,951	26,673,074,706
Supplies	17,568,736,896	16,255,818,129
Food and beverage	17,513,476,326	16,208,306,351
Travel expenses	12,505,095,409	10,967,526,267
Examination fees	3,850,765,573	3,422,036,252
Uniforms	3,820,347,063	3,114,996,127
CPD and training fees	2,931,480,394	2,308,818,682
Repairs and maintenance	2,428,836,260	3,346,990,747
Others	11,907,514,242	19,610,969,184
	<u>584,802,979,545</u>	<u>461,446,089,249</u>

27 Income from financial activities

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Interest income from bank deposits	10,540,502,574	16,445,308,642
Realised gain from foreign exchange differences	68,525,723	291,448,179
	<u>10,609,028,297</u>	<u>16,736,756,821</u>

28 Expenses from financial activities

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Interest expense	30,657,590,152	18,999,317,690
Realised loss from foreign exchange differences	84,860,772	1,079,047,853
Unrealised loss from foreign exchange differences	1,576,307,453	436,174,331
Others	—	31,507,500
	<u>32,318,758,377</u>	<u>20,546,047,374</u>

29 General and administration expenses

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Salaries and employee benefits	71,733,835,207	54,315,120,857
Rent	39,010,978,813	33,622,373,320
Housing and other allowances	11,125,552,621	6,968,939,383
Amortisation of pre-operating expenses	10,301,333,334	13,156,301,552
Electricity and water	6,296,046,317	5,428,735,165
Depreciation and amortisation	3,139,051,459	4,074,477,395
Supplies	3,041,640,429	1,310,576,972
Meals	2,563,512,103	1,689,395,136
Security	2,258,274,374	1,033,065,272
Fuel	2,105,579,429	1,537,417,336
Travel and transportation	1,413,571,445	1,197,742,762
Other outside services	3,643,748,613	8,141,700,053
Others	37,956,297,036	36,764,434,467
	<u>194,589,421,180</u>	<u>169,240,279,670</u>

30 Cost by elements

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Supplies	13,120,511,506	8,844,868,190
Salaries and employee benefits	498,994,249,610	383,581,923,536
Depreciation and amortisation	25,365,635,273	27,986,094,293
Outside service costs	122,349,411,221	111,045,116,014
Other costs	125,089,748,701	107,602,389,421
	<u>784,919,556,311</u>	<u>639,060,391,454</u>

31 Corporate income tax

The British International School Company Limited

BIS HCMC is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. BIS HCMC is entitled to corporate income tax exemption for a period of four years from the first profitable year (which was in 2003) and to a further 50% reduction for the ensuing four years for taxable income from school fees .

Thien Huong Education Joint Stock Company

THE is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. THE is entitled to corporate income tax exemption for a period of four years from the first profitable year and to a further 50% reduction for the ensuing five years for taxable income from school fees .

Thien Huong Investment Company Limited

THI is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. THI is entitled to corporate income tax exemption for a period of four years from the first profitable year and to a further 50% reduction for the ensuing five years for taxable income from school fees .

BIS HN is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. BIS HN is entitled to corporate income tax exemption for a period of four years from the first profitable year and to a further 50%

reduction for the ensuing five years for taxable income from school fees .

BVIS HN is liable to pay corporate income tax at the rate of 10% on taxable income from educational services and 25% on income arising from other services. BVIS HN is entitled to corporate income tax exemption for a period of four years from the first profitable year and to a further 50% reduction for the ensuing five years for taxable income from school fees .

In accordance with the Law 32/2013/QH13 issued by the National Assembly of Vietnam on 19 June 2013 which is effective on 1 January 2014, the standard corporate income tax rate has been reduced to 22% and 20% from 2014 and 2016 respectively.

Recognised in the statement of income:

The corporate income tax (“CIT”) expense for the year has been calculated as follows:

	<u>Year ended 30 June 2014</u>	<u>Year ended 30 June 2013</u> <u>(Unaudited)</u>
Current Corporate income tax expenses		
- Current income tax	31,036,339,077	25,190,830,788
- Under provision in respect of previous years (*)	347,133,092	409,641,234
	31,383,472,169	25,600,472,022
Deferred corporate income tax	(837,884,758)	—
Total estimated corporate income tax expenses	30,545,587,411	25,600,472,022

(*) This amount represents the additional corporate income tax expense for the period from 1 July 2008 to 30 June 2013 which was determined during the tax audit carried out in 2014.

The calculation of current CIT expenses is subject to the review and approval of the local tax authorities.

Reconciliation of effective tax rate:

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Profit before tax	229,278,192,022	224,127,403,104
Tax at the Group's tax rate (10%)	22,927,819,202	22,412,740,310
<i>Effects of:</i>		
Non-deductible expenses	4,703,705,164	1,103,785,782
Deferred tax asset on tax losses unrecognised	1,959,277,538	1,299,802,518
Deferred tax asset on temporary differences unrecognised	607,652,415	(105,029,946)
Effects of tax at standard tax rate (22%/25%)	—	479,532,124
Effects of under provision in respect of previous years	347,133,092	409,641,234
	30,545,587,411	25,600,472,022

BIS Group did not recognise deferred income tax since the amount is considered immaterial.

32 Transactions with related parties

During the year 2014 and 2013, the Group had transactions with related parties as follows:

Related Parties	Relationship	Transactions	2014 VND	2013 VND (Unaudited)
Thien Huong Co., Ltd	Under common ownership	School and apartment rental fees and utilities charged to BIS HCMC	53,571,485,288	45,465,248,425
		Dividends	65,398,127,622	55,505,996,149
		Rental deposit made by BIS HCMC	91,754,000,000	5,500,000,000
		Apartment rental for teachers charged to BVIS HCMC	2,386,929,600	2,129,325,000
		Bank guarantees to Standard Chartered Bank and VID Public Bank (Note 17 & Note 22)	NA	NA
BIS Ltd.	Under common ownership	Dividends	152,608,991,000	129,500,000,000
		Management fees charged to the Group	8,674,104,412	11,882,754,473
Ms Ngo Thu Thuy	Owner	Loans to BVIS HCMC	—	44,800,000,000
		Advances by BVIS HCMC	—	6,850,000,000
		Loans repayments by BVIS HCMC	12,850,000,000	62,650,000,000
Hieu Duc Joint Stock Company	Under common ownership	Bank guarantees to Eximbank (Note 17)	NA	NA

As at 30 June 2014 and 2013, the following balances were outstanding with related parties:

<u>Related parties</u>	<u>Relationship</u>	<u>Transactions</u>	<u>30 June 2014 VND</u>	<u>30 June 2013 VND (Unaudited)</u>
Receivables				
Thien Huong Co., Ltd	Under common ownership	Long term deposit (Note 16)	426,198,118,942	334,444,118,942
		Advances for apartment rental	4,188,706	—
Ms Ngo Thu Thuy	Owner	Advances	—	6,850,000,000
			426,202,307,648	341,294,118,942
Payables				
Thien Huong Co., Ltd	Under common ownership	Payable for apartment rental for teachers	—	243,756,479
BIS Ltd.	Under common ownership	Dividends payable	—	13,991,013
		Management fee payable (Note 18)	7,010,823,508	10,457,570,350
Ms Ngo Thu Thuy	Owner	Loan payable (Note 21)	—	14,250,000,000
			7,010,823,508	24,965,317,842

33 Remuneration of the Boards of Directors

During the year, the Boards of Directors received total remuneration as the follows:

	<u>30 June 2014 VND</u>	<u>30 June 2013 VND (Unaudited)</u>
Salary	1,395,019,000	1,252,800,000

34 Fair value of financial instruments

As at 30 June 2014, the details of carrying amounts as well as the fair values and amortised costs of relevant financial assets and liabilities are presented below:

	<u>30 June 2014</u>		<u>30 June 2013 (Unaudited)</u>	
	<u>Carrying value VND</u>	<u>Fair value VND</u>	<u>Carrying value VND</u>	<u>Fair value VND</u>
Financial assets				
<i>Financial assets carried at amortised costs</i>				
Cash and cash equivalents	83,931,131,031	83,931,131,031	73,077,632,874	73,077,632,874
Trade accounts receivable (net)	1,182,656,468	1,182,656,468	654,207,292	654,207,292
Other receivables	1,082,943,988	1,082,943,988	7,524,420,489	7,524,420,489
Other long- term receivables	3,405,179,139	3,405,179,139	4,491,618,524	4,491,618,524
Refundable long term deposits (*)	10,270,000,000	2,670,014,241	10,270,000,000	2,542,870,706
<i>Held to maturity investment</i>				
Other short-term investments	12,000,000,000	12,000,000,000	52,000,000,000	52,000,000,000

	30 June 2014		30 June 2013 (Unaudited)	
	Carrying value VND	Fair value VND	Carrying value VND	Fair value VND
Financial liabilities				
<i>Short term financial liabilities carried at amortised costs</i>				
Short term borrowings and debts (***)	365,255,450,234	365,255,450,234	267,422,285,277	267,422,285,277
Trade accounts payable	18,684,891,592	18,684,891,592	14,503,676,886	14,503,676,886
Payable to related parties	—	—	13,991,013	13,991,013
Other liabilities	71,153,621,272	71,153,621,272	53,588,376,502	53,588,376,502
<i>Long term financial liabilities carried at amortised costs</i>				
Severance allowances	26,022,189,092	19,877,450,662	18,010,708,713	13,757,757,757
Other long-term liabilities (**)	43,355,788,953	31,261,671,234	26,348,821,202	18,998,805,135
Long term borrowings and debts (***)	189,679,960,000	189,679,960,000	290,551,476,000	290,551,476,000

(*) Fair value of long term deposits is determined by discounting the associated future cash flows at the expected market deposit interest rate of 5% per annum.

(**) Fair value of severance allowances and other long-term liabilities is determined by discounting the associated future cash flows at the expected market lending interest rate of 8% per annum.

(***) Borrowings from banks are at market interest rates, therefore their carrying values approximate their fair values.

The carrying values of other financial assets and liabilities are considered reasonable approximation of their fair values as at the balance sheet date because of their short term nature or due to immaterial differences.

35 Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments which were presented in Note 34, including market risk, credit risk and liquidity risk. While there is no official written risk management policies, the directors meet often to review and manage the risks on a regular basis. Exposure to each kind of risk is summarized below:

(a) Market risk

Foreign exchange sensitive

Most of the Company's transactions were carried out in Vietnamese dong. However, the Company had cash in US Dollars and a huge amount of bank loans denominated in US Dollars. As a result, the fluctuation of foreign exchange rate would have a significant impact on the Company's financial performance and position. Financial assets and financial liabilities in US Dollars converted into VND using the commercial bank rate at the balance sheet date, are as follows:

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Denominated in USD	30 June 2014 VND	30 June 2013 VND (Unaudited)
Financial assets	14,056,867,111	7,841,469,788
Financial liabilities	(34,117,862,050)	(29,657,802,500)
Short-term exposure	(20,060,994,939)	(21,816,332,712)
Financial assets	—	—
Financial liabilities	(14,679,960,000)	(34,497,505,263)
Long-term exposure	(14,679,960,000)	(34,497,505,263)

If assumes a +/-1 % change of the US-Dollar/VND exchange rate for the year ended at 30 June 2014 (2013: +/-1%), which have been determined based on the average market volatility in exchange rates in the previous 12 months the closing market volatility in exchange rates, the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities as followings:

If the VND had weakened against the US Dollar by 1% (2013: 1%) then this would have had the following impact:

	For the year ended 30 June 2014 VND	For the year ended 30 June 2013 VND (Unaudited)
Effect on net result for the year	(326,849,657)	(526,832,665)

Effect on equity

(326,849,657)

(526,832,665)

If the VND had strengthened against the US Dollar 1% (2013: 1%), then this would have had the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

Interest rate sensitivity

Interest rate risk is the risk that the fair value (fair value interest rates risk) or future cash flows (cash flow interest rates risks) of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rates risk arising from financial instruments carried fixed interest rates which are measured at fair value. As 30 June 2014, the Company's borrowings carrying fixed interest rates amounts to VND344,980,000,000 regarding loan due to Standard Chartered Bank and Eximbank; and borrowings carrying floating interest rates amounts to VND184,955,410,234 regarding loans due to VID Public Bank. The Company does not have any financial instruments that require measurement at fair value. Therefore, changes in interest rate risk do not impact the Company's financial statements in relation to fair value of the financial instruments.

The Company is however exposed to changes in interest rate in relation to interest expenses from floating rates borrowings. The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-1% for loans and +/-4% for deposits with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's floating rate financial instruments held at each balance sheet date. All other variables are held constant.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-1% and +/-4% for loan and deposit.

For the year ended 30 June 2014

	VND			
	+4%	Deposit -4%	+1%	Loans -1%
Effect on gain	481,680,000	(481,680,000)	(1,664,598,692)	1,664,598,692
Effect on owner's equity	481,680,000	(481,680,000)	(1,664,598,692)	1,664,598,692

(b) Credit risk

The majority of financial assets are cash, other short-term investments and trade and other receivables as presented at Note 33. Cash and cash equivalents are strictly managed on account at trusted banks with high prestige while trade receivables are secured by pupils' school reports. As such the management considers the credit risk as reasonably low.

Financial assets	30 June 2014 VND	30 June 2013 VND (Unaudited)
Cash and cash equivalents	83,931,131,031	73,077,632,874
Other short-term investments	12,000,000,000	52,000,000,000
Trade and other receivables	5,670,779,595	12,670,246,305
	101,601,910,626	137,747,879,179

(c) Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing, payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Payment schedule is regularly reviewed by Directors to ensure cash available for payment and control risks on payment. As of 30 June 2014, the Company is obligated to pay for debts on due as the following:

	Current		Non-current
	Within 6 months VND	6 to 12 months VND	1 to 5 years VND
Short term borrowings and debts	200,965,045,751	164,290,404,483	—
Long term borrowings and debts	—	—	189,679,960,000
Trade payables	18,684,891,592	—	—
Severance allowances	—	—	26,022,189,092
Other financial liabilities	71,153,621,272	—	43,355,788,953
	290,803,558,615	164,290,404,483	259,057,938,045

Comparative figures - unaudited

	Current		Non-current
	Within 6 months VND	6 to 12 months VND	1 to 5 years VND
Short term borrowings and debts	33,001,484,632	234,420,800,645	—
Long term borrowings and debts	—	—	290,551,476,000
Trade payables	14,503,676,886	—	—
Payables to related parties	13,991,013	—	—
Severance allowances	—	—	18,010,708,713
Other financial liabilities	53,588,376,502	—	26,348,821,202
	101,107,529,033	234,420,800,645	334,911,005,915

36 Commitment

As at 30 June 2014, the BIS Group was committed under lease agreements for leasehold properties and apartments for foreigner teachers in the following amounts:

	Year ended 30 June 2014 VND	Year ended 30 June 2013 VND (Unaudited)
Within the next year	46,497,420,000	46,497,420,000
Within two to five years	152,719,085,000	161,213,705,000
Over five years	361,144,300,000	399,147,100,000
	<u>560,360,805,000</u>	<u>606,858,225,000</u>

37 Subsequent Events

General:

Effective 1 January 2015 the respective entities within the combined financial statements came under new management and operational control by Nord Anglia Education Inc. a global operator of Premium International Schools and listed on the New York Stock Exchange. Following this on 02 March 2015, the respective legal shareholders' or legal owners of the various companies included in the combined financial statements approved a resolution to amend the charter of each companies and various other resolutions for the resignations of Members of the Board of Management and the Board of Directors, appointment of Members of the Board of Management and the Board of Directors, appointment of legal representative, and appointment of bank signatories.

