IMPORTANT NOTICE

THE OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR (2) PERSONS OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA") QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(c) OF DIRECTIVE 2003/71/EC AS AMENDED AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EEA).

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

The Preliminary Offering Memorandum has been prepared in connection with the proposed offer and sale of the notes described therein. THE PRELIMINARY OFFERING MEMORANDUM AND ITS CONTENTS ARE CONFIDENTIAL AND SHOULD NOT BE DISTRIBUTED, PUBLISHED REPRODUCED (IN WHOLE OR IN PART) OR DISCLOSED BY RECIPIENTS TO ANY OTHER PERSON.

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

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

Confirmation of your representation: In order to be eligible to view this Preliminary Offering Memorandum or make an investment decision with respect to the notes described therein, you must (1) be a QIB (within the meaning of Rule 144A) or (2) in offshore transactions outside the U.S. in reliance on Regulation S provided that investors resident in a Member State of the EEA a must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the EEA). This Preliminary Offering Memorandum is being sent at your request and by accepting this electronic transmission and accessing the Preliminary Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the Preliminary Offering Memorandum (collectively, the "Initial Purchasers") that you consent to the delivery of such Preliminary Offering Memorandum by electronic transmission and either:

(1) you and any customers you represent are QIBs; or

(2) i. you and any customers you represent are outside of the United States; and

   ii. the electronic mail address that you gave us and to which this Preliminary Offering Memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia, and if you are resident in a Member State of the European Economic Area, you are a qualified investor; and

(3) if you are a resident in a Member State of the EEA, you are a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/761/EC), as amended, and any relevant implementing measure in each member state of the EEA).

Prospective Purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction. Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Offering Memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons (i) who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) who are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of the Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us. The Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any of the Initial Purchasers, the Issuer, the Guarantors (each term, as defined in the Offering Memorandum), any of their respective directors, officers, employees or agents or affiliates of any of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and any version that will be provided to you at a later date on request from the Initial Purchasers.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of Barclays Bank PLC, Merrill Lynch International and Goldman Sachs International (collectively, the "Manufacturers"), the target market assessment in respect of the debt securities described in the attached Offering Memorandum has led to the conclusion that (i) the target market for such debt securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"), and (ii) all channels for distribution of such debt securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such debt securities (a "distributor") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such debt securities (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"), (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the debt securities described in the attached Offering Memorandum or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such debt securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

You are reminded that this Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Preliminary Offering Memorandum to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generated by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Under no circumstances shall this Preliminary Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the notes, in any jurisdiction in which such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the offering and sale of the notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering of the notes shall be deemed to be made by them or such affiliate on behalf of the Issuer in such jurisdiction.

This Preliminary Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently, none of the Initial Purchasers of the notes, any person who controls any of the Initial Purchasers, any of their respective directors, officers, employees or agent of theirs, respectively, or any affiliate of any of the foregoing persons, accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

The information in this Preliminary Offering Memorandum is not complete and may be changed. This Preliminary Offering Memorandum is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 23, 2018

PRELIMINARY OFFERING MEMORANDUM **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

COGNITA

Lernen Bondco Plc

€255,300,000 % Senior Notes due 2026

Lernen Bondco Plc (the "*Issuer*"), a public limited company incorporated under the laws of England and Wales, is offering €255,300,000 aggregate principal amount of its % Senior Notes due 2026 (the "*Notes*"). The Issuer will pay interest on the Notes semi-annually on each and , commencing on , 2019. The Notes will mature on , 2026. The Issuer will issue the Notes to refinance indebtedness incurred under the Bridge Facility (as defined herein) as part of the financing of the Acquisition by Lernen Bidco Limited, the direct wholly owned subsidiary of the Issuer, of all of the outstanding shares of Cognita Topco Limited (the "*Target*"), the indirect parent of Cognita Bondco Parent Limited (the "*Company*" and, together with its subsidiaries, the "*Group*").