The British International School Company Limited (BIS HCMC)

- a. On 10 September 2014, BIS HCMC declared dividends amounting to VND245,185,606,208 out of the accumulated profits as of 30 June 2014. BIS Ltd was entitled to 70% of said dividends, equivalent to VND171,629,924,000 in which VND48,000,000,000 was reinvested into BIS HCMC while the remaining amount was paid in cash. Thien Huong Co Ltd received 30%, equivalent to VND73,555,682,208 in which VND47,555,682,208 was paid in 2014 and the balance was paid in January and February 2015.
- b. On 5 November 2014, the People's Committee of Ho Chi Minh City approved and issued the amended investment license of BIS HCMC. The amended investment license include, among others, the increase in its charter capital from US\$1,500,000 (equivalent to VND23,595,031,393) to US\$3,766,824 (equivalent to VND72,000,000,000). Thien Huong Co Ltd did not contribute to the increase in charter capital and as a result its interest went down to 10%.
- c. On 14 October 2014, BIS HCMC paid back its outstanding loan with Standard Chartered Bank — Taiwan amounting to US\$5,000,000 including interest accruing as at that date. On 20 October 2014, BIS HCMC paid back its outstanding loan with Standard Chartered Bank Vietnam amounting to VND63,480,000,000. All mortgages and guarantees in connection with these loans were terminated accordingly.
- d. On 12 December 2014, VID Public Bank confirmed the cancelations of all credit facilities of BIS HCMC and handed over the original ownership documents kept by the bank as security for the credit facilities.
- e. On 9 February 2015, HSBC confirmed the termination of the general credit facility and the release of the related pledge representing certain cash deposits.

- f. On 25 December 2014, BIS HCMC signed a new loan agreement with Vietnam Export Import Commercial Joint Stock Bank (“Eximbank”) for working capital facility amounting to VND110 billion. On 23 March 2014, all outstanding loans under this facility were paid in full.
- g. On 25 February 2015, the Board of Management of BIS HCMC approved a resolution to acquire 90% of the outstanding shares of Thien Huong Education Joint Stock Company from the original shareholders.
- h. On 2 March 2015, BIS HCMC signed a shareholder loan agreement with NAE HK Holdings Limited for a total credit facility of US\$12 million. Each drawdown shall be for a period of 12 months and shall bear interest at 5.25% per annum. BIS HCMC had drawn the total amount of US\$7 million and US\$500 thousand on 21 March 2015 and 21 April 2015 respectively from the said facility.
- i. On 26 February 2015, BIS HCMC acquired 90% of the outstanding shares of THE from the original shareholders at par value.
- j. On 31 December 2014, BIS HCMC signed a new lease agreement to replace the previous lease agreements with Thien Huong Co Ltd. The new lease agreement provides the same terms and conditions except for as the followings:
 - i. The lease term for Tu Xuong campus is extended up to 7 November 2051;
 - ii. Monthly rental fee shall be paid quarterly at the beginning of each quarter;
 - iii. From 1 September 2018 the rental deposit of VND426,198,118,942 shall be applied against quarterly rental payments until the balance of rental deposit is equivalent to 2 year of rental fee.
- k. On 20 April 2015, the People’s Committee of Ho Chi Minh City issued the amended investment license of BIS HCMC which included, among others, the change of representative of BIS Ltd and the change of the Legal Representative and General Director of BIS HCMC.

Thien Huong Education Joint Stock Company (THE)

- a. On 2 December 2014, THE transferred its investment in Vina Living Joint Stock Company to Thien Huong Co Ltd and recovered the full amount of its investment amounting to VND25.5 billion as of 28 January 2015.
- b. On 9 February 2015, HSBC confirmed termination of the general credit facility and the release of the related pledged cash deposits.
- c. On 27 November 2014, THE and Eximbank signed the liquidation of the credit contract and the related mortgage contract and pledge contract.
- d. On 28 November 2014, VID Public Bank confirmed the cancellation of THE’s credit facility with the bank.
- e. On 15 December 2014, Standard Chartered Bank Vietnam confirmed the banking facility of THE with the bank.
- f. On 9 December 2014, THE signed a new loan agreement with Eximbank for VND188 billion. The loan is for a term of 120 months and bears interest at 9% per annum. The loan is secured by certain properties owned by Hieu Duc Join Stock Company. The loan was paid back in March 2015.

- g. On 29 January 2015, THE signed a new revolving credit facility of VND31 billion for the payment of the land use right where the school campus is located. The loan was paid in full in March 2015.
- h. On 20 January 2015, the People's Committee of HCMC issued the land use rights to THE where the school campus is located. The land use right fee was paid on 9 February based on the decision of the Ho Chi Minh City tax office.
- i. In March 2015, the buildings and structures, and the land use rights were transferred to Thien Huong Co Ltd for a total consideration of VND 200,879,000,000 plus VAT of VND20,087,900,000 for the buildings and structures and VND 31,615,000,000 for the land use rights.
- j. On 2 March 2015, THE signed a lease agreement, as amended, with Thien Huong Co Ltd for the lease of the buildings and structures where the school is located for a period of 25 years. Monthly rental from commencement date to the end of financial year 2106/2017 is VND1,323,958,600. From the financial year immediately following financial year 2016 until the end of the lease term, the rent shall be determined as follows:
 - i. If the audited revenue in that financial year is less than or equivalent to VND214,580,000,000, no rent for that financial year shall be payable;
 - ii. If the audited revenue in that financial year exceeds VND214,580,000,000 but is less than or equivalent to VND321,870,000,000, the rent for that financial year shall be an amount equal to six percent (6%) of the audited revenue in that financial year.
 - iii. If the audited revenue in that financial year exceeds VND321,870,000,000 but is less than or equivalent to VND429,160,000,000, the rent for that financial year shall be an amount equal to six percent (8%) of the audited revenue in that financial year.
 - iv. If the audited revenue in that financial year exceeds VND429,160,000,000, the rent for that financial year shall be an amount equal to six percent (10%) of the audited revenue in that financial year.
- k. On 2 March 2015, in a shareholders general meeting, the shareholders approved various resolutions to amend the charter of THE, resignation of Members of the Board of Management and the Board of Directors, appointment of Members of the Board of Management and the Board of Directors, appointment of legal representative, and appointment of bank signatories.

Thien Huong Investment Company Limited (THI)

- a. On 7 August 2014, the People's Committee of Hanoi City issued the amended investment license of THI after the spun off of of the project mentioned in Note 13 into a separate legal entity. Pursuant to such spun off, the value of the following assets, liabilities and equities were carved out and transferred to the new entity:

	Amount VND
Assets	286,626,760,793
Advance to suppliers	282,378,746,040
Construction in progress	3,293,931,436
Value added tax to be reclaimed	954,083,317
LIABILITIES & EQUITIES	278,809,656,586
Payable to related parties	16,702,305,265
Paid in Capital	270,000,000,000
Foreign currency translation differences	7,341,448,727
Accumulated losses	(15,234,097,406)

- b. In November 2014, the credit facility with VID Public Bank was discharged including any mortgage related thereto.
- c. In January 2015, the credit facilities with Eximbank were liquidated and the corresponding mortgages on certain assets of the owners were released accordingly.

Project Management Office “British International School — Hanoi” (BIS HN)

On 9 February 2015, HSBC confirmed the termination of the general credit facility and the release of the related pledge representing certain cash deposits.

38 Approval of the combined financial statement

The combined financial statements were approved for issuance by the members of the Boards of Directors of the combined entities on 22 May 2015.

/s/ Graeme Robert Halder
 Graeme Robert Halder
 Director

/s/ George Rosales
 George Rosales
 Chief Financial Officer

Meritas Group

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Meritas Group
CONDENSED CARVE-OUT COMBINED BALANCE SHEETS
(In thousands)
March 31, 2015 and June 30, 2014

	<u>March 31, 2015</u>	<u>June 30, 2014</u>
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,304	\$ 32,459
Accounts receivable, net	6,008	2,369
Prepaid expenses	2,810	1,704
Other current assets	<u>2,987</u>	<u>1,494</u>
Total current assets	33,109	38,026
PROPERTY AND EQUIPMENT, NET	231,935	229,171
OTHER ASSETS		
Restricted cash	350	275
Other assets	378	385
Trade names	40,150	43,038
Goodwill	36,306	38,963
Other intangible assets, net	<u>2,752</u>	<u>3,046</u>
TOTAL ASSETS	<u>\$ 344,980</u>	<u>\$ 352,904</u>

Meritas Group
CONDENSED CARVE-OUT COMBINED BALANCE SHEETS - CONTINUED
(In thousands)
March 31, 2015 and June 30, 2014

	<u>March 31, 2015</u>	<u>June 30, 2014</u>
	<u>(Unaudited)</u>	
LIABILITIES AND NET INVESTED CAPITAL		
CURRENT LIABILITIES		
Cash overdrafts	\$ 254	\$ 2,464
Accounts payable and accrued expenses	15,702	20,735
Current capital lease obligations	182	279
Deferred revenue, enrollment deposits and other	<u>72,613</u>	<u>86,331</u>
Total current liabilities	88,751	109,809
LONG-TERM CAPITAL LEASE OBLIGATIONS	47,007	50,760
OTHER LONG-TERM LIABILITIES	20,926	23,092
DUE TO RELATED PARTIES	<u>5,200</u>	<u>5,200</u>
Total liabilities	161,884	188,861
NET INVESTED CAPITAL		
Invested capital	193,228	166,860
Accumulated other comprehensive loss	(10,112)	(3,142)
Non-controlling interest in combined subsidiary	<u>(20)</u>	<u>325</u>
Total net invested capital	<u>183,096</u>	<u>164,043</u>
TOTAL LIABILITIES AND NET INVESTED CAPITAL	<u>\$ 344,980</u>	<u>\$ 352,904</u>

The accompanying notes are an integral part of these financial statements.

Meritas Group
CONDENSED CARVE-OUT COMBINED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands)

	Three-month periods ended March 31,		Nine-month periods ended March 31,	
	2015	2014	2015	2014
Revenues				
Tuition and fees	\$ 47,585	\$ 45,387	\$ 117,556	\$ 111,203
Other	16,696	15,898	45,050	42,700
Total revenues	64,281	61,285	162,606	153,903
Direct costs	44,188	42,185	128,723	123,209
Selling, general and administrative expenses	4,963	4,008	14,672	13,196
Total costs and expenses	49,151	46,193	143,395	136,405
Operating income	15,130	15,092	19,211	17,498
Other income (expense)				
Interest expense, net	(447)	(603)	(1,547)	(1,982)
Changes in fair value of derivatives	1,835	(154)	1,835	(1,495)
Foreign currency exchange gain	(211)	(9)	(141)	(145)
Total other income (expense)	1,177	(766)	147	(3,622)
Income before income taxes	16,307	14,326	19,358	13,876
Income tax expense	(1,356)	(1,473)	(979)	(845)
NET INCOME	14,951	12,853	18,379	13,031
Net loss (income) attributable to non-controlling interest	36	36	(219)	(213)
NET INCOME ATTRIBUTABLE TO MERITAS GROUP	\$ 14,987	\$ 12,889	\$ 18,160	\$ 12,818

The accompanying notes are an integral part of these financial statements.

Meritas Group
CONDENSED CARVE-OUT COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(In thousands)

	Three-month periods ended March 31,		Nine-month periods ended March 31,	
	2015	2014	2015	2014
Net income	\$ 14,951	\$ 12,853	\$ 18,379	\$ 13,031
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments	137	246	(7,390)	4,819
Minimum pension liability adjustment	140	73	420	218
Other comprehensive (loss) income	277	319	(6,970)	5,037
Comprehensive income	15,228	13,172	11,409	18,068
Less net loss (income) attributable to non-controlling interest	36	36	(219)	(213)
COMPREHENSIVE INCOME ATTRIBUTABLE TO MERITAS GROUP	\$ 15,264	\$ 13,208	\$ 11,190	\$ 17,855

The accompanying notes are an integral part of these financial statements.

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Meritas Group
CONDENSED CARVE-OUT COMBINED STATEMENTS OF CHANGES IN NET INVESTED CAPITAL (UNAUDITED)
Nine-month period ended March 31, 2015
(In thousands)

	Meritas Group	Accumulated other comprehensive loss	Non- controlling interest	Total net invested capital
Balance at July 1, 2014	\$ 166,860	\$ (3,142)	\$ 325	\$ 164,043
Distributions to non-controlling interests	—	—	(564)	(564)
Net transfers to net invested capital	8,208	—	—	8,208
Net income	18,160	—	219	18,379
Foreign currency translation adjustment	—	(7,390)	—	(7,390)
Pension liability adjustment, net of income taxes of \$526	—	420	—	420
Balance at March 31, 2015	\$ 193,228	\$ (10,112)	\$ (20)	\$ 183,096

The accompanying notes are an integral part of these financial statements.

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Meritas Group
CONDENSED CARVE-OUT COMBINED STATEMENTS OF CASH FLOWS (UNAUDITED)
Nine-month period ended March 31,
(In thousands)

	2015	2014
Cash flows from operating activities		
Net income	\$ 18,379	\$ 13,031
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,816	9,177
Provision for doubtful accounts	558	569
(Gain) loss on sale of property and equipment	(82)	255
Changes in fair value of derivative	(1,835)	1,495
Non-cash foreign currency gain	(804)	(61)
Deferred rent	454	830
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(4,418)	(2,028)
Prepaid expenses	(1,205)	(554)
Other current assets	246	228
Other non-current assets	1	(61)
(Decrease) increase in		
Accounts payable and accrued liabilities	(3,678)	(1,855)
Unearned income and other liabilities	(12,540)	(11,798)
Net cash provided by operating activities	4,892	9,228
Cash flows from investing activities		
Acquisition of property and equipment	(20,168)	(21,323)
Proceeds from sale of assets	—	376
Net cash used in investing activities	(20,168)	(20,947)
Cash flows from financing activities		
Payments on capital leases	(206)	(190)
Net transfers to invested capital	8,208	22,678
Change in cash overdraft	(2,210)	(677)
Decrease in other non-current liabilities	197	85
Increase in restricted cash	(93)	(65)
Distributions paid to minority interest	(564)	(621)
Net cash provided by financing activities	5,332	21,210
Effect of exchange rate changes on cash	(1,211)	4,689
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,155)	14,180
Cash and cash equivalents, at beginning of period	32,459	20,533
Cash and cash equivalents, at end of period	<u>\$ 21,304</u>	<u>\$ 34,713</u>
Non-cash financing activity		
Capital lease additions	\$ 196	\$ —
Supplemental disclosures of cash flow information		
Cash paid during the period for		
Interest	\$ 2,235	\$ 2,286
Income taxes	4,137	5,560

The accompanying notes are an integral part of these financial statements.

Meritas Group
CONDENSED CARVE-OUT COMBINED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015 and 2014
(In thousands)

NOTE 1 - DESCRIPTION OF BUSINESS

The accompanying condensed carve-out combined financial statements include the historical accounts of Meritas Group (the Group). The Group includes five schools owned by Meritas, LLC (the Parent); one located in Texas and two in Florida, as well as two international college preparatory campuses in Monterrey, Mexico, and Geneva, Switzerland. The school in Monterrey, Mexico, has two campuses. The Group also includes one school under common control that is owned by an affiliate of the Parent located in Chengdu, China.

The Group operates college preparatory schools focused on providing students with educational excellence in an effort to maximize each student's individual potential. These schools serve students in grades Pre-K through grade 12, domestically, and through grade 13 internationally.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted. The accompanying condensed, combined unaudited interim financial statements have been prepared in conformity with U.S. GAAP for interim financial information and the accounting policies described in the Group's annual report for the year ended June 30, 2014. In the opinion of management, the condensed carve-out combined financial statements included herein reflect all adjustments that are of a normal and recurring nature and are necessary to present fairly the results of operations and financial position of the Group. This report should be read in conjunction with the audited financial statements and notes for the years ended June 30, 2014 and 2013.

The accompanying condensed carve-out combined financial statements have been prepared in accordance with U.S. GAAP using the historical results of operations and historical cost basis of the assets and liabilities of the schools that comprise the Group. These condensed carve-out combined financial statements have been prepared solely to demonstrate its historical results of operations, financial position and cash flows for the indicated periods. All intercompany balances and transactions within the Group have been eliminated. Transactions and balances between the Group and the Parent are reflected as related party transactions within these condensed carve-out combined financial statements.

The condensed carve-out combined financial statements include all revenues and costs directly attributable to the Group, including costs for facilities, functions and services used by the Group. Costs for certain functions and services performed by the centralized Parent organization are directly charged to the Group based on usage or other allocation methods. The results of operations also include allocations of costs for administrative functions and services performed on behalf of the Group by centralized staff groups within the Parent and the Parent's general corporate expenses. Transactions between the Parent and the Group are accounted for through the net investment line item. Transactions between the Parent and the Group are deemed to have been settled immediately through the net investment.

The Parent uses a centralized approach for its domestic schools for cash management and financing its operations. Accordingly, cash and cash equivalents or debt have not been allocated to the Group in the condensed carve-out combined financial statements. The cash balances included on the accompanying

Meritas Group
CONDENSED CARVE-OUT COMBINED FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
March 31, 2015 and 2014
(In thousands)

condensed carve-out combined balance sheets relate to specific accounts maintained by the schools of the group. The Parent's short- and long-term debt has not been pushed down to the Group's condensed carve-out combined financial statements because it is not specifically identifiable to the Group.

All of the allocations and estimates in the condensed carve-out combined financial statements are based on assumptions that management of the Parent and the Group believes are reasonable. However, the condensed carve-out combined financial statements included herein may not be indicative of the financial position, results of operations and cash flows of the Group in the future or if the Group had been a separate, stand-alone entity during the periods presented. Actual costs that would have been incurred if the Group had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, such as the division of shared services in human resources, corporate stewardship, legal, finance, sourcing, information systems and marketing, among others.

The Parent incurs significant corporate costs for services provided to the Group as well as other Parent businesses. These costs include expenses for information systems, accounting, other financial services such as treasury and audit, purchasing, human resources, legal, facilities, IT, marketing and business analysis support. A portion of these costs benefit multiple or all the Parent businesses, including the Group, and are allocated to the Group using methods based on proportionate formulas involving total revenues, costs or other allocation methods that management believes are consistent and reasonable.

The allocated leveraged functional service expenses and general corporate expenses included in the combined financial statements were \$2,464 and \$2,151 for the three-month periods ended March 31, 2015 and 2014, respectively, and \$7,101 and \$7,356 for the nine-month periods ended March 31, 2015 and 2014, respectively. The Parent's interest expense, deemed a financing charge, which was allocated to the Group, was \$2,449 and \$1,856 for the three-month periods ended March 31, 2015 and 2014, respectively, and \$7,521 and \$5,840 for the nine-month periods ended March 31, 2015 and 2014, respectively, and was determined based on the net invested capital. All these amounts were recorded in selling, general and administrative expense in the condensed carve-out combined statements of operations.

Also included in the Group are holding companies which are domiciled in Gibraltar and Luxembourg. All schools are wholly owned by the Group, except for a 49.5% non-controlling interest in a consolidated subsidiary of the Group held by an independent party. The Parent is a limited liability company whereby each member of the Group shall not be liable for the debts, obligations or liabilities of the Parent in excess of their net investments.

Accounts Receivable

The Group's accounts receivable are primarily comprised of tuition due from parents and are presented at estimated net realizable value. The Group uses estimates in determining the collectability of its accounts receivable and must rely on its evaluation of its experience with historical trends, and specific customer issues identified through review of past-due receivables to arrive at appropriate reserves. Material differences may result in the amount and timing of bad debt expense if actual experience differs from management's estimates. The Group charges off receivables deemed to be uncollectible to the allowance for doubtful accounts. As of March 31, 2015 and June 30, 2014, accounts receivable are reflected net of an allowance for doubtful accounts of \$4,371 and \$4,170, respectively. Included in direct costs in the accompanying condensed carve-out combined statements of operations are provisions for doubtful accounts of \$160 and \$161 for the three-month periods

Meritas Group
CONDENSED CARVE-OUT COMBINED FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
March 31, 2015 and 2014
(In thousands)

ended March 31, 2015 and 2014, respectively, and \$558 and \$569 for the nine-month periods ended March 31, 2015 and 2014, respectively.

Goodwill and Other Intangible Assets

The Group evaluates goodwill as of the last day of the third quarter or more frequently if managements believes indicators of impairment exist. In 2015, the Group assessed qualitative factors to determine whether it is more likely that not that the fair value of the reporting unit is less than its carrying amount, including goodwill. Prior to 2015, the Group used a two-step quantitative goodwill impairment test. The Group's evaluation of impairment during 2015 and 2014 resulted in no impairment losses.

Long-lived Assets

Long-lived assets consist primarily of property, equipment and amortizable intangible assets. The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Group estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the assets, an impairment loss is recognized by comparing the fair value of assets to their carrying value. During the year ended June 30, 2014, and at the nine-month period ended March 31, 2015, the Group did not record an impairment loss.

Other Long-term Liabilities

Other long-term liabilities consist of the following at March 31, 2015 and June 30, 2014:

	<u>2015</u> (Unaudited)	<u>2014</u>
Deferred gain	\$ 8,684	\$ 9,487
Pension liabilities	7,740	9,451
Deferred tax liabilities	209	598
Deferred rent	4,138	3,472
Other	<u>155</u>	<u>84</u>
Total	\$ 20,926	\$ 23,092

Foreign Currency Translation

The functional currencies for the Group's foreign subsidiaries are the applicable local currencies. Assets and liabilities of non-U.S. schools are translated to U.S. dollars at period-end exchange rates. Income and expense items are translated at weighted-average exchange rates prevailing during the year. Gains or losses resulting from translation are recorded as a separate component of accumulated other comprehensive loss. Transaction gains and losses are recognized in the results of operations based on the difference between foreign exchange rates on the transaction date and on the settlement date.

Meritas Group
CONDENSED CARVE-OUT COMBINED FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
March 31, 2015 and 2014
(In thousands)

Use of Estimates

The preparation of condensed carve-out combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the carve-out combined financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences may be material.

NOTE 3 - GOODWILL AND OTHER INTANGIBLE ASSETS

The change in the carrying amount of goodwill for the nine-month period ended March 31, 2015, is as follows:

Balance as of June 30, 2014	\$ 38,963
-----------------------------	-----------

Effects from exchange rate fluctuations (2,657)

Balance as of March 31, 2015 \$ 36,306

The balances for trade names and other intangibles, net as of March 31, 2015 and June 30, 2014, are as follows:

	<u>Lives</u>	<u>March 31, 2015</u>	<u>June 30,2014</u>
Trade names with indefinite lives		<u>\$ 40,150</u>	<u>\$ 43,038</u>
Student roster	6 - 15 years	\$ 1,208	\$ 1,300
Registration fees	80 years	<u>2,893</u>	<u>3,128</u>
Total other intangible assets		4,101	4,428
Less accumulated amortization		<u>1,349</u>	<u>1,382</u>
Other intangible, net assets		<u>\$ 2,752</u>	<u>\$ 3,046</u>

Amortization of definite-lived intangible assets for the three-month periods ended March 31, 2015 and 2014, was \$24 and \$25, respectively, and \$72 and \$73 for the nine-month periods ended March 31, 2015 and 2014, respectively.

Meritas Group
CONDENSED CARVE-OUT COMBINED FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
March 31, 2015 and 2014
(In thousands)

Estimated amortization expense for the next five fiscal years is as follows:

2016	\$	49
2017		38
2018		38
2019		38
2020		38

NOTE 4 - RELATIONSHIPS WITH PARENT COMPANY

Cash management and financing

The Group participates in the Parent's centralized cash management and financing programs. Disbursements are made through centralized accounts payable systems which are operated by the Parent. Cash receipts are transferred to centralized accounts, also maintained by the Parent. As cash is disbursed and received by the Parent, it is accounted for by the Group through net invested capital. All short- and long-term debt is financed by the Parent and financing decisions are determined by the central Parent treasury operations.

The Parent maintains a credit facility, which includes an \$180,000 term loan, an \$80,000 second lien term loan and a \$30,000 unsecured revolving credit facility. The unsecured revolving credit facility bears interest at LIBOR plus 5.75% and matures on June 24, 2018 (7.0% at March 31, 2015). Prior to July 23, 2014, the Parent maintained a \$215,000 term loan and a \$30,000 unsecured revolving credit facility. Amounts are allocated to the Group for interest in the accompanying condensed carve-out combined financial statements. All of the domestic assets and a pledge of 65% of the holding company of the schools in Switzerland and Mexico are collateral as part of the Parent's credit facility.

The Parent is required to comply with certain financial covenants under the credit facility, including maintaining a leverage ratio (debt-to-EBITDA) and a fixed charge coverage ratio. As of March 31, 2015 and June 30, 2014, the Parent was in compliance with all covenants under the credit facility and was compliant with all covenants under the previous credit facility for the preceding three quarters. Should the Parent undergo a change of control, this credit facility would be paid in full at the time of closing.

NOTE 5 - FAIR VALUE MEASUREMENTS

Certain financial assets and liabilities are recorded at fair value, which is defined as an exit price, representing that amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Group determines fair value based upon a hierarchy that defines three levels of inputs that may be used to measure fair value.

Meritas Group
CONDENSED CARVE-OUT COMBINED FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
March 31, 2015 and 2014
(In thousands)

The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs, other than Level 1 inputs that are either directly or indirectly observable.

Level 3 - Valuation techniques that use significant inputs that are unobservable, which reflect those that market participants would use.

The determination of whether an asset or liability falls in the hierarchy requires significant judgment and considers factors specific to the asset or liability. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables summarize the Group's financial assets and liabilities measured at fair value on a recurring basis, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair value	March 31, 2015		
		Fair value measurements using		
		Level 1	Level 2	Level 3
Publicly traded money market accounts	\$ 1,929	\$ 1,929	\$ —	\$ —
Foreign currency hedges	1,277	—	1,277	—

Description	Fair value	June 30, 2014		
		Fair value measurements using		
		Level 1	Level 2	Level 3
Publicly traded money market accounts	\$ 2,348	\$ 2,348	\$ —	\$ —

The following is a description of the valuation techniques used for these items, as well as the general classification of such items pursuant to the fair value hierarchy:

Publicly traded money market accounts - Money market funds are valued at the closing price reported by the fund sponsor from an actively traded exchange. These are included within cash equivalents and restricted cash in the accompanying condensed carve-out combined balance sheets.

Foreign currency hedges - Fair values of foreign currency hedges are based on model-derived valuations using the foreign currency strike prices compared to actual foreign currency rates observed during the terms of the options. Therefore, the derivatives are classified within Level 2 of the fair value hierarchy.

Meritas Group
CONDENSED CARVE-OUT COMBINED FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
March 31, 2015 and 2014
(In thousands)

NOTE 6 - INCOME TAXES

Substantially all of the Group's domestic operations are structured as limited liability corporations. Additionally, two foreign schools are subject to income taxes in the countries in which they operate. The Group's Mexican school is tax-exempt as a result of their status as educational institutions for income tax purposes.

The effective tax rate for the three-month periods and nine-month periods of 2015 and 2014 differ from the amount determined by applying the applicable U.S. federal statutory income tax rate of 34% due to state taxes, foreign taxes, valuation allowances and non-deductible expenses.

NOTE 7 - EMPLOYEE BENEFIT PLANS

European Defined Benefit Plan

The Company maintains a defined benefit pension plan (the Plan) covering substantially all of its European employees. Payments are made to the Plan by the employee and the employer. The Group contribution paid to the Plan, as required by funding regulations, during the nine-month period ended March 31, 2015, was \$2,193. No discretionary or non-cash contributions were made during this period. Participants contributed \$2,147 for the same period.

NOTE 8 - SUBSEQUENT EVENTS

The Group evaluated its condensed carve-out combined financial statements for subsequent events through May 12, 2015, the date the condensed carve-out combined financial statements were available to be issued. With the exception of the matters discussed below, there were no material subsequent events that required recognition or additional disclosure in the condensed carve-out combined financial statements.

On April 27, 2015, the Parent entered into a definitive agreement to sell the Group to Nord Anglia Education, Inc. (NYSE: NORD) for \$575,000 in cash, subject to certain adjustments. The transaction is scheduled to close in mid-2015, subject to receipt of regulatory approvals and the satisfaction of other closing conditions.

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Board of Directors
Meritas, LLC

We have audited the accompanying carve-out combined financial statements of Meritas Group (the carved-out operations of five schools owned and managed by Meritas, LLC, and one school managed by Meritas, LLC and commonly controlled by Sterling Capital Partners), which comprise the carve-out combined balance sheets as of June 30, 2014 and 2013, and the related carve-out combined statements of operations, comprehensive income, changes in net invested capital and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these carve-out combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of carve-out combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these carve-out combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the carve-out combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the carve-out combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out combined financial statements referred to above present fairly, in all material respects, the financial position of Meritas Group as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP
Chicago, Illinois
May 8, 2015

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Meritas Group
CARVE-OUT COMBINED BALANCE SHEETS
June 30,
(In thousands)

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 32,459	\$ 20,533
Accounts receivable, net	2,369	2,356
Prepaid expenses	1,704	1,795
Other current assets	<u>1,494</u>	<u>1,990</u>
Total current assets	38,026	26,674
PROPERTY AND EQUIPMENT, NET	229,171	206,272
OTHER ASSETS		
Restricted cash	275	215
Other assets	385	380
Trade names	43,038	41,427
Goodwill	38,963	37,390
Other intangible assets, net	<u>3,046</u>	<u>2,967</u>
TOTAL ASSETS	<u>\$ 352,904</u>	<u>\$ 315,325</u>

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Meritas Group
CARVE-OUT COMBINED BALANCE SHEETS - CONTINUED
June 30,
(In thousands)

	<u>2014</u>	<u>2013</u>
LIABILITIES AND NET INVESTED CAPITAL		
CURRENT LIABILITIES		
Cash overdrafts	\$ 2,464	\$ 846
Accounts payable and accrued expenses	20,735	18,289
Current capital lease obligations	279	251
Deferred revenue, enrollment deposits and other	<u>86,331</u>	<u>78,711</u>
Total current liabilities	109,809	98,097
LONG-TERM CAPITAL LEASE OBLIGATIONS	50,760	48,199
OTHER LONG-TERM LIABILITIES	23,092	18,335
DUE TO RELATED PARTIES	<u>5,200</u>	<u>5,200</u>
Total liabilities	188,861	169,831
NET INVESTED CAPITAL		
Invested capital	166,860	148,866
Accumulated other comprehensive loss	(3,142)	(3,768)
Non-controlling interest in consolidated subsidiary	<u>325</u>	<u>396</u>
Total net invested capital	<u>164,043</u>	<u>145,494</u>
TOTAL LIABILITIES AND NET INVESTED CAPITAL	<u>\$ 352,904</u>	<u>\$ 315,325</u>

The accompanying notes are an integral part of these financial statements.

Meritas Group
CARVE-OUT COMBINED STATEMENTS OF OPERATIONS
Years ended June 30,
(In thousands)

	<u>2014</u>	<u>2013</u>
Revenues		
Tuition and fees	\$ 150,133	\$ 140,151
Other	59,342	54,774
Total revenues	209,475	194,925
Direct costs	165,792	154,754
Selling, general and administrative expenses	18,256	16,134
Total costs and expenses	184,048	170,888
Operating income	25,427	24,037
Other (expense) income		
Interest expense, net	(2,533)	(2,530)
Changes in fair value of derivatives	(1,097)	386
Foreign currency exchange gain	1,552	193
Total other expense	(2,078)	(1,951)
Income before income taxes	23,349	22,086
Income tax expense	(3,801)	(3,836)
NET INCOME	19,548	18,250
Net income attributable to non-controlling interest	(605)	(628)
NET INCOME ATTRIBUTABLE TO MERITAS GROUP	<u>\$ 18,943</u>	<u>\$ 17,622</u>

The accompanying notes are an integral part of these financial statements.

Meritas Group
CARVE-OUT COMBINED STATEMENTS OF COMPREHENSIVE INCOME
Years ended June 30,
(In thousands)

	<u>2014</u>	<u>2013</u>
Net income	\$ 19,548	\$ 18,250
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	4,115	10
Minimum pension liability adjustment	<u>(3,489)</u>	<u>1,558</u>
Other comprehensive income	<u>626</u>	<u>1,568</u>
Comprehensive income	20,174	19,818
Less net income attributable to non-controlling interest	<u>(605)</u>	<u>(628)</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO MERITAS GROUP	<u>\$ 19,569</u>	<u>\$ 19,190</u>

The accompanying notes are an integral part of these financial statements.