Prior to , 2021, some or all of the Notes may be redeemed at any time at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest to, but not including, the redemption date and a "make-whole" premium, as described in this offering memorandum (the "*Offering Memorandum*"). The Issuer may redeem some or all of the Notes at any time on or after , 2021, at the redemption prices set forth in this Offering Memorandum, plus accrued and unpaid interest to, but not including, the redemption date. In addition, prior to , 2021, the Issuer may redeem, at its option, no more than 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings.

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

The Notes will be general senior obligations of the Issuer and will rank pari passu in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes and will rank senior in right of payment to any and all existing and future indebtedness that is expressly subordinated in right of payment of the Notes. The Notes will be guaranteed on a senior subordinated basis (the "*Notes Guarantees*") (a) on the Issue Date, by Lernen Bidco Limited (the "*Issue Date Guarantor*") and (b) subject to the Agreed Security Principles (as defined herein), no later than 120 days after the Acquisition Completion Date (as defined herein) by certain subsidiary guarantors that are borrowers or guarantors under the Senior Facilities (as defined herein) (the "*Post-Completion Date Guarantors,*" and together with the Issue Date Guarantor, the "*Guarantors*" and each a "*Guarantor*"). The Notes Guarantees will be subordinated in right of payment to any existing and future indebtedness of such Guarantor (including its guarantee of the Senior Facilities (as defined herein)) and will be senior in right of payment to all existing and future indebtedness of such Guarantor that is expressly subordinated in right of payment to the Notes Guarantees. The Notes will be structurally subordinated to all existing and future indebtedness and obligations of any subsidiary of the Issuer that does not guarantee the Notes, including obligations owed to trade creditors.

On the Issue Date, the Notes will be secured on a second ranking basis, to the extent legally possible and subject to the Agreed Security Principles and the Intercreditor Agreement (as defined herein), over the shares in Lernen Bidco Limited held by the Issuer and any intercompany receivables owed to the Issuer by Lernen Bidco Limited (together, the "*Notes Collateral*"). Pursuant to the Intercreditor Agreement, in the event of enforcement of the Notes Collateral, the holders of the Notes and all other indebtedness ranking *pari passu* with the Notes will receive proceeds from the Notes Collateral only after creditors of certain existing and future senior indebtedness of the Target Group (including, but not limited to, the lenders under the Senior Facilities Agreement (as defined herein)). The validity and enforceability of the Notes Guarantees and the security and liability of each Guarantor and security provider will be subject to certain limitations, for a description of the terms of the Notes, the Notes Collateral and the Notes Guarantees, see "*Description of the Notes*."

There is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "*Authority*") for the listing of and permission to deal in the Notes on the Official List (the "*Official List*") of The International Stock Exchange (the "*Exchange*"). No application has been made for the Notes to be listed on any other stock exchange. There is no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted, or that such listing will be maintained.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 30.

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

The Notes will be in registered form and issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof and were transferable in minimum principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented on issue by one or more global notes (each a "*Global Note*"), which will be delivered in book-entry form through Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking S.A. ("*Clearstream*") on or about , 2018 (the "*Issue Date*").

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

Joint Global Coordinators

Barclays **BofA Merrill Lynch** **Goldman Sachs International** **KKR**

Co-Managers

Commerzbank **Crédit Agricole CIB** **Standard Chartered Bank**

The date of this Offering Memorandum is , 2018

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

NOTICE TO INVESTORS

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

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

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

The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC") or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

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

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

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

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

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

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

Application will be made to the Authority for admission of the Notes to the Official List of the Exchange, and the Issuer will submit this Offering Memorandum to the competent authority in connection with the listing application. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information. The Issuer may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. There is no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained, and settlement of the Notes is not conditional on obtaining this listing. Any investor or potential investor in the European Economic Area should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to those listing particulars.

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

NOTICE TO U.S. INVESTORS

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

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. The expression "Prospectus Directive" means Directive 2003/71/EC on the prospectus to be published when the securities are offered to the public or admitted to trading (as amended, including by Directive 2010/73/EU, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. No key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MIFID II product governance / Professional Investors and ECPs Only Target Market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the type of clients to whom the Notes are targeted is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' type of clients assessment) and determining appropriate distribution channels.

Germany

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

United Kingdom

This Offering Memorandum is directed only at persons (the "*Relevant Persons*") who (i) fall within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated.

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

Jersey

There shall be no invitation to the public in Jersey to apply for any of the Notes and there shall be no circulation in Jersey of any offer for subscription, sale or exchange of the Notes.

NOTICE TO CERTAIN INVESTORS IN SINGAPORE

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase, and this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "Singapore SFA") as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time) under Section 274 of the Singapore SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the Singapore SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Singapore SFA.

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

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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the Singapore SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Singapore SFA except:

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

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

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

(iv) as specified in Section 276(7) of the Singapore SFA.

Singapore SFA Product Classification: In connection with Section 309B of the Singapore SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the Singapore SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO CERTAIN CANADIAN INVESTOR

Canada

The Notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

United States

The Company and the Issuer are incorporated under the laws of England and Wales. All our directors and executive officers live outside the United States. Substantially all our and their assets are located outside the

United States. As a result, although we have appointed an agent for service of process under the Indenture, it may be difficult for you to serve process on those persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States.

England

The following summary with respect to the enforceability of certain U.S. court judgments in England is based upon advice provided to us by U.S. and English legal advisers. The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (amongst other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the court which pronounced it;
- the U.S. judgment being for a sum of money (whether debt or damages), but not being for payment of money in respect of taxes, or other charges of a like nature, a fine or other penalty;
- the U.S. court's procedures not having breached the rules of natural justice;
- the U.S. judgment not having been obtained by fraud;
- enforcement of the U.S. judgment not being contrary to either public policy in England and Wales or the United Kingdom Human Rights Act 1998;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for loss or damage sustained by the U.S. judgment creditor and not being otherwise in breach of, or unenforceable under, Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not being inconsistent with a prior judgment of an English court or the court of another jurisdiction on the same subject matter, and on the same issues in question between the same parties;
- the U.S. proceedings were brought in compliance with, or otherwise not contrary to, a jurisdiction or arbitration agreement; and
- the English enforcement proceedings being commenced within the limitation period.

Subject to the foregoing, investors may be able to enforce in England judgments that have been obtained from U.S. federal or state courts. Notwithstanding the preceding, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, we cannot assure you whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

Singapore

The following discussion with respect to the enforceability of certain U.S. court judgments in Singapore is based upon advice provided to the Issuer and the Guarantors by their Singapore counsel. A U.S. Court Judgment may not be enforced in Singapore pursuant to the Reciprocal Enforcement of Commonwealth Judgments Act, or the Reciprocal Enforcement of Foreign Judgments Act, or (as at the date of this Offering Memorandum), the Choice of Court Agreements Act (as the U.S. is currently a signatory but not yet a party to the 2005 Hague Convention on the Choice of Court Agreements). It has to be enforced by commencing a common law action for enforcement of a foreign judgment in the Singapore courts. If and to the extent that the Singapore courts find that the U.S. Court Judgment is an *in personam* final and conclusive judgment on the merits of the case against the Company, it is for a fixed or ascertainable sum of money granted by a U.S. court which has jurisdiction over the Company according to the conflict of laws rules determined to be applicable by the Singapore courts to determine the subject matter of the dispute, and it has not been stayed or fully satisfied, the Singapore courts will, in principle, grant a Singapore judgment for the sum under the foreign judgment, without substantive re-examination or re-litigation on the merits of the judgment thereof, unless:

- the U.S. Court Judgment had been procured by fraud;

- the U.S. Court Judgment's enforcement would be contrary to the public policy of Singapore;
- the U.S. Court Judgment was obtained in proceedings which were contrary to natural justice; or
- the U.S. Court Judgment was for the enforcement of foreign penal revenue, or public laws.