Meritas Group
CARVE-OUT COMBINED STATEMENTS OF CHANGES IN NET INVESTED CAPITAL
Year ended June 30, 2014
(In thousands)

	<u>Meritas Group</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Non- controlling interest</u>	<u>Total net invested capital</u>
Balance at July 1, 2012	\$ 162,629	\$ (5,336)	\$ 331	\$ 157,624
Distributions to non-controlling interests	—	—	(563)	(563)
Net transfers to net invested capital	(31,385)	—	—	(31,385)
Net income	17,622	—	628	18,250
Foreign currency translation adjustment	—	10	—	10
Pension liability adjustment, net of income tax expense of \$520	—	1,558	—	1,558
Balance at June 30, 2013	148,866	(3,768)	396	145,494
Distributions to non-controlling interests	—	—	(676)	(676)
Net transfers to net invested capital	(949)	—	—	(949)
Net income	18,943	—	605	19,548
Foreign currency translation adjustment	—	4,115	—	4,115
Pension liability adjustment, net of income tax benefit of \$(695)	—	(3,489)	—	(3,489)
Balance at June 30, 2014	<u>\$ 166,860</u>	<u>\$ (3,142)</u>	<u>\$ 325</u>	<u>\$ 164,043</u>

The accompanying notes are an integral part of these financial statements.

Meritas Group
CARVE-OUT COMBINED STATEMENTS OF CASH FLOWS
Years ended June 30,
(In thousands)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Net income	\$ 19,548	\$ 18,250
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	12,410	10,924
Provision for doubtful accounts	808	544
Benefit for deferred income taxes	(76)	(107)
Changes in fair value of derivatives	1,097	(386)
Loss on sale of property and equipment	235	436
Non-cash foreign currency gain	(14)	(1,637)
Deferred rent	1,040	992
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(554)	(120)
Prepaid expenses	135	(180)
Other current assets	(682)	694
Other non-current assets	(12)	14
(Decrease) increase in		
Accounts payable and accrued liabilities	(920)	651
Deferred revenue, enrollment deposits and other	8,909	12,970
Net cash provided by operating activities	<u>41,924</u>	<u>43,045</u>
Cash flows from investing activities		
Acquisition of property and equipment	(29,884)	(17,934)
Proceeds from sale of assets	376	405
Net cash used in investing activities	<u>(29,508)</u>	<u>(17,529)</u>
Cash flows from financing activities		
Payments on capital leases	(271)	(188)
Net transfers to invested capital	(949)	(31,385)
Change in cash overdraft	1,618	241

Payments on financing liability	(33)	(30)
Increase in other non-current liabilities	—	292
Decrease in restricted cash	(50)	(132)
Distributions paid to minority interest	(676)	(563)
Net cash used in financing activities	(361)	(31,765)
Effect of exchange rate changes on cash	(129)	1,288
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,926	(4,961)
Cash and cash equivalents, at beginning of year	20,533	25,494
Cash and cash equivalents, at end of year	<u>\$ 32,459</u>	<u>\$ 20,533</u>
Non-cash financing activity		
Capital lease additions	\$ —	\$ 450
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	\$ 2,957	\$ 2,857
Income taxes	4,830	4,390

The accompanying notes are an integral part of these financial statements.

Meritas Group
NOTES TO CARVE-OUT COMBINED FINANCIAL STATEMENTS
June 30, 2014 and 2013
(In thousands)

NOTE 1 - DESCRIPTION OF BUSINESS

Meritas Group (the Group) is the carve-out combined financial statements that includes five schools owned by Meritas, LLC (the Parent); one located in Texas and two in Florida, as well as two international college preparatory campuses in Monterrey, Mexico, and Geneva, Switzerland. The school in Monterrey, Mexico, has two campuses. The Group also includes one school under common control, which is owned by an affiliate of the Parent located in Chengdu, China.

The Group operates college preparatory schools focused on providing students with educational excellence in an effort to maximize each student's individual potential. These schools serve students in grades Pre-K through grade 12, domestically, and through grade 13 internationally.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying carve-out combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) using the historical results of operations and historical cost basis of the assets and liabilities of the schools that comprise the Group. These carve-out combined financial statements have been prepared solely to demonstrate its historical results of operations, financial position and cash flows for the indicated periods. All intercompany balances and transactions within the Group have been eliminated. Transactions and balances between the Group and the Parent are reflected as related-party transactions within these carve-out combined financial statements.

The carve-out combined financial statements include all revenues and costs directly attributable to the Group, including costs for facilities, functions and services used by the Group. Costs for certain functions and services performed by centralized Parent organization are directly charged to the Group based on usage or other allocation methods. The results of operations also include allocations of costs for administrative functions and services performed on behalf of the Group by centralized staff groups within the Parent and the Parent's general corporate expenses. Transactions between the Parent and the Group are accounted for through the net investment line item. Transactions between the Parent and the Group are deemed to have been settled immediately through the net investment.

All charges and allocations of cost for facilities, functions and services performed by the Parent organization have been deemed paid by the Group to the Parent in the period in which the cost was recorded in the carve-out combined financial statements.

The Parent uses a centralized approach for its domestic schools for cash management and financing its operations. Accordingly, cash and cash equivalents or debt have not been allocated to the Group in the carve-out combined financial statements. The cash balances included on the accompanying carve-out combined balance sheets relate to specific accounts maintained by the schools of the Group. The Parent's short- and long-term debt have not been pushed down to the Group's carve-out combined financial statements because it is not specifically identifiable to the Group.

All of the allocations and estimates in the carve-out combined financial statements are based on assumptions that management of the Parent and the Group believes are reasonable. However, the carve-out combined

Meritas Group
NOTES TO CARVE-OUT COMBINED FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013
(In thousands)

financial statements included herein may not be indicative of the financial position, results of operations and cash flows of the Group in the future or if the Group had been a separate, stand-alone entity during the periods presented. Actual costs that would have been incurred if the Group had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, such as the division of shared services in human resources, corporate stewardship, legal, finance, sourcing, information systems and marketing, among others.

The Parent incurs significant corporate costs for services provided to the Group, as well as other Parent businesses. These costs include expenses for information systems, accounting, other financial services such as treasury and audit, purchasing, human resources, legal, facilities, IT, marketing and business analysis support. A portion of these costs benefit multiple or all the Parent businesses, including the Group, and are allocated to the Group using methods based on proportionate formulas involving total revenues, costs or other allocation methods that management believes are consistent and reasonable.

The allocated leveraged functional service expenses and general corporate expenses included in the carve-out combined financial statements were \$10,588 and \$8,359 for the years ended June 30, 2014 and 2013, respectively. The Parent's interest expense, deemed a financing charge, which was allocated to the Group was \$7,585 and \$7,774 for the years ended June 30, 2014 and 2013, respectively, and was determined based on the net invested capital. All these amounts were recorded in selling, general and administrative expense in the carve-out combined statements of operations.

Also included in the Group are holding companies that are domiciled in Gibraltar and Luxembourg. All schools are wholly owned by the Group, except for a 49.5% non-controlling interest in a consolidated subsidiary of the Group held by an independent party. The Parent is a limited liability company whereby each member of the Group shall not be liable for the debts, obligations or liabilities of the Parent in excess of their net investments.

Cash and Cash Equivalents

The Group considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Cash equivalents include money market accounts. Bank overdrafts are excluded from cash and cash equivalents and are reflected in the accompanying carve-out combined balance sheets as bank overdrafts in the current liabilities in the carve-out combined balance sheets. As of June 30, 2014 and 2013, cash and cash equivalents excludes bank overdrafts of \$2,464 and \$846, respectively.

Restricted Cash

Restricted cash consists of cash held in escrow accounts due to landlord requirements.

Fair Values of Financial Instruments

Cash and cash equivalents, accounts receivable and accounts payable are reflected in the accompanying carve-out combined balance sheets at cost, which approximates fair value given the short-term maturity of these instruments. The carrying value of foreign currency hedges are recorded at fair market value.

Accounts Receivable

The Group's accounts receivable are primarily comprised of tuition due from parents and are presented at estimated net realizable value. The Group uses estimates in determining the collectability of its accounts

Meritas Group
NOTES TO CARVE-OUT COMBINED FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013
(In thousands)

receivable and must rely on its evaluation of its experience with historical trends, and specific customer issues identified through review of past-due receivables to arrive at appropriate reserves. Material differences may result in the amount and timing of bad debt expense if actual experience differs from management's estimates. The Group charges off receivables deemed to be uncollectible to the allowance for doubtful accounts. As of June 30, 2014 and 2013, accounts receivable are reflected net of an allowance for doubtful accounts of \$4,170 and \$4,000, respectively. Included in direct costs in the accompanying carve-out combined statements of operations are provisions for doubtful accounts of \$808 and \$544 for the years ended June 30, 2014 and 2013, respectively.

Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance costs are expensed as incurred. Assets under construction are reflected in construction-in-progress until they are ready for their intended use. Construction period interest is capitalized for long-term construction projects. Total finance charges allocated to the Group based on the Parent's calculation for large construction projects capitalized during the years ended June 30, 2014 and 2013, was \$308 and \$105, respectively.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Depreciation periods are as follows:

Buildings	27 - 39 years
Building and land improvements	20 years
Furniture, computer equipment, educational equipment	3 - 10 years
Leasehold improvements	2 - 20 years
Software	3 years
Vehicles	5 years
Books and other	3 - 10 years

Concentrations of Credit Risk

Financial instruments, which potentially subject the Group to concentrations of credit risk, consist principally of excess cash and cash equivalents and accounts receivable. At June 30, 2014 and 2013, the Group had cash held in foreign banks of \$30,521 and \$18,515, respectively. At times, cash and cash equivalent balances may be in excess of Federal Deposit Insurance Corporation insured limits. However, management believes the Group is not exposed to significant credit risk because the Group maintains these balances in diverse, stable financial institutions. Concentrations of credit risk with respect to accounts receivable are reduced due to the Group's large number of students and their dispersion worldwide.

In addition to its locations in the United States, the Group operates private schools in Switzerland, Mexico and China. At June 30, 2014 and 2013, net assets (deficit) included in the Group's carve-out combined balance sheets related to these schools totaled:

	2014	2013
Switzerland	\$ 56,079	\$ 63,141
Mexico	23,693	20,947
China	(6,974)	(5,356)

Meritas Group
NOTES TO CARVE-OUT COMBINED FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013
(In thousands)

Revenue Recognition

Total revenues include tuitions reduced by discounts and scholarships, fees for registration and other educational services, as well as other revenues primarily comprised of supplemental fees from after-school and summer programs, camps, field trips, and sales of products and food. Tuition revenues and school-related services are recognized when the following criteria have been met: execution of an enrollment agreement or a contract that contains a specific tuition rate and a fee, rendering of educational services over time, and probable collection. Tuition payments received in advance of the time period for which service is to be performed are recorded as deferred revenue. All other revenues are recognized as the service is provided. Application fees are recognized as received and are an insignificant amount. Certain other fees may be received in advance of services being rendered, in which case the fee revenue is deferred and recognized over the appropriate period of service. The Group receives donations to provide scholarships to its schools and for the purchase of educational materials and provision of programs. The Group recognizes donation revenue upon receiving a legally enforceable pledge of funds and fulfilling any restrictions.

For the years ended June 30, 2014 and 2013, other revenue consists of:

	<u>2014</u>	<u>2013</u>
School-related services	\$ 35,147	\$ 32,541
Sales of products and food	5,892	5,693
After-school programs, preschool revenue and other	<u>18,303</u>	<u>16,540</u>
Total	<u>\$ 59,342</u>	<u>\$ 54,774</u>

Advertising and Promotion

Advertising and promotion costs, which are principally included in direct costs, are expensed as incurred. Advertising and promotion expense was \$1,446 and \$928 for the years ended June 30, 2014 and 2013, respectively, and included in direct costs in the accompanying carve-out combined statements of operations.

Goodwill and Other Intangible Assets

Goodwill consists of the cost in excess of fair value of the identifiable net assets of entities acquired in business combinations. Other intangibles include trade names with indefinite lives, student roster assets and registration fees assets that were acquired in business combinations. Trade names are valued by the "relief from royalty" method, estimating the amount of royalty income that would be generated if the assets were licensed in an arm's length transaction to a third party. The Group uses the income approach excess earnings method to establish student rosters and certain other acquired intangible asset values. The resulting asset values reflect the present value of the projected earnings generated over the projected period. The cost of intangible assets with finite useful lives is amortized on a straight-line basis over estimated useful lives ranging from five to 80 years.

Goodwill is potentially impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value, as determined under a two-step approach. The first step is to determine the estimated fair value of each reporting unit with goodwill. The Group estimates the fair value of each reporting unit by estimating the present value of the reporting unit's future cash flows. If the recorded net assets of the reporting unit are less than the reporting unit's estimated fair value, then no impairment is indicated. Alternatively, if the recorded

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net assets of the reporting unit exceed its estimated fair value, then goodwill is potentially impaired and a second step is performed. In the second step, the implied fair value of the goodwill is determined by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. An impairment charge is recorded for the excess if the recorded amount of goodwill exceeds this implied fair value.

The impairment test for indefinite-lived assets, consisting of trade names, generally requires a new determination of the fair value of the intangible asset. If the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized for an amount equal to the difference. The intangible asset is then carried at its new fair value.

Estimates used to determine fair values of goodwill and indefinite-lived assets require the use of judgment and numerous subjective assumptions, which include enrollment, tuition rates and retention of students, if actual experience varies from the estimates, could result in material

differences in the requirements for impairment charges.

As of June 30, 2014 and 2013, the Group performed the annual goodwill and indefinite-lived intangibles impairment tests and did not record an impairment charge.

Long-lived Assets

Long-lived assets consist primarily of property, equipment and amortizable intangible assets. The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Group estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the assets, an impairment loss is recognized by comparing the fair value of assets to their carrying value. During the years ended June 30, 2014 and 2013, the Group did not record an impairment charge.

Income Taxes

All of the Group's domestic operations are structured as limited liability corporations. Each of these entities are treated as a partnership for federal tax purposes. As a result, substantially all of the Group's U.S. taxable income or losses are included in the federal income tax returns of the Group's Parent's unit holders. Operations in Switzerland, China and Luxembourg are subject to income tax. The Group's Mexican school is currently tax-exempt from income tax as a result of their status as educational institutions.

The Group accounts for income taxes in accordance with the asset and liability method. Accordingly, deferred income taxes have been provided to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax bases of assets and liabilities and their reported amounts in the carve-out combined financial statements.

The Group is required to recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority.

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Other Long-term Liabilities

Other long-term liabilities consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Deferred gain	\$ 9,487	\$ 9,068
Pension liabilities	9,451	5,108
Deferred tax liabilities	598	1,735
Deferred rent	3,472	2,423
Other	<u>84</u>	<u>1</u>
Total	<u>\$ 23,092</u>	<u>\$ 18,335</u>

Foreign Currency Translation

The functional currencies for the Group's foreign subsidiaries are the applicable local currencies. Assets and liabilities of non-U.S. schools are translated to U.S. dollars at year-end exchange rates. Income and expense items are translated at weighted-average exchange rates prevailing during the year. Gains or losses resulting from translation are recorded as a separate component of accumulated other comprehensive loss. Transaction gains and losses are recognized in the results of operations based on the difference between foreign exchange rates on the transaction date and on the settlement date.

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the combined financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences may be material.

Change in Estimate

The Group revised its estimate for determining the balance of unclaimed security deposits outstanding. This change was accounted for prospectively as a change in accounting estimate and, as a result, an additional \$943 was recognized as a reduction to selling, general and administrative expenses for the year ended June 30, 2014.

Comprehensive Income

Comprehensive income is defined as the change in the net investment from transactions and other events from non-member sources. Comprehensive income includes net earnings and other changes in net investment that bypass the carve-out combined statements of operations, such as foreign currency translation adjustments and actuarial minimum liability adjustments, and are reported as a separate component of net invested capital. Included in accumulated other comprehensive income net of tax is \$(9,093) and \$(5,604) of post-retirement liability at June 30, 2014 and 2013, respectively, and \$5,951 and \$5,234 of foreign currency translation adjustments at June 30, 2014 and 2013, respectively.

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NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Buildings and building improvements	\$ 186,325	\$ 172,949
Land and land improvements	42,149	39,635
Furniture, fixtures and equipment	27,720	22,451
Leasehold improvements	10,598	7,705
Software	2,113	2,013
Vehicles	5,339	4,969
Construction in progress	20,623	9,894
Books and other	<u>5,677</u>	<u>4,702</u>
Total property and equipment	300,544	264,318
Less accumulated depreciation and amortization	<u>(71,373)</u>	<u>(58,046)</u>
Property and equipment, net	<u>\$ 229,171</u>	<u>\$ 206,272</u>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013, was \$12,312 and \$10,807, respectively.

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the years ended June 30, 2014 and 2013, are as follows:

Balance as of July 1, 2012	\$ 36,972
Effects from exchange rate fluctuations	<u>418</u>
Balance as of June 30, 2013	37,390
Effects from exchange rate fluctuations	<u>1,573</u>
Balance as of June 30, 2014	<u>\$ 38,963</u>

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The balances for trade names and other intangibles, net as of June 30, 2014 and 2013, are as follows:

	<u>Lives</u>	<u>2014</u>	<u>2013</u>
Trade names with indefinite lives		\$ 43,038	\$ 41,427
Student roster	6 - 15 years	\$ 1,300	\$ 1,274
Registration fees	80 years	3,128	2,949
Total other intangible assets		4,428	4,223
Less accumulated amortization		1,382	1,256
Other intangible, net assets		\$ 3,046	\$ 2,967

Amortization of definite-lived intangible assets for the years ended June 30, 2014 and 2013, was \$98 and \$117, respectively. Estimated amortization expense for the next five fiscal years is as follows:

<u>Year ending June 30,</u>	
2015	\$ 94
2016	50
2017	39
2018	39
2019	39

NOTE 5 - RELATIONSHIPS WITH PARENT COMPANY

Cash management and financing

The Group participates in the Parent's centralized cash management and financing programs. Disbursements are made through centralized accounts payable systems that are operated by the Parent. Cash receipts are transferred to centralized accounts, also maintained by the Parent. As cash is disbursed and received by the Parent, it is accounted for by the Group through net invested capital. All short- and long-term debt is financed by the Parent and financing decisions are determined by central Parent treasury operations.

The Parent maintains a credit facility that includes a \$215,000 term loan and a \$30,000 unsecured revolving credit facility. The unsecured revolving credit facility bears interest at LIBOR plus 5.75% and matures on June 24, 2018 (7.0% at June 30, 2014). As of June 30, 2014 and 2013, the Parent had \$26,750 available on the revolving credit facility. Amounts are allocated to the Group for interest in the accompanying carve-out combined financial statements.

The Parent is required to comply with certain financial covenants under the credit facility, including maintaining a leverage ratio (debt-to-EBITDA) and a fixed charge coverage ratio. As of June 30, 2014 and 2013, the Parent was in compliance with all financial covenants under the credit facility and was compliant with all covenants under the previous credit facility for the preceding three quarters. Should the Parent undergo a change of

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control, this credit facility would be paid in full at the time of closing. All of the domestic assets and a pledge of 65% of the holding company of the schools in Switzerland and Mexico are collateral as part of the Parent's credit facility.

The Group enters into foreign currency options to buy U.S. dollars and sell Swiss Francs to manage its Switzerland operation's currency exposure on its U.S. dollar debt. During fiscal years 2014 and 2013, the Group entered into fixed forward contracts with a notional value of 24,000 and 27,000 Swiss Francs, respectively, with phased maturity dates through the end of each fiscal year. Changes in the fair value of foreign currency options are reported in changes in fair value of derivatives in the accompanying carve-out combined statements of operations. There were no open contracts as of June 30, 2014.

NOTE 6 - FAIR VALUE MEASUREMENTS

Certain financial assets and liabilities are recorded at fair value, which is defined as an exit price, representing that amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Group determines fair value based upon a hierarchy that defines three levels of inputs that may be used to measure fair value.

The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs, other than Level 1 inputs that are either directly or indirectly observable. Included in Level 2 are investments measured using a net asset value (NAV) per share, or its equivalent, that may be redeemed at the NAV at the date of the carve-out combined balance sheets or in the near term, which is generally considered to be within 90 days.

Level 3 - Valuation techniques that use significant inputs that are unobservable, which reflect those that market participants would use.

The determination of whether an asset or liability falls in the hierarchy requires significant judgment and considers factors specific to the asset or liability. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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The following tables summarize the Group's financial assets and liabilities measured at fair value on a recurring basis, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair value	June 30, 2014		
		Fair value measurements using		
		Level 1	Level 2	Level 3
Publicly traded money market accounts	\$ 2,348	\$ 2,348	\$ —	\$ —

Description	Fair value	June 30, 2013		
		Fair value measurements using		
		Level 1	Level 2	Level 3
Foreign currency hedges	\$ 386	\$ —	\$ 386	\$ —

The following is a description of the valuation techniques used for these items, as well as the general classification of such items pursuant to the fair value hierarchy:

Foreign currency hedges - Fair values of foreign currency hedges are based on model-derived valuations using the foreign currency strike prices compared to actual foreign currency rates observed during the terms of the options. Therefore, the derivatives are classified within Level 2 of the fair value hierarchy.

Publicly traded money market accounts - Money market funds are valued at the closing price reported by the fund sponsor from an actively traded exchange. These are included within cash equivalents and restricted cash in the accompanying carve-out combined balance sheets.

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Pension assets held in the pension plan as of June 30, 2014 and 2013, are as follows:

Category	Fair value measurements at June 30, 2014			Total
	Level 1	Level 2	Level 3	
Cash	\$ 1,591	\$ —	\$ —	\$ 1,591
Equity securities				
Stocks in Swiss currency	5,550	—	—	5,550
Stocks in other foreign currencies	10,821	—	—	10,821
Fixed income securities				
Bonds in Swiss currency	2,393	10,498	—	12,891
Bonds in other foreign currencies	2,896	1,292	—	4,188
Other investments				
Hedge funds	—	6,069	—	6,069
Equity long/short hedge funds	—	4,801	—	4,801
Commodities	3,997	—	—	3,997
Total	\$ 27,248	\$ 22,660	\$ —	49,908
Non-investment pension liabilities(a)				(449)
Total assets				\$ 49,459

Category	Fair value measurements at June 30, 2013			Total
	Level 1	Level 2	Level 3	
Cash	\$ 354	\$ —	\$ —	\$ 354
Equity securities				
Stocks in Swiss currency	4,917	—	—	4,917
Stocks in foreign currency	8,117	—	—	8,117

Fixed income securities				
Bonds in Swiss currency	1,622	5,326	—	6,948
Bonds in foreign currency	10,280	—	—	10,280
Other investments				
Hedge funds	—	5,436	—	5,436
Equity long/short hedge funds	709	1,171	—	1,880
Commodities	3,381	—	—	3,381
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 29,380</u>	<u>\$ 11,933</u>	<u>\$ —</u>	<u>41,313</u>
Non-investment pension assets(a)				<u>482</u>
Total assets				<u>\$ 41,795</u>

(a) Includes receivables and payables that are net assets of the plan, but are not considered investments.

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Assets held in pension plans - These investments consist of stocks, bonds, equity hedge funds, real estate, commodities and cash in a mix of funds managed by financial institutions. The other investments are valued based on the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus liabilities, and then divided by the number of shares/units held at year-end. The NAV is quoted on a private market and the underlying assets owned by the fund are traded on active markets.

NOTE 7 - INCOME TAXES

Substantially all of the Group's domestic operations are structured as limited liability corporations. Additionally, three foreign schools in the Group are subject to income taxes in the countries in which they operate. The Group's Mexican school is tax-exempt as a result of their status as educational institutions for income tax purposes.

The following are reconciliations of the Group's combined loss before income taxes to income of taxable entities and the components of income tax expense for the years ended June 30:

	2014		
	Domestic	Foreign	Total
Income from continuing operations before income taxes			
Combined	\$ 2,632	\$ 20,717	\$ 23,349
Less non-taxable entities	(2,632)	(3,712)	(6,344)
Taxable entities	\$ —	\$ 17,005	\$ 17,005
Income tax (expense) benefit			
Current	\$ (104)	\$ (3,773)	\$ (3,877)
Deferred	—	76	76
Total	\$ (104)	\$ (3,697)	\$ (3,801)
	2013		
	Domestic	Foreign	Total
Income from continuing operations before income taxes			
Combined	\$ 1,579	\$ 20,507	\$ 22,086
Less non-taxable entities	(1,579)	1,529	(50)
Taxable entities	\$ —	\$ 22,036	\$ 22,036
Income tax (expense) benefit			
Current	\$ (90)	\$ (3,853)	\$ (3,943)
Deferred	—	107	107
Total	\$ (90)	\$ (3,746)	\$ (3,836)

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The Group had income taxes payable of \$1,516 and \$2,784 as of June 30, 2014 and 2013, respectively. These balances are reflected in accounts payable and accrued expenses.

Deferred tax assets and liabilities are reflected in the carve-out combined balance sheets in the following components at June 30:

	<u>2014</u>	<u>2013</u>
Deferred tax liability		
Deferred revenue, enrollment deposits and other	\$ (122)	\$ (100)
Other long-term liabilities	(599)	(1,735)
Net deferred tax liabilities	<u>\$ (721)</u>	<u>\$ (1,835)</u>

The income tax provisions for the years ended June 30, 2014 and 2013, differ from the amount determined by applying the applicable U.S. federal statutory income tax rate of 34% to income before income taxes due to state taxes, foreign taxes, valuation allowances and non-deductible expenses.

The following is a summary of the significant components of current and long-term deferred tax assets and liabilities at June 30:

	<u>2014</u>	<u>2013</u>
Current deferred tax assets (liabilities)		
Accrued expenses	\$ 1,808	\$ 1,465
Inventory reserve	(74)	(73)
Allowance for doubtful accounts	(18)	(22)
Total current deferred tax assets	1,716	1,370
Long-term deferred tax (liabilities) assets		
Trade name and student roster	(7,100)	(6,626)
Depreciation	(281)	(278)
Net operating loss carryover	1,160	1,127
Provision for pension liability	2,363	1,264
Deferred gain on the sale of fixed assets	2,373	2,244
Capital leases	2,734	2,112
Registration fees	(556)	(382)
Other	(131)	(49)
Total long-term deferred tax assets (liabilities)	562	(588)
Valuation allowance	(2,999)	(2,617)
Net deferred tax liabilities	<u>\$ (721)</u>	<u>\$ (1,835)</u>

Total deferred tax assets were \$10,438 and \$8,212 at June 30, 2014 and 2013, respectively. Total deferred tax liabilities were \$8,158 and \$7,430 at June 30, 2014 and 2013, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the

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deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax-planning strategies in making this assessment. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period in which such a determination is made. At June 30, 2014 and 2013, the Group has \$1,160 of net operating loss carryforwards and temporary differences of \$1,839 in China that expire starting in 2015. Management has provided a full valuation allowance on deferred tax assets that are not expected to be realized.

The entities in the Group are subject to income taxes in the U.S., Switzerland, China and Luxembourg. The Group is no longer subject to U.S. federal income tax examination for years before 2010. The Group is also no longer subject to tax examination in Luxembourg for years before 2009. The statute of limitation for all Swiss filings is still open for examination. The Group is not aware of any current examinations by any state taxing authorities that would have a material impact to its carve-out combined financial statements.

NOTE 8 - RELATED PARTIES

Rent and Other Services

The Group rents various properties from a current director of an acquired school in Switzerland. Rental payments paid during the years ended June 30, 2014 and 2013, were \$804 and \$787, respectively.

NOTE 9 - EMPLOYEE BENEFIT PLANS

United States Profit Sharing Plans

The Group participates in a 401(k) plan (the 401(k) Plan) sponsored by the Parent. Employees are eligible to participate in the 401(k) Plan after reaching 21 years of age and one month of service. Employees may make contributions to the 401(k) Plan through payroll deferrals. Employer matching contributions are discretionary. The Group contributed \$579 and \$444 to the 401(k) Plan for the years ended June 30, 2014 and 2013, respectively.

European Defined Benefit Plan

The Group maintains a defined benefit pension plan (the Plan) covering substantially all of its European employees. Payments are made to the Plan by the employee and the employer. Contributions are based on the age of the employee and vary between 4% and 18% of eligible earnings, as defined. For the periods presented, the measurement date used is June 30.

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Pension costs recognized during the years ended June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Service cost for benefits earned	\$ 2,256	\$ 2,130
Interest cost on benefit obligation	983	845
Expected return on plan assets	(1,313)	(1,288)
Amortization of actuarial loss	539	889
Total pension cost	<u>\$ 2,465</u>	<u>\$ 2,576</u>

Actuarial assumptions in effect as of June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	1.60%	2.10%
Plan interest rate	2.00%	1.75%
Compensation increases (inclusive of inflation)	1.50%	1.50%
Expected long-term rate of return on assets	3.50%	3.00%

The Group evaluates its discount rate annually as of June 30 using the Mercer Yield Curve. To determine the expected long-term rate of return on Plan assets, management considered the target asset allocations, as well as expected returns on the various categories of Plan assets as shown in the table on the following page. The expected long-term rate of return has been adjusted to 3.50% to take into account the new target allocation and expected returns.

Expected rate of return on assets as of June 30, 2014, is as follows:

<u>Category</u>	<u>Weight</u>	<u>Historical return</u>	<u>Expected return</u>
Bonds in Swiss currency	25%	1.0%	0.35%
Bonds in other foreign currencies	12%	2.0%	0.25
Convertible bonds	5%	3.0%	0.10
Stocks in Swiss currency	12%	4.0%	0.70
Stocks in other foreign currencies	18%	6.0%	1.10
Real estate	10%	3.0%	0.40
Commodities	8%	3.0%	0.16
Hedge funds	10%	5.0%	0.44
Cash	0%	1.5%	0.00
Total			<u>3.50%</u>

The Group's pension funding policy is to contribute amounts sufficient to meet regulatory requirements as set forth in employee benefit and tax laws, plus such additional amounts as the Group may determine to be appropriate. The Group contribution expected to be paid to the Plan during the year ending June 30, 2015, is \$2,843, the amount required by funding regulations. No discretionary or non-cash contributions are expected to be made during this period. Participants are expected to contribute \$1,996 for the same period.

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Accumulated benefit obligation (ABO) and projected benefit obligation (PBO) represent the obligations of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based on current compensation levels. PBO is ABO increased to reflect expected future compensation. Benefit obligations as of June 30 are described in the following table.

	<u>2014</u>	<u>2013</u>
Actuarial present value of benefit obligations		
ABO	<u>\$ 57,915</u>	<u>\$ 46,199</u>
PBO		
Balance at the beginning of the year	\$ 46,903	\$ 44,062
Service cost for benefits earned	2,256	2,130
Interest cost on benefit obligation	983	845

Participant contributions	2,060	2,000
Unrecognized actuarial gains (losses)	7,361	(220)
Benefits and premiums paid	(3,643)	(2,359)
Translation adjustment	<u>2,990</u>	<u>445</u>
Balance at the end of the year	<u>\$ 58,910</u>	<u>\$ 46,903</u>

Changes in pension plan assets for the years ended June 30, 2014 and 2013, are described in the following table. The method for determining the fair value of assets is the market-related value of assets plus any accrual assets less benefits to be paid.