FORWARD-LOOKING STATEMENTS

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

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

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

- the level of student enrollment in our schools;
- macroeconomics of the countries in which we operate;
- British Exit from the EU;
- our ability to increase the profitability of our schools;
- our ability to attract, employ, train and retain sufficiently qualified teachers, principals, school administrators and support staff;
- significant competition in each geographic market in which we operate;
- political, economic, social, regulatory and legal conditions in our domestic and foreign markets;
- collective bargaining agreements and employee relations;
- restrictions on our ability to transfer and distribute funds, including as a result of exchange controls in certain countries;
- legal and regulatory risks;
- our ability to comply with the policies, laws and regulations for school operations;
- our ability to maintain accreditations, permission or certifications;
- the safeguarding of our students;
- events that impact our reputation, including incidents related to the health or safety of our students and staff;

- crime in certain countries and regions in which we operate;
- risks associated with our commercial relationships;
- changes in the pattern of payment of tuition fees in our schools;
- fluctuations in currency exchange rates;
- our ability to identify, complete and successfully integrate acquisitions;
- our capability to upgrade or expand our school facilities;
- unanticipated costs in connection with the expansion of our business;
- capital needs to fund growth initiatives or to operate our existing business;
- the disposal or closing of our schools;
- our ability to renew or find new leases for our school properties;
- performance of obligations under current leases;
- insufficient insurance and increases in insurance premiums;
- our dependence on key senior management personnel;
- taxes, penalties or liabilities related to independent consultants and payment of teachers;
- the incompatibility or failures of our information technology systems, including security breaches;
- our ability to implement new IT and HR systems successfully;
- risks related to the ownership structure of our schools in Thailand and Vietnam.
- potential tax liabilities and investigations;
- risks related to potential infringement of third-party intellectual property rights or enforcement of our intellectual property rights;
- our ability to realize any or all of our anticipated *pro forma* adjustments to Adjusted EBITDA;
- risks relating to our substantial indebtedness, the Notes, our structure and our ability to meet our debt service obligations; and
- other factors discussed in "*Risk Factors.*"

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

INDUSTRY AND MARKET DATA

Information contained in this Offering Memorandum regarding markets, market size, market position, market share, growth rates and other industry data pertaining to our business consists of estimates and data taken or derived from various public and private sources, including a market research report (the "Market Report") commissioned by us and prepared by L.E.K. Consulting Pte. Ltd. ("L.E.K."), which was produced by L.E.K. based on publications comprising industry data, forecasts, market and customer surveys, other consultant strategy reports and other information made available to L.E.K. by third-party data providers, industry associations, competitors, published accounts, interviews with key market participants, primary interviews and field visits conducted with industry experts and participants, secondary market research and internal financial and operational information supplied by, or on behalf of, the Group, as well as information obtained from (i) third party data providers, including Oxford Economics and Euromonitor, (ii) industry associations and (iii) publicly available information from other sources, such as information publicly released by our competitors as well as publicly available sources and certain operational information including a business plan supplied by or on behalf of the Group. In certain cases, there is no readily available external information to validate market-related analyses and estimates, necessitating reliance on internally developed estimates.

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

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

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

Given the high degree of fragmentation in the market and limited third party reporting upon which to base quantitative growth assessments, there is an inherent degree of uncertainty in the Market Report and the projections therein, and they are highly susceptible to changes. No warranties of any kind are provided in connection with the Market Report and analyses contained therein, and parties should rely on their own due diligence and market investigations with respect to the items discussed therein.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Issuer

The Issuer was incorporated on August 28, 2018 for the purposes of facilitating the Transactions. The Issuer has no material assets or liabilities (other than its shares in Lernen Bidco Limited and receivables under the Intercompany Loan) and has not engaged in any activities other than those related to its incorporation and participation in the Transactions. Consequently, we have not included any historical financial information relating to the Issuer in this Offering Memorandum, other than certain limited financial data presented on a consolidated basis "as adjusted" to reflect the Transactions. The consolidated capitalization of the Issuer is not directly comparable to the consolidated capitalization of the Company. See "*Capitalization*." See also "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—The Issuer is a holding company with no independent operations and is dependent on payments from its operating subsidiaries in order to provide it with funds to meet its obligations*."

The Target

The Target was incorporated under the laws of Jersey on February 4, 2013 and is the indirect parent of the Company and the holding Company for the Group. We have not included any historical financial data for the Target in this Offering Memorandum.

The Company

The Company was incorporated under the laws of England and Wales on July 3, 2015 for the purposes of facilitating the 2015 Refinancing Transactions. We have included in this Offering Memorandum and discuss herein, the audited consolidated financial statements of the Company and its consolidated subsidiaries as of and for the fiscal years ended August 31, 2016, 2017 and 2018 and, in each case, the related notes thereto. The use of the term "Group," "our," "us" and "we" in this Offering Memorandum refers to the Company and its subsidiaries. The Company's audited consolidated financial statements as of and for the years ended August 31, 2016, 2017 and 2018 have been prepared in accordance with IFRS. Our consolidated financial information is presented in Pound sterling.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the consolidated financial statements of the Company, or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

Non-IFRS Financial Measures

This Offering Memorandum contains non-IFRS measures and ratios, including Average Revenue per FTE Student, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Regional Adjusted EBITDA, Regional

Adjusted EBITDA margin, Regional Group Adjusted EBITDA, Regional Group Adjusted EBITDA margin, Group Adjusted EBITDA, Group Adjusted EBITDA margin, Pro Forma Adjusted EBITDA, Development capital expenditure, Operating capital expenditure, Adjusted Operating Free Cash Flow, Operating Cash Conversion Rate and non-underlying items that are not required by, or presented in accordance with, IFRS. We define these terms as follows:

- Average Revenue per FTE Student means the revenue for a period divided by the Average FTE Students for that period.
- EBITDA means operating profit before depreciation, amortization of other intangibles and impairment.
- Adjusted EBITDA means EBITDA before Non-underlying costs.
- Adjusted EBITDA margin means Adjusted EBITDA divided by revenue, expressed as a percentage.
- Regional Adjusted EBITDA means Adjusted EBITDA before central costs (relating to executive governance and strategy, finance, compliance, mergers and acquisitions, legal, human resources, marketing and IT) and excluding 100% of the St Nicholas Joint Venture Adjusted EBITDA (other than for the fiscal year ended August 31, 2018).
- Regional Adjusted EBITDA margin means Regional Adjusted EBITDA divided by regional revenue, expressed as a percentage.
- Regional Group Adjusted EBITDA means Regional Adjusted EBITDA including 100% of the St Nicholas Joint Venture Adjusted EBITDA (for the fiscal years ended August 31, 2016 and 2017).
- Regional Group Adjusted EBITDA margin means Regional Group Adjusted EBITDA divided by regional revenue, expressed as a percentage.
- Group Adjusted EBITDA means Adjusted EBITDA including 100% of the St Nicholas Joint Venture Adjusted EBITDA. Group Adjusted EBITDA is reported for the fiscal years ended August 31, 2016 and 2017 only. Following the acquisition of the remaining 50% of the joint venture on August 25, 2017, 100% of the results of St Nicholas Preparatory School are fully consolidated in our results and are reflected in Adjusted EBITDA.
- Group Adjusted EBITDA margin means Group Adjusted EBITDA divided by revenue, expressed as a percentage.
- Pro Forma Adjusted EBITDA means Adjusted EBITDA further adjusted for the full-year effect of completed acquisitions, the incremental EBITDA from confirmed September 2018 enrollment, the expected in-year net growth in Average FTE Students and the expected pro forma EBITDA contributions of acquisitions currently in exclusivity. See "*Summary Financial and Operating Information—Operating Data and Non-IFRS Financial Information*."
- Development capital expenditure means expenditures on investments made to expand capacity at our schools and/or for the construction and development of other large investments in facilities which do not directly result in capacity expansion.
- Operating capital expenditure means expenditures represents investments made to maintain our equipment and facilities to ensure compliance with applicable regulations and to improve our teaching and learning infrastructure. This includes the ongoing replacement and upgrading of fixtures and fittings and IT equipment, including computers and laptops.
- Adjusted Operating Free Cash Flow means Adjusted EBITDA less operating capital expenditure (comprising investments made to maintain our equipment and facilities to ensure compliance with applicable regulations and to improve our teaching and learning infrastructure, including the ongoing replacement and upgrading of fixtures and fittings and IT equipment, including computers and laptops) less net change in working capital and other operating cashflow items and less Non-underlying costs.
- Operating Cash Conversion Rate means the ratio of Adjusted Operating Free Cash Flow to Adjusted EBITDA.
- Non-underlying items means items of income or costs that are disclosed separately in order to provide comparability between periods. The items of income or costs that we designate as being non-underlying include operating income/costs that are not related to our ongoing business, including acquisition and business exploration costs, restructuring costs, impairment of assets, gain or loss on disposal of fixed assets, school pre-opening expenditures and non-cash share-based payment expense.