	<u>2014</u>	<u>2013</u>
Fair value of plan assets		
Balance at the beginning of the year	\$ 41,795	\$ 36,415
Actual gain on plan assets	3,704	2,537
Employer contributions	2,929	2,845
Participant contributions	2,060	2,000
Benefits paid, net	(3,643)	(2,359)
Translation adjustment	<u>2,614</u>	<u>357</u>
Balance at June 30	<u>\$ 49,459</u>	<u>\$ 41,795</u>
Net pension liability at the end of the year	<u>\$ (9,451)</u>	<u>\$ (5,108)</u>

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The Plan asset allocation strategy and actual asset allocation as a percentage of fair value as of June 30, 2014, is as follows:

<u>Category</u>	<u>Plan policy</u>	<u>Target</u>	<u>Expected limits</u>	<u>Actual allocation</u>
Bonds in Swiss currency	Authorized	30%	15% - 35%	25.8%
Bonds in foreign currencies	Authorized	12%	5% - 20%	8.4%
Stocks in Swiss currency	Authorized	12%	5% - 20%	11.1%
Stocks in foreign currencies	Authorized	18%	10% - 35%	21.7%
Real estate	Authorized	10%	5% - 15%	9.6%
Commodities	Authorized	8%	0% - 10%	8.0%
Hedge funds	Authorized	10%	0% - 15%	12.2%
Cash	Authorized	0%	0% - 20%	3.2%

Long-term strategic investment objectives include balancing short-term and long-term funded status of the Plan and balancing risk and return objectives. Plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. The asset targets are set to provide guidance for investment allocation within the limits placed on any one asset category as it relates to the entire plan allocation at any one point in time. Also, plan investments can only be made in the authorized asset categories shown above.

The Group's recorded assets and liabilities for the pension plan as of June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Unfunded status	\$ (9,451)	\$ (5,108)
Pension liability recorded in the combined balance sheet		
Due after one year	\$ (9,451)	\$ (5,108)
Net amount recognized	<u>\$ (9,451)</u>	<u>\$ (5,108)</u>

At June 30, 2014, the Group expects to amortize \$876 of the net actuarial loss currently deferred in members' equity into pension cost in the year ending June 30, 2015.

As of June 30, 2014, there are no securities in the Plan that are expected to be returned to the Group in the year ending June 30, 2015.

Estimated future benefit payments under the Plan for the years ended June 30 are as follows:

<u>Year ending June 30,</u>	
2015	\$ 4,688
2016	4,411
2017	4,500
2018	3,151
2019 - 2024	16,809

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NOTE 10 - COMMITMENT AND CONTINGENCIES

Real Estate Transaction

In September 2010, the Group completed the sale of one of its school's campuses, including the land, building and improvements on the property. The sales price was \$86,013 and proceeds from the sale were used to pay the outstanding senior debt related to the property. In conjunction with the sale, the Group retained a leasehold interest granting it the right to use the land and all the structures on it for a period of 80 years.

The land transaction qualified as a sale-leaseback and resulted in a deferred gain at the date of the transaction. The balance at June 30, 2014 and 2013, was \$9,487 and \$9,068, respectively. The land lease has been reflected as an operating lease and the gain is being amortized over the expected lease term in proportion to the leased asset.

Due to the terms of the agreement, the building did not meet the definition of a sale since the Group is deemed to have continuing involvement. This resulted in the building transaction being accounted for as a capital lease. The building proceeds at the date of the transaction have been recorded as a liability in the accompanying carve-out combined balance sheets. The balances remaining at June 30, 2014 and 2013, were \$51,039 and \$48,450, respectively. Future minimum lease payments are included in the table below.

Leases

The Group leases certain properties and equipment under operating and capital leases. The leases are non-cancelable and expire at various times through fiscal year 2090. Certain of these leases contain escalation clauses and renewal options after the initial term. Rent expense was approximately \$9,088 and \$7,763 for the years ended June 30, 2014 and 2013, respectively.

The cost for property and equipment under capital leases was \$52,767 and \$49,862 at June 30, 2014 and 2013, respectively. The accumulated amortization for these assets was \$5,618 and \$3,768 at June 30, 2014 and 2013, respectively.

Future minimum lease payments under both capital and operating leases are as follows:

Year ending June 30,	Capital leases	Operating leases
2015	\$ 3,430	\$ 9,320
2016	3,305	8,074
2017	3,225	7,668
2018	3,172	7,509
2019	3,033	7,462
Thereafter	213,227	298,634
Total minimum lease payments	229,392	\$ 338,667
Less amount representing interest	(178,353)	
Present value of net minimum lease payments	\$ 51,039	

Meritas Group
NOTES TO CARVE-OUT COMBINED FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013
(In thousands)

Amortization expense for assets under capital leases is included with depreciation expense, which is classified in direct costs in the accompanying carve-out combined statements of operations.

NOTE 11 - SUBSEQUENT EVENTS

The Group evaluated its June 30, 2014, carve-out combined financial statements for subsequent events through May 8, 2015, the date the carve-out combined financial statements were available to be issued. With the exception of the matters discussed below, there were no material subsequent events that required recognition or additional disclosure in the carve-out combined financial statements.

On July 23, 2014, the Parent refinanced the credit facility by amending the \$215,000 term loan and entering into an additional term loan for \$80,000 (the New Credit Facility). At closing, a portion of the funds received under the New Credit Facility were used to pay down the credit facility to a principal balance of \$180,000. The new \$80,000 term loan bears interest at LIBOR plus 9.0% and matures on January 23, 2021. The New Credit Facility continues to provide for a \$30,000 revolving credit facility.

On April 27, 2015, the Parent entered into a definitive agreement to sell the Group to Nord Anglia Education, Inc. (NYSE: NORD) for \$575,000 in cash, subject to certain adjustments. The transaction is scheduled to close in mid-2015, subject to receipt of regulatory approvals and the satisfaction of other closing conditions.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined balance sheet as of February 28, 2015 gives effect to our expected acquisition of the Meritas Schools and related financings as though they had occurred on February 28, 2015. The following unaudited pro forma combined income statements for the year ended August 31, 2014 and the six months ended February 28, 2015 and 2014 give effect to our acquisition of BIS Vietnam and expected acquisition of the Meritas Schools and the related financings as though they had each occurred on September 1, 2013. The unaudited pro forma condensed combined financial information is derived from the historical consolidated or combined financial statements of our company, BIS Vietnam and the Meritas Schools furnished with our report on Form 6-K to which this is an exhibit, after giving effect to the pro forma adjustments described in the notes hereto.

The preparation of the unaudited pro forma condensed combined balance sheet and income statements appearing below is based on financial statements prepared in accordance with IFRS. These principles require the use of estimates that affect the reported amounts of assets, liabilities, revenues and expenses. The objective of the unaudited pro forma condensed consolidated balance sheet and income statements is to provide information on the impact of our acquisition of BIS Vietnam in March 2015, expected acquisition of the Meritas Schools in June 2015 and the related financings.

The unaudited pro forma condensed combined financial information should be read in conjunction with our historical consolidated financial statements, including the notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information furnished with our report on Form 6-K to which this is an exhibit.

While the unaudited pro forma condensed combined financial information is helpful in showing the financial characteristics of the combined companies, it is not intended to show how the combined companies would have actually performed if the events described above had in fact occurred on the dates assumed or to project the results of operations or financial position for any future date or period.

Unaudited Pro Forma Combined Balance Sheet as of February 28, 2015

	Historical	Meritas Schools (1)	Pro Forma Adjustments (3)	Pro Forma Combined before Acquisition Financing Adjustments (in millions of dollars)	BIS Vietnam Acquisition Financing Adjustments(2)	Meritas Schools Acquisition Financing Adjustments (3)	Pro Forma Combined after Acquisition Financing Adjustments
Property, plant and equipment	149.0	235.6	17.7	402.3	—	—	402.3
Intangible assets	951.5	79.3	389.7	1,420.5	—	—	1,420.5
Investments in jointly controlled entities	0.5	—	—	0.5	—	—	0.5
Investments in associated and subsidiaries	—	—	—	—	—	—	—
Trade and other receivables	30.6	0.4	—	31.0	—	—	31.0
Deferred tax assets	19.9	—	—	19.9	—	—	19.9
Total Non-Current Assets	1,151.5	315.3	407.4	1,874.1	—	—	1,874.1
Tax receivable	0.7	0.2	—	0.9	—	—	0.9
Trade and other receivables	55.2	13.1	—	68.3	—	—	68.3
Inventory	—	1.0	—	1.0	—	—	1.0
Cash and cash equivalents	97.3	21.4	—	118.7	1.5	(18.5)	101.7
Total Current Assets	153.2	35.7	—	188.9	1.5	(18.5)	171.9
Total Assets	1,304.7	351.0	407.4	2,063.1	1.5	(18.5)	2,046.1
Other interest-bearing loans and borrowings	(53.4)	—	—	(53.4)	5.1	—	(48.3)
Trade and other payables	(374.6)	(76.7)	—	(451.3)	133.5	—	(317.8)
Contingent consideration	—	—	—	—	—	(25.0)	(25.0)
Provisions for other liabilities and charges	(0.7)	(12.1)	—	(12.8)	—	—	(12.8)
Current tax liabilities	(8.2)	—	—	(8.2)	—	—	(8.2)
Total Current Liabilities	(436.9)	(88.8)	—	(525.7)	138.6	(25.0)	(412.1)
Other interest-bearing loans and borrowings	(497.1)	(47.0)	—	(544.1)	(119.1)	(416.5)	(1,079.7)
Other payables	(77.5)	(5.4)	—	(82.9)	—	—	(82.9)
Retirement benefit obligations	(26.1)	(13.1)	—	(39.2)	—	—	(39.2)
Provisions for other liabilities and charges	(1.3)	—	—	(1.3)	—	—	(1.3)
Deferred tax liabilities	(61.8)	(0.3)	(29.0)	(91.1)	—	—	(91.1)
Total Non-Current Liabilities	(663.8)	(65.8)	(29.0)	(758.6)	(119.1)	(416.5)	(1,294.2)
Total Liabilities	(1,100.7)	(154.6)	(29.0)	(1,284.3)	19.5	(441.5)	(1,706.3)
Net Assets	204.0	196.4	378.4	778.8	21.0	(460.0)	339.8
Share capital	1.0	—	—	1.0	—	—	1.0
Share premium	597.1	—	—	597.1	21.0	115.0	733.1
Invested Capital	—	198.9	376.0	575.0	—	(575.0)	—
Other reserves	11.5	—	—	11.5	—	—	11.5
Currency translation reserve	(23.4)	(6.3)	6.3	(23.4)	—	—	(23.4)
Shareholders' deficit	(382.2)	3.8	(3.9)	(382.4)	—	—	(382.4)
	204.0	196.4	378.4	778.8	21.0	(460.0)	339.8
Non-Controlling Interest	0.0	(0.0)	—	0.0	—	—	0.0
Total Shareholders's Funds	204.0	196.4	378.4	778.8	21.0	(460.0)	339.8

(1) The historical financial information of the Meritas Schools as of March 31, 2015 is derived from the Meritas Schools' unaudited combined financial statements, which are prepared in accordance with US GAAP. The following table presents the historical unaudited financial information of the Meritas Schools under IFRS as of March 31, 2015:

	Meritas Schools Historical (US GAAP)	Presentation adjustments (US GAAP) (a)	Meritas Schools Historical (US GAAP)	IFRS and Policy adjustments (b)	Meritas Schools Historical (IFRS)
	(in millions of dollars)				
Property plant and equipment, net	231.9	(231.9)	—	—	—
Property plant and equipment	—	231.8	231.8	3.8	235.6
Trade names	40.1	(40.1)	—	—	—
Goodwill	36.3	(36.3)	—	—	—
Other intangible assets, net	2.8	(2.8)	—	—	—
Other intangibles, net	—	—	—	—	—
Intangible assets	—	79.3	79.3	—	79.3
Investments in jointly controlled entities	—	—	—	—	—
Restricted cash	0.4	(0.4)	—	—	—
Other assets	0.4	(0.4)	—	—	—
Trade and other receivables	—	0.4	0.4	—	0.4
Deferred tax assets	—	—	—	—	—
Total Non-Current Assets	311.9	(0.4)	311.5	3.8	315.3
Tax receivable	—	0.2	0.2	—	0.2
Accounts receivable, net	6.0	(6.0)	—	—	—
Prepaid expenses	2.8	(2.8)	—	—	—
Other current assets	3.0	(3.0)	—	—	—
Trade and other receivables	—	10.8	10.8	2.3	13.1
Inventory	—	1.0	1.0	—	1.0
Cash and cash equivalents	21.3	0.1	21.4	—	21.4
Total Current Assets	33.1	0.3	33.4	2.3	35.7
Total Assets	345.0	(0.1)	344.9	6.1	351.0
Other interest-bearing loans and borrowings	—	—	—	—	—
Cash overdrafts	(0.3)	0.3	—	—	—
Accounts payable and accrued expenses	(15.7)	15.7	—	—	—
Current capital lease obligations	(0.2)	0.2	—	—	—
Deferred revenue, enrollment deposits and other	(72.6)	72.6	—	—	—
Trade and other payables	—	(76.7)	(76.7)	—	(76.7)
Provisions for other liabilities and charges	—	(12.1)	(12.1)	—	(12.1)
Current tax liabilities	—	—	—	—	—
Total Current Liabilities	(88.8)	—	(88.8)	—	(88.8)
Other interest-bearing loans and borrowings	—	(47.0)	(47.0)	—	(47.0)
Long-Term Capital Lease Obligations	(47.0)	47.0	—	—	—
Due to related parties	(5.2)	5.2	—	—	—
Other long-term liabilities	(20.9)	20.9	—	—	—
Other payables	—	(18.2)	(18.2)	12.8	(5.4)
Retirement benefit obligations	—	(7.7)	(7.7)	(5.4)	(13.1)
Provisions for other liabilities and charges	—	—	—	—	—
Deferred tax liabilities	—	(0.3)	(0.3)	—	(0.3)
Total Non-Current Liabilities	(73.1)	(0.1)	(73.2)	7.4	(65.8)
Total Liabilities	(161.9)	(0.1)	(162.0)	7.4	(154.6)
Net Assets	183.1	(0.2)	182.9	13.5	196.4
Share capital	—	—	—	—	—
Share premium	—	—	—	—	—
Invested Capital	193.2	—	193.2	5.7	198.9
Other reserves	—	—	—	—	—
Currency translation reserve	—	(6.3)	(6.3)	—	(6.3)
Accumulated other comprehensive loss	(10.1)	10.1	—	—	—
Shareholders' deficit	—	(4.0)	(4.0)	7.8	3.8
Total Shareholders's Funds	183.1	(0.2)	182.9	13.5	196.4
Non-Controlling Interest	(0.0)	—	(0.0)	—	(0.0)
Total Shareholders's Funds	183.1	(0.2)	182.9	13.5	196.4

- (a) Adjustments to reclassify line items to conform to Nord Anglia Education, Inc.'s basis of presentation.
(b) Adjustments to convert US GAAP balances to IFRS balances and to adjust amounts in accordance with our accounting policies.