We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios, such as Average Revenue per FTE Student, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Regional Adjusted EBITDA, Regional Adjusted EBITDA margin, Regional Group Adjusted EBITDA, Regional Group Adjusted EBITDA margin, Group Adjusted EBITDA, Group Adjusted EBITDA margin, Pro Forma Adjusted EBITDA, Development capital expenditure, Operating capital expenditure, Adjusted Operating Free Cash Flow, Operating Cash Conversion Rate and non-underlying items are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating profit or profit for the year or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flows from operating, investing or financing activities. See "*—Financial Information*."

The non-IFRS measures we present may also be defined differently than the corresponding terms under the Indenture. Some of the limitations of these non-IFRS measures are:

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

The unaudited as adjusted financial information presented in this Offering Memorandum has been derived from or developed by applying adjustments to our historical results as of and for the fiscal year ended August 31, 2018 to give effect to the Transactions, including the Offering and the use of proceeds therefrom, as if it occurred on August 31, 2018 with respect to balance sheet data and September 1, 2017 with respect to data derived from our statement of comprehensive income. The unaudited adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances and may differ materially from the actual adjusted amounts, including available management financial statements of the entities that we intend to acquire. See "*Risk Factors—Risks Related to Our Business—We may not realize any or all of our anticipated pro forma adjustments to Adjusted EBITDA included in this Offering Memorandum*." The unaudited as adjusted financial information is presented for informational purposes only. The unaudited as adjusted financial information does not purport to represent what our results of operations or financial condition would have been had the Offering and the use of proceeds therefrom actually occurred at the beginning of the period or on the date indicated, and they do not purport to project the results of operations or financial condition for any future period or as of any future date. The unaudited as adjusted financial information should be read in conjunction with the information contained in "*Selected Historical Financial Information,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and related notes thereto appearing elsewhere in this Offering Memorandum. The unaudited as adjusted financial information is not intended to represent pro forma financial information prepared in accordance with the requirements of Regulation S-X promulgated under the U.S. Securities Act or other SEC requirements or IFRS.

Certain Material Accounting Changes

The material new standards and interpretations that are endorsed by the EU but not yet effective up to the date of issuance our financial statements for periods covered in this Offering Memorandum are disclosed below and will be adopted where applicable when they become effective. For a description of other accounting changes not yet effective see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Accounting standards issued but not yet effective*."

IFRS 16, "Leases"

This standard considers the definition of a lease, recognition and measurement of leases and also deals with the disclosure of useful information relating to leasing activities. The standard replaces IAS 17 "Leases" and a key change is that most operating leases held by lessees will be accounted for on the balance sheet. IFRS 16 is effective for the year ending August 31, 2020, with early adoption permitted, as long as the standard is not adopted prior to IFRS 15. The full financial consequences of adopting IFRS 16 are being calculated by management but are expected to be material. On transition to the new standard, the Group will derecognize certain balances associated with IAS 17, including prepaid and accrued rent, onerous lease provisions and recognize a new right of use asset offset by a lease liability. The net impact on equity is not expected to be material. The adoption of the standard will increase Adjusted EBITDA by replacing rental charges in the income statement with interest and depreciation charges.

Operating Data

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

- Average FTE Students mean the average of FTE students at each month's-end during the relevant period.
- Average Revenue per FTE Student for a period is calculated by dividing the revenue from our schools for the period (including 100% of the St Nicholas Joint Venture for the fiscal year ended August 31, 2018) by the average FTE students for the period.
- Average Student Capacity means the total number of students a particular school can accommodate at any given time.
- Enrollments means average number of FTE students for any given period in a particular Cohort.
- Utilization is calculated as the average number of FTE students divided by total average capacity, expressed as a percentage.

Target and Future Guarantor Coverage

This Offering Memorandum includes certain information with respect to the relative proportion of our consolidated earnings and assets represented by the Company and the Guarantors on a combined basis (the "Guarantor Coverage Information"). A consolidated total coverage ratio calculated on this basis does not necessarily reflect the individual asset positions of corporate entities in the event of insolvency.

For purposes of this calculation, aggregate Adjusted EBITDA is calculated by adding depreciation, amortization, impairment and non-underlying expenses back to the aggregate operating profit to the period. Aggregate financial information differs from consolidated financial information in that aggregate financial information does not reflect deductions for intercompany eliminations.

The Guarantor Coverage Information is subject to important limitations and investors should view the Guarantor Coverage Information with caution. The Guarantor Coverage Information included in this Offering Memorandum has not been audited or reviewed, has not been prepared in accordance with the requirements of regulation S-X of the U.S. Securities Act, the Prospective Directive or any generally accepted accounting standards and does not give effect to any normalization adjustments, annualizations or synergies such as those applied in calculation of Pro Forma Adjusted EBITDA for the twelve months ended August 31, 2018. We cannot assure you that the Guarantor Coverage Information will accurately reflect the relative earnings or assets of our subsidiaries in the future.

TRADEMARKS AND TRADE NAMES

The Group owns or has rights to certain trademarks, trade names or service marks that it uses in connection with the operation of its business. We assert to the fullest extent under applicable law, our rights under our trademarks, trade names and service marks. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its holder.

Solely for convenience, the trademarks, trade names and copyrights referred to in this Offering Memorandum are listed without the TM, © and ® symbols.

CERTAIN DEFINITIONS

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

- "*2015 Refinancing Transactions*" means the issuance of the Existing Notes and entry into of the Existing Revolving Credit Facility and other transactions entered into in connection therewith in September 2015 to refinance then outstanding credit facilities.
- "*Agreed Security Principles*" means the "Agreed Security Principles" to be set out in a schedule to the Senior Facilities Agreement, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.
- "*Acquisition"* means the acquisition by Bidco, the direct wholly-owned subsidiary of the Issuer, of all of the outstanding shares issued by the Target.
- "*Acquisition Agreement*" means the share purchase agreement dated September 3, 2018 among, *inter alia*, the Target, Bidco, JHAG and the Sellers.
- "*Acquisition Completion Date*" means October 25, 2018.
- "*B1 Facility*" means term loan facility with (a) a GBP tranche in an aggregate principal amount equal to £200,000,000 and (b) a euro tranche in an aggregate principal amount equal to €255,275,696, provided under the Senior Facilities Agreement.
- "*B2 Facility*" means a committed €52,551,816 facility made available to Bidco for the Specified Acquisitions under the Senior Facilities Agreement.
- "*Bidco*" means Lernen Bidco Limited.
- "*Brazilian real*" or "*BRL*" means the lawful currency of Brazil.
- "*Bridge Facility*" means the euro equivalent of €255,275,696 bridge facility made available to the Issuer under the Bridge Facility Agreement.
- "*Bridge Facility Agreement*" means the bridge facility agreement dated as of October 24, 2018, entered into among, *inter alia*, the Issuer, Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Goldman Sachs Bank USA, and KKR Capital Markets Limited, as mandated lead arrangers, Elavon Financial Services DAC, UK Branch, as agent, and the Security Agent.
- "*business day*" means any day other than a Saturday, Sunday or public holiday in the United Kingdom, Singapore, Thailand or Spain, as applicable.
- "*Chilean peso*" or "*CLP*" means the lawful currency of Chile.
- "*Cognita Holdings*" means Cognita Holdings Limited.
- "*Company*" means Cognita Bondco Parent Limited.
- "*EU*" means the European Union.
- "*euro*" or "€" means the lawful currency of the European Monetary Union.
- "*Existing Notes*" means the £435,000,000 principal amount of 7.75% Senior Secured Notes due 2021, redeemed in full on the Acquisition Completion Date.
- "*Existing Revolving Credit Facility*" means the £100 million revolving credit facility dated July 31, 2015, as amended from time to time, repaid in full and cancelled on the Acquisition Completion Date.
- "*Group*" means the Company and its subsidiaries.
- "*Guarantors"* has the meaning provided on the cover of this Offering Memorandum.
- "*Hong Kong dollar*" or "*HKD*" means the lawful currency of Hong Kong.
- "*IFRS*" means the International Financial Reporting Standards, as adopted by the EU.
- "*Indenture*" means the indenture to be dated on or about the Issue Date governing the Notes by and among, *inter alios,* the Issuer, the Guarantors and the Trustee.
- "*Intercompany Loan*" means the £219,937,500 intercompany loan made by the Issuer, as lender, to Bidco, as borrower in connection with the Bridge Facility.
- "*Intercreditor Agreement*" means the intercreditor agreement dated October 24, 2018, among, *inter alios,* the Issuer, the Guarantors, the Security Agent, the lenders and agent under the Senior Facilities Agreement and certain counterparties under hedging obligations and to which the Trustee will accede on the Issue Date.
- "*Issue Date*" means on or about , 2018.
- "*Issuer*" means Lernen Bondco Plc.