(2) The BIS Vietnam Acquisition Financing adjustments reflect the following:

Issuance of new ordinary shares	21.0
Carrying value of incremental debt	119.1
Total proceeds	140.1
Repayment of existing debt	(5.1)
Payment of acquisition payable	(133.5)
Excess cash	1.5

(3) The Meritas Schools Acquisition Financing adjustments reflect the following assumptions:

The purchase price of \$575 million for the Meritas Schools acquisition was financed as follows:

Issuance of new ordinary shares	115.0
Carrying value of incremental debt	416.5
Cash used	18.5
Liability for contingent consideration	25.0
Total purchase price	575.0

The purchase price was allocated to:

Net book value	196.4
Property, plant and equipment	17.7
Intangibles	81.5
Goodwill	308.4
Deferred tax liability	(29.0)
Total allocation	575.0

Unaudited Pro Forma Combined Income Statement for the year ended August 31, 2014

	Historical	BIS Vietnam (1)	Meritas Schools (2)	Pro Forma Adjustments	Pro Forma Combined before Acquisition Financing Adjustments	Acquisition Financing Adjustments	Pro Forma Combined after Acquisition Financing Adjustments
	(in millions of dollars, except per share data)						
Revenue	474.6	50.1	209.5	—	734.2	—	734.2
Cost of Sales	(280.3)	(29.3)	(119.1)	(0.5) ⁽³⁾	(429.2)	—	(429.2)
Gross Profit	194.3	20.8	90.4	(0.5)	305.0	—	305.0
Selling, general and administrative costs	(92.9)	(7.6)	(54.0)	—	(154.5)	—	(154.5)
Depreciation	(2.0)	(0.1)	—	—	(2.1)	—	(2.1)
Amortization	(10.4)	—	(0.1)	(9.7) ⁽⁴⁾	(20.2)	—	(20.2)
Exceptional items	(100.2)	(0.5)	(1.9)	—	(102.6)	—	(102.6)
Total selling, general and administrative expenses	(205.5)	(8.2)	(56.0)	(9.7)	(279.4)	—	(279.4)
Operating Profit	(11.2)	12.6	34.4	(10.2)	25.6	—	25.6
Finance income	2.0	1.3	0.2	—	3.5	—	3.5
Shareholder loan notes accrued interest	—	—	—	—	—	—	—
Bank loans, notes and overdrafts	(54.6)	—	—	—	(54.6)	(25.1) ⁽⁷⁾	(79.7)
Other finance expenses	(0.9)	(1.8)	(11.4)	1.5 ⁽⁵⁾	(12.6)	—	(12.6)
Net financing expense	(53.5)	(0.5)	(11.2)	1.5	(63.7)	(25.1)	(88.8)
Profit / (loss) before income tax	(64.7)	12.1	23.2	(8.7)	(38.1)	(25.1)	(63.3)
Income tax expense	(25.7)	(1.5)	(3.9)	1.8 ⁽⁶⁾	(29.3)	5.3 ⁽⁶⁾	(24.0)
Profit / (loss) after income tax	(90.4)	10.6	19.3	(6.9)	(67.4)	(19.8)	(87.3)
Profit/(Loss) attributable to:							
Owners of the parent	(90.4)	9.5	18.7	(6.9)	(69.1)	(19.8)	(88.9)
Non-controlling interests	—	1.1	0.6	—	1.7	—	1.7

Profit / (loss) after income tax	(90.4)	10.6	19.3	(6.9)	(67.4)	(19.8)	(87.3)
Basic (loss)/profit per share	(1.07)						(0.98) ⁽⁸⁾
Diluted (loss)/profit per share	(1.07)						(0.98) ⁽⁸⁾
Weighted average number of shares							
Basic	85.1					5.9 ⁽⁸⁾	91.0
Diluted	85.1					5.9 ⁽⁸⁾	91.1

(1) The historical financial information of BIS Vietnam for the period from July 1, 2013 to June 30, 2014 is derived from BIS Vietnam's audited combined financial statements, which are prepared in accordance with Vietnamese Accounting Standard and System ("VN GAAP"). The following table presents the historical financial information of BIS Vietnam under IFRS from July 1, 2013 to June 30, 2014:

	BIS Vietnam Historical (VN GAAP) (in millions of VND)	Presentation adjustments (VN GAAP) (in millions of VND) (a)	BIS Vietnam Historical (VN GAAP) (in millions of VND)	IFRS and Policy Adjustments (in millions of VND) (b)	BIS Vietnam Historical (IFRS) (in millions of VND)	BIS Vietnam Historical (IFRS) (in millions of USD) (c)
Gross Sales	1,046,692	(1,046,692)	—	—	—	—
Less Sales deductions	—	—	—	—	—	—
Net Sales	1,046,692	(1,046,692)	—	—	—	—
Tuition and fees	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total Revenues	—	—	—	—	—	—
Revenue	—	1,046,692	1,046,692	11,774	1,058,466	50.1
Direct costs	—	—	—	—	—	—
Cost of Sales	(584,803)	(39,011)	(623,814)	4,995	(618,819)	(29.3)
Gross Profit	461,889	(39,011)	422,878	16,769	439,647	20.8
Selling Expenses	(5,527)	5,527	—	—	—	—
General and administrative expenses	(194,589)	194,589	—	—	—	—
Selling, general and administrative costs	—	(161,460)	(161,460)	984	(160,476)	(7.6)
Income from financial activities	10,609	(10,609)	—	—	—	—
Expenses from financial activities	(32,319)	32,319	—	—	—	—
Depreciation	—	(3,139)	(3,139)	—	(3,139)	(0.1)
Amortization	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—
Exceptional items	—	(8,884)	(8,884)	(1,423)	(10,307)	(0.5)
Total selling, general and administrative expenses	(221,826)	48,343	(173,483)	(439)	(173,922)	(8.2)
Operating Profit	240,063	9,332	249,395	16,330	265,725	12.6
Finance income	—	10,541	10,541	17,825	28,366	1.3
Interest expense, net	—	—	—	—	—	—
Changes in fair values of derivatives	—	—	—	—	—	—
Foreign currency exchange gain	—	—	—	—	—	—
Shareholder loan notes accrued interest	—	—	—	—	—	—
Bank loans, notes and overdrafts	—	—	—	—	—	—
Other expenses	(10,892)	10,892	—	—	—	—
Other income	107	(107)	—	—	—	—
Other finance expenses	—	(30,658)	(30,658)	(7,585)	(38,243)	(1.8)
Net financing expense	(10,785)	(9,332)	(20,117)	10,240	(9,877)	(0.5)
Profit / (loss) before income tax	229,278	—	229,278	26,570	255,848	12.1
Corporate income tax	(31,383)	31,383	—	—	—	—
Deferred corporate income tax	838	(838)	—	—	—	—
Income tax expense	—	(30,545)	(30,545)	(2,175)	(32,720)	(1.5)
Profit / (loss) after income tax	198,733	—	198,733	24,395	223,128	10.6

Profit/(Loss) attributable to:						
Owners of the parent	198,733	(19,873)	178,860	21,955	200,815	9.5
Non-controlling interests	—	19,873	19,873	2,440	22,313	1.1
Profit / (loss) after income tax	198,733	—	198,733	24,395	223,128	10.6

- (a) Adjustments to reclassify line items to conform to Nord Anglia Education, Inc.'s basis of presentation.
(b) Adjustments to convert VN GAAP balances to IFRS balances and to adjust amounts in accordance with our accounting policies.
(c) Amounts converted from Vietnamese dong to US dollar presentational currency using an average exchange rate during the period of 1 USD: 21,108 VND.

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(2) The historical financial information of the Meritas Schools for the period from July 1, 2013 to June 30, 2014 is derived from the Meritas Schools' audited combined financial statements, which are prepared in accordance with US GAAP. The following table presents the historical financial information of the Meritas Schools under IFRS from July 1, 2013 to June 30, 2014:

	Meritas Schools Historical (US GAAP)	Presentation adjustments (US GAAP) (a)	Meritas Schools Historical (US GAAP) <small>(in millions of dollars)</small>	IFRS and Policy adjustments (b)	Meritas Schools Historical (IFRS)
Gross Sales	—	—	—	—	—
Less Sales deductions	—	—	—	—	—
Net Sales	—	—	—	—	—
Tuition and fees	150.1	(150.1)	—	—	—
Other	59.4	(59.4)	—	—	—
Total Revenues	209.5	(209.5)	—	—	—
Revenue	—	209.5	209.5	—	209.5
Direct costs	(165.8)	165.8	—	—	—
Cost of Sales	—	(119.1)	(119.1)	—	(119.1)
Gross Profit	43.7	46.7	90.4	—	90.4
Selling Expenses	—	—	—	—	—
General and administrative expenses	—	—	—	—	—
Other expenses	—	—	—	—	—
Other income	—	—	—	—	—
Selling, general and administrative costs	(18.3)	(35.5)	(53.8)	(0.2)	(54.0)
Depreciation	—	—	—	—	—
Amortization	—	(0.1)	(0.1)	—	(0.1)
Exceptional items	—	(1.9)	(1.9)	—	(1.9)
Total selling, general and administrative expenses	(18.3)	(37.5)	(55.8)	(0.2)	(56.0)
Operating Profit	25.4	9.2	34.6	(0.2)	34.4
Finance income	—	0.2	0.2	—	0.2
Income from financial activities	—	—	—	—	—
Interest expense, net	(2.5)	2.5	—	—	—
Changes in fair values of derivatives	(1.1)	1.1	—	—	—
Foreign currency exchange gain	1.6	(1.6)	—	—	—
Bank loans, notes and overdrafts	—	—	—	—	—
Other finance expenses	—	(11.4)	(11.4)	—	(11.4)
Net financing expense	(2.0)	(9.2)	(11.2)	—	(11.2)
Profit / (loss) before income tax	23.4	—	23.4	(0.2)	23.2
Corporate income tax	—	—	—	—	—
Deferred corporate income tax	—	—	—	—	—
Income tax expense	(3.9)	—	(3.9)	—	(3.9)
Profit / (loss) after income tax	19.5	—	19.5	(0.2)	19.3
Profit/(Loss) attributable to:					
Owners of the parent	18.9	—	18.9	(0.2)	18.7
Non-controlling interests	0.6	—	0.6	—	0.6
Profit / (loss) after income tax	19.5	—	19.5	(0.2)	19.3

- (a) Adjustments to reclassify line items to conform to Nord Anglia Education, Inc.'s basis of presentation.
(b) Adjustments to convert US GAAP balances to IFRS balances and to adjust amounts in accordance with our accounting policies.

- (3) Reflects the full year impact of depreciation on the fair value of tangible assets from the Meritas Schools acquisition of \$0.5 million.
(4) Reflects the full year impact of amortization of intangibles acquired from the Meritas Schools of \$3.0 million and from BIS Vietnam of \$6.7 million. In respect of the Meritas Schools acquisition, intangible assets of \$42.6 million were recorded related to brands that will be amortized over 50 years, using the straight-line method, other than in respect of College du Léman, which is an indefinite life intangible asset. Intangible assets of \$38.8 million were recorded related to customer relationships that will be amortized over 15 years, using the straight-line method. In respect of BIS Vietnam, intangible assets of \$100.5 million were recorded related to customer relations that will be amortized over 15 years, using the straight line method.
(5) Reflects the adjustment to eliminate historical finance expense at BIS Vietnam prior to the BIS Vietnam acquisition.
(6) Reflects the income tax effect of the pro forma and acquisition financing adjustments, calculated using the U.K. statutory tax rate for the period of 21.0%.
(7) Represents interest on incremental debt of \$119.1 million with a face value of \$123.1 million to partially fund the BIS Vietnam acquisition and \$416.5 million with a face value of \$450.0 million to partially finance the Meritas Schools acquisition, as if it had been outstanding since the beginning of the period at a blended interest rate of 4.69%. A 0.125% increase or decrease in the blended rate would increase or decrease other finance expenses by \$0.7 million. On completion of the BIS Vietnam acquisition we incurred \$150.0 million of incremental loans under our senior secured term loan facility, \$123.1 million of which was used to partially fund the BIS Vietnam acquisition.
(8) Assumes net proceeds of \$115.0 million from a primary equity offering of \$125.0 million at \$25.70 per share, the closing price of our ordinary shares on the NYSE on May 26, 2015, to partially fund the Meritas Schools acquisition and includes the issuance of 1.0 million shares at \$20.00 per share as partial consideration for the BIS Vietnam acquisition.

6

Unaudited Pro Forma Combined Income Statement for the six months ended February 28, 2015

	<u>Historical Adjusted (1)</u>	<u>BIS Vietnam (2)</u>	<u>Meritas Schools (3)</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined before Acquisition Financing Adjustments</u>	<u>Acquisition Financing Adjustments</u>	<u>Pro Forma Combined after Acquisition Financial Adjustments</u>
	(in millions of dollars, except per share data)						
Revenue	307.6	24.5	98.3	0.2 ⁽⁴⁾	430.6	—	430.6
Cost of Sales	(182.1)	(16.6)	(61.9)	(0.3) ⁽⁵⁾	(260.9)	—	(260.9)
Gross Profit	125.5	7.9	36.4	(0.1)	169.7	—	169.7
Selling, general and administrative costs	(57.3)	(4.0)	(25.5)	—	(86.8)	—	(86.8)
Depreciation	(0.4)	(0.1)	—	—	(0.5)	—	(0.5)
Amortization	(7.0)	—	(0.1)	(3.7) ⁽⁶⁾	(10.8)	—	(10.8)
Exceptional items	(2.7)	—	(1.7)	—	(4.4)	—	(4.4)
Total selling, general and administrative expenses	(67.4)	(4.1)	(27.3)	(3.7)	(102.5)	—	(102.5)
Operating Profit	58.1	3.8	9.1	(3.8)	67.2	—	67.2
Finance income	1.2	0.5	0.1	—	1.8	—	1.8
Bank loans, notes and overdrafts	(13.2)	—	—	—	(13.2)	(12.6) ⁽⁹⁾	(25.8)
Other finance expenses	(1.4)	(0.3)	(6.2)	0.3 ⁽⁷⁾	(7.6)	—	(7.6)
Net financing expense	(13.4)	0.2	(6.1)	0.3	(19.0)	(12.6)	(31.6)
Profit / (loss) before income tax	44.7	4.0	3.0	(3.5)	48.2	(12.6)	35.6
Income tax expense	(13.2)	(0.4)	0.4	0.8 ⁽⁸⁾	(12.4)	2.6 ⁽⁸⁾	(9.8)
Profit / (loss) after income tax	31.5	3.6	3.4	(2.7)	35.8	(10.0)	25.8
Profit/(Loss) attributable to:							
Owners of the parent	31.2	3.3	3.2	(2.7)	35.0	(10.0)	24.9
Non-controlling interests	0.3	0.3	0.2	—	0.8	—	0.9
Profit / (loss) after income tax	31.5	3.6	3.4	(2.7)	35.8	(10.0)	25.8

Basic (loss)/profit per

Total Revenues	—	—	—	—	—	—
Revenue	—	521,791	521,791	—	521,791	24.5
Direct costs	—	—	—	—	—	—
Cost of Sales	(338,082)	(19,239)	(357,321)	4,266	(353,055)	(16.6)
Gross Profit	183,709	(19,239)	164,470	4,266	168,736	7.9
Selling Expenses	(3,025)	3,025	—	—	—	—
General and administrative expenses	(103,113)	103,113	—	—	—	—
Selling, general and administrative costs	—	(83,482)	(83,482)	(699)	(84,181)	(4.0)
Income from financial activities	8,622	(8,622)	—	—	—	—
Expenses from financial activities	(8,027)	8,027	—	—	—	—
Depreciation	—	(2,198)	(2,198)	—	(2,198)	(0.1)
Amortization	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—
Exceptional items	—	—	—	(777)	(777)	—
Total selling, general and administrative expenses	(105,543)	19,863	(85,680)	(1,476)	(87,156)	(4.1)
Operating Profit	78,166	624	78,790	2,790	81,580	3.8
Finance income	—	6,994	6,994	2,777	9,771	0.5
Interest expense, net	—	—	—	—	—	—
Changes in fair values of derivatives	—	—	—	—	—	—
Foreign currency exchange gain	—	—	—	—	—	—
Shareholder loan notes accrued interest	—	—	—	—	—	—
Bank loans, notes and overdrafts	—	—	—	—	—	—
Other expenses	(188)	188	—	—	—	—
Other income	742	(742)	—	—	—	—
Other finance expenses	—	(7,064)	(7,064)	—	(7,064)	(0.3)
Net financing expense	554	(624)	(70)	2,777	2,707	0.2
Profit / (loss) before income tax	78,720	—	78,720	5,567	84,287	4.0
Corporate income tax	(6,733)	6,733	—	—	—	—
Deferred corporate income tax	—	—	—	—	—	—
Income tax expense	—	(6,733)	(6,733)	(476)	(7,209)	(0.4)
Profit / (loss) after income tax	71,987	—	71,987	5,091	77,078	3.6
Profit/(Loss) attributable to:						
Owners of the parent	71,987	(7,199)	64,788	4,582	69,370	3.3
Non-controlling interests	—	7,199	7,199	509	7,708	0.3
Profit / (loss) after income tax	71,987	—	71,987	5,091	77,078	3.6

- (a) Adjustments to reclassify line items to conform to Nord Anglia Education, Inc.'s basis of presentation.
(b) Adjustments to convert VN GAAP balances to IFRS balances and to adjust amounts in accordance with our accounting policies.
(c) Amounts converted from Vietnamese dong to US dollar presentational currency using an average exchange rate during the period of 1USD: 21,240 VND.