- "*Jacobs Family*" means members of the Jacobs family that are spouses, children and other descendents of Klaus Johann Jacobs including their spouses, investment vehicles and trusts.
- "*JHAG*" means Jacobs Holding AG.
- "*Local Facilities*" means, collectively, the facilities described under "*Description of Certain Financing Arrangements—Local Facilities.*"
- "*Management Investors"* has the meaning provided under "*Summary—The Transactions."*
- "*Notes*" means the €255,300,000 aggregate principal amount of % senior notes due 2026 offered hereby by the Issuer.
- "*Notes Collateral*" or "*Collateral*" all of the issued Capital Stock of Lernen Bidco Limited and any present and future receivables owed to the Issuer by Lernen Bidco Limited under any intercompany loan, in each case, on a second ranking basis, and in each case to the extent legally possible and subject to the Intercreditor Agreement and to any thin capitalization or tax issues, any legal or corporate benefit restrictions and the Agreed Security Principles (as defined in the Intercreditor Agreement).
- "*Notes Guarantees"* has the meaning provided on the cover of this offering Memorandum.
- "*Offering*" means the offering of the Notes.
- "*Offering Memorandum*" means this offering memorandum.
- "*Paying Agent*" Means Elavon Financial Services DAC, UK Branch as paying agent under the Indenture.
- "*Pound sterling,*" "*GBP*" or "£" means the lawful currency of the United Kingdom.
- "*Registrar*" means Elavon Financial Services DAC as registrar under the Indenture.
- "*Restricted Group*" the Issuer, the Issue Date Guarantors and other entities subject to the covenants under the Indenture and the Senior Facilities Agreement.
- "*Revolving Credit Facility*" means the committed revolving credit facility in an amount of up to £100,000,000 provided under the Senior Facilities Agreement.
- "*SEC*" means the U.S. Securities and Exchange Commission.
- "*Security Agent*" means U.S. Bank Trustees Limited.
- "*Senior Facilities*" means the Term Loan B Facilities and the Revolving Credit Facility.
- "*Senior Facilities Agreement*" means the senior facilities agreement dated October 24, 2018, entered into among, *inter alia*, Bidco and Barclays Bank PLC, Goldman Sachs Bank USA, Bank of America Merrill Lynch International Limited and KKR Capital Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank and Standard Chartered Bank, as mandated lead arrangers, Elavon Financial Services DAC, UK Brank, as agent