- (3) The historical financial information of the Meritas Schools for the period from July 1, 2014 to December 31, 2014 is derived from the Meritas Schools unaudited combined financial statements, which are prepared in accordance with US GAAP. The following table presents the historical financial information of the Meritas Schools under IFRS from July 1, 2014 to December 31, 2014:

	Meritas Schools Historical (US GAAP)	Presentation adjustments (US GAAP) (a)	Meritas Schools Historical (US GAAP)	IFRS and Policy adjustments (b)	Meritas Schools Historical (IFRS)
	(in millions of dollars)				
Gross Sales	—	—	—	—	—
Less Sales deductions	—	—	—	—	—
Net Sales	—	—	—	—	—
Tuition and fees	70.0	(70.0)	—	—	—
Other	28.3	(28.3)	—	—	—
Total Revenues	98.3	(98.3)	—	—	—
Revenue	—	98.3	98.3	—	98.3
Direct costs	(84.5)	84.5	—	—	—
Cost of Sales	—	(61.9)	(61.9)	—	(61.9)
Gross Profit	13.8	22.6	36.4	—	36.4
Selling Expenses	—	—	—	—	—
General and administrative expenses	—	—	—	—	—

Exceptional items	(2.5)	(0.0)	(1.7)	—	(4.2)	—	(4.2)
Total selling, general and administrative expenses	(49.7)	(4.0)	(21.9)	(4.9)	(80.5)	—	(80.5)
Operating Profit	64.3	3.6	6.3	(5.2)	69.0	—	69.0
Finance income	1.1	0.3	0.1	—	1.5	—	1.5
Bank loans, notes and overdrafts	(34.1)	—	—	—	(34.1)	(12.6) ⁽⁷⁾	(46.7)
Other finance expenses	—	(0.7)	(6.8)	0.7 ⁽⁵⁾	(6.8)	—	(6.8)
Net financing expense	(33.0)	(0.4)	(6.7)	0.7	(39.4)	(12.6)	(52.0)
Profit / (loss) before income tax	31.3	3.2	(0.4)	(4.5)	29.6	(12.6)	16.9
Income tax expense	(13.2)	(0.4)	0.6	1.0 ⁽⁶⁾	(12.0)	2.9 ⁽⁶⁾	(9.1)
Profit / (loss) after income tax	18.1	2.8	0.2	(3.5)	17.6	(9.7)	7.8
Profit/(Loss) attributable to:							
Owners of the parent	18.1	2.5	(0.1)	(3.5)	17.0	(9.7)	7.3
Non-controlling interests	—	0.3	0.3	—	0.6	—	0.6
Profit / (loss) after income tax	18.1	2.8	0.2	(3.5)	17.6	(9.7)	7.8
Basic (loss)/profit per share	0.24						0.09 ⁽⁸⁾
Diluted (loss)/profit per share	0.24						0.09 ⁽⁸⁾
Weighted average number of shares							
Basic	75.9					5.9 ⁽⁸⁾	81.8
Diluted	76.6					5.9 ⁽⁸⁾	82.5

- (1) The historical financial information of BIS Vietnam for the period from July 1, 2013 to December 31, 2013 is derived from the BIS Vietnam's unaudited combined financial statements, which are prepared in accordance with VN GAAP. The following table presents the historical financial information of BIS Vietnam under IFRS from July 1, 2013 to December 31, 2013:

	BIS Vietnam Historical (VN GAAP) (in millions of VND)	Presentation adjustments (VN GAAP) (in millions of VND) (a)	BIS Vietnam Historical (VN GAAP) (in millions of VND)	IFRS and Policy adjustments (in millions of VND) (b)	BIS Vietnam Historical (IFRS) (in millions of VND)	BIS Vietnam Historical (IFRS) (in millions of USD) (c)
Gross Sales	457,637	(457,637)	—	—	—	—
Less Sales deductions	—	—	—	—	—	—
Net Sales	457,637	(457,637)	—	—	—	—
Tuition and fees	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total Revenues	—	—	—	—	—	—
Revenue	—	457,637	457,637	—	457,637	21.7
Direct costs	—	—	—	—	—	—
Cost of Sales	(279,879)	(19,214)	(299,093)	1,497	(297,596)	(14.1)
Gross Profit	177,758	(19,214)	158,544	1,497	160,041	7.6
Selling Expenses	(1,490)	1,490	—	—	—	—
General and administrative expenses	(93,768)	93,768	—	—	—	—
Selling, general and administrative costs	—	(78,403)	(78,403)	—	(78,403)	(3.7)
Income from financial activities	7,311	(7,311)	—	—	—	—
Expenses from financial activities	(13,834)	13,834	—	—	—	—
Depreciation	—	(6,923)	(6,923)	—	(6,923)	(0.3)
Amortization	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—
Exceptional items	—	—	—	(656)	(656)	(0.0)
Total selling, general and administrative expenses	(101,781)	16,455	(85,326)	(656)	(85,982)	(4.0)
Operating Profit	75,977	(2,759)	73,218	841	74,059	3.6
Finance income	—	7,271	7,271	—	7,271	0.3
Interest expense, net	—	—	—	—	—	—

Changes in fair values of derivatives	—	—	—	—	—	—
Foreign currency exchange gain	—	—	—	—	—	—
Shareholder loan notes accrued interest	—	—	—	—	—	—
Bank loans, notes and overdrafts	—	—	—	—	—	—
Other expenses	(9,304)	9,304	—	—	—	—
Other income	52	(52)	—	—	—	—
Other finance expenses	—	(13,764)	(13,764)	—	(13,764)	(0.7)
Net financing expense	(9,252)	2,759	(6,493)	—	(6,493)	(0.4)
Profit / (loss) before income tax	66,725	—	66,725	841	67,566	3.2
Corporate income tax	(9,308)	9,308	—	—	—	—
Deferred corporate income tax	—	—	—	—	—	—
Income tax expense	—	(9,308)	(9,308)	(117)	(9,425)	(0.4)
Profit / (loss) after income tax	57,417	—	57,417	724	58,141	2.8
Profit/(Loss) attributable to:						
Owners of the parent	57,417	(5,742)	51,675	652	52,327	2.5
Non-controlling interests	—	5,742	5,742	72	5,814	0.3
Profit / (loss) after income tax	57,417	—	57,417	724	58,141	2.8

- (a) Adjustments to reclassify line items to conform to Nord Anglia Education, Inc.'s basis of presentation.
(b) Adjustments to convert VN GAAP balances to IFRS balances and to adjust amounts in accordance with our accounting policies.
(c) Amounts converted from Vietnamese dong to US dollar presentational currency using an average exchange rate during the period of 1 USD: 21,135 VND.

- (2) The historical financial information of the Meritas Schools for the period from July 1, 2013 to December 31, 2013 is derived from the Meritas Schools unaudited combined financial statements, which are prepared in accordance with US GAAP. The following table presents the historical financial information of the Meritas Schools under IFRS from July 1, 2013 to December 31, 2013:

	Meritas Schools Historical (US GAAP)	Presentation adjustments (US GAAP) (a)	Meritas Schools Historical (US GAAP)	IFRS and Policy adjustments (b)	Meritas Schools Historical (IFRS)
	(in millions of dollars)				
Gross Sales	—	—	—	—	—
Less Sales deductions	—	—	—	—	—
Net Sales	—	—	—	—	—
Tuition and fees	65.8	(65.8)	—	—	—
Other	26.8	(26.8)	—	—	—
Total Revenues	92.6	(92.6)	—	—	—
Revenue	—	92.6	92.6	0.2	92.8
Direct costs	(81.0)	81.0	—	—	—
Cost of Sales	—	(64.6)	(64.6)	—	(64.6)
Gross Profit	11.6	16.4	28.0	0.2	28.2
Selling Expenses	—	—	—	—	—
General and administrative expenses	—	—	—	—	—
Other expenses	—	—	—	—	—
Other income	—	—	—	—	—
Selling, general and administrative costs	(9.2)	(10.8)	(20.0)	(0.2)	(20.2)
Depreciation	—	—	—	—	—
Amortization	—	—	—	—	—
Exceptional items	—	(1.7)	(1.7)	—	(1.7)
Total selling, general and administrative expenses	(9.2)	(12.5)	(21.7)	(0.2)	(21.9)
Operating Profit	2.4	3.9	6.3	—	6.3
Finance income	—	0.1	0.1	—	0.1
Income from financial activities	—	—	—	—	—

Interest expense, net	(1.4)	1.4	—	—	—
Changes in fair values of derivatives	(1.3)	1.3	—	—	—
Foreign currency exchange gain	(0.1)	0.1	—	—	—
Bank loans, notes and overdrafts	—	—	—	—	—
Expenses from financial activities	—	—	—	—	—
Other finance expenses	—	(6.8)	(6.8)	—	(6.8)
Net financing expense	(2.8)	(3.9)	(6.7)	—	(6.7)
Profit / (loss) before income tax	(0.4)	—	(0.4)	—	(0.4)
Corporate income tax	—	—	—	—	—
Deferred corporate income tax	—	—	—	—	—
Income tax expense	0.6	—	0.6	—	0.6
Profit / (loss) after income tax	0.2	—	0.2	—	0.2
Profit/(Loss) attributable to:					
Owners of the parent	(0.1)	—	(0.1)	—	(0.1)
Non-controlling interests	0.3	—	0.3	—	0.3
Profit / (loss) after income tax	0.2	—	0.2	—	0.2

(a) Adjustments to reclassify line items to conform to Nord Anglia Education, Inc.'s basis of presentation.

(b) Adjustments to convert US GAAP balances to IFRS balances and to adjust amounts in accordance with our accounting policies.

- (3) Reflects the impact of depreciation on the fair value of tangible assets from the Meritas Schools acquisition of \$0.3 million.
- (4) Reflects the six-month impact of amortization of intangibles acquired from the Meritas Schools of \$1.5 million and from BIS Vietnam of \$3.4 million.
- (5) Reflects the adjustment to eliminate historical finance expense at BIS Vietnam prior to the BIS Vietnam acquisition.
- (6) Reflects the income tax effect of the pro forma and acquisition financing adjustments, calculated at the U.K. Statutory tax rate of 23.0%.
- (7) Represents interest on incremental debt of \$119.1 million with a face value of \$123.1 million to partially fund the BIS Vietnam acquisition and \$416.5 million with a face value of \$450.0 million to partially finance the Meritas Schools acquisition, as if it had been outstanding since the beginning of the period at a blended interest rate of 4.69%. A 0.125% increase or decrease in the blended rate would increase or decrease other finance expenses by \$0.4 million. On completion of the BIS Vietnam acquisition we incurred \$150.0 million of incremental loans under our senior secured term loan facility, \$123.1 million of which was used to partially fund the BIS Vietnam acquisition.
- (8) Assumes net proceeds of \$115.0 million from a primary equity offering of \$125.0 million at \$25.70 per share, the closing price of our ordinary shares on the NYSE on May 26, 2015, to partially fund the Meritas acquisition and includes the issuance of 1.0 million shares at \$20.00 per share as partial consideration for the BIS Vietnam acquisition.

Pro Forma Supplementary Financial Data

	For the year ended August 31, 2014		For the 6 months ended February 28, 2014		For the 6 months ended February 28, 2015	
	Historical	Pro Forma	Historical	Pro Forma	Historical	Pro Forma
	(in millions of dollars)					
Adjusted Gross Profit	260.2	397.8	147.3	195.5	169.0	221.7
Adjusted EBITDA	127.4	191.1	81.4	101.5	91.8	111.1
Adjusted Net Income	22.8	33.0	23.4	17.8	45.9	42.8

We use EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Cost of Sales and Adjusted Gross Profit as supplemental financial measures of our operating performance. We define EBITDA as (loss)/profit for the year plus income tax expense, net financing (expense)/income, exceptional items, impairment of goodwill, amortization and depreciation, and we define Adjusted EBITDA as EBITDA adjusted for the items set forth in the table below. We define Adjusted Net Income as Adjusted EBITDA adjusted for the items in the table below. We define Adjusted Cost of Sales as cost of sales excluding Premium School land and building operating lease costs and depreciation charges arising from tangible assets owned by Premium Schools, and we define Adjusted Gross Profit as revenue less Adjusted Cost of Sales. EBITDA, Adjusted EBITDA, Adjusted Net Income Adjusted Cost of Sales and Adjusted Gross Profit are not standard measures under IFRS. EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Cost of Sales and Adjusted Gross Profit should not be considered in isolation or construed as alternatives to cash flows, net income or any other measure of financial performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We may incur expenses similar to the adjustments in this presentation in the future and certain of these items could be recurring. EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Cost of Sales and Adjusted Gross Profit presented herein may not be comparable to similarly titled measures presented by other companies. Set forth below is a reconciliation of EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Cost of Sales and Adjusted Gross Profit to the most directly comparable IFRS measures.

Reconciliation of supplementary financial data:

	For the year ended August 31, 2014		For the 6 months ended February 28, 2014		For the 6 months ended February 28, 2015	
	Historical	Pro Forma	Historical	Pro Forma	Historical	Pro Forma

	(in millions of dollars)					
Revenue	474.6	734.2	271.9	386.4	318.3	430.6
Cost of Sales	(280.3)	(429.2)	(157.9)	(236.9)	(188.6)	(260.9)
Gross Profit	194.3	305.0	114.0	149.5	129.7	169.7
Rent Premium Schools	44.5	55.5	23.1	28.0	24.9	29.7
Depreciation Premium Schools	21.4	37.2	10.2	18.0	14.4	22.2
Adjusted Cost of Sales	(214.4)	(336.5)	(124.6)	(190.9)	(149.3)	(209.0)
Adjusted Gross Profit	260.2	397.8	147.3	195.5	169.0	221.7
Profit / (loss) for the period	(90.4)	(87.3)	18.1	7.8	34.7	25.8
Income tax expense	25.7	24.0	13.2	9.1	13.2	9.8
Net financing expense	53.5	88.8	33.0	52.0	13.3	31.6
Exceptional items ^(a)	100.2	102.6	2.5	4.2	2.7	4.4
Amortization	10.4	20.2	4.9	9.8	7.0	10.8
Depreciation ^(b)	23.4	39.3	10.7	18.8	14.8	22.7
EBITDA	122.8	187.7	82.4	101.8	85.7	105.2
Loss on disposal of PP&E ^(c)	0.1	0.4	—	0.6	0.3	0.2
Exchange gain ^(d)	(4.0)	(5.5)	(4.6)	(4.5)	4.6	4.5
Share Based Payments ^(e)	3.1	3.1	2.4	2.4	1.2	1.2
Management Fees ^(f)	1.2	1.2	1.0	1.0	—	—
Greenfield Schools Pre-Opening Costs ^(g)	4.1	4.1	—	—	—	—
Other	0.1	0.1	0.2	0.2	—	—
Adjusted EBITDA	127.4	191.1	81.4	101.5	91.8	111.1
Depreciation ^(b)	(23.4)	(39.3)	(10.7)	(18.9)	(14.8)	(22.7)
Net financing expense	(53.5)	(88.8)	(33.0)	(52.0)	(13.3)	(31.6)
Income tax expense	(25.7)	(24.0)	(13.2)	(9.1)	(13.2)	(9.8)
Tax adjustments ^(h)	(2.0)	(4.2)	(1.1)	(3.2)	(4.3)	(3.2)
Non Controlling interest	—	(1.7)	—	(0.5)	(0.3)	(0.9)
Adjusted Net Income	22.8	33.0	23.4	17.8	45.9	42.8

(a) Exceptional expenses primarily related to the acquisition of schools, including associated transaction and integration costs.

(b) Includes all depreciation, including depreciation relating to Premium Schools.

(c) Includes loss on disposal of assets associated with the termination of learning services contracts in the UK.

(d) Represents foreign currency translational gains primarily associated with our intercompany loan balances.

(e) Represents non-cash charges associated with the equity investments in our company by members of our management.

(f) Represents management fees paid to Premier Education Holdings.

(g) Includes the pre-opening costs associated with the opening of our schools in Hong Kong and Dubai in September 2014.

(h) Represents the tax impact associated with the exclusion of exceptional items and amortization in calculating Adjusted Net Income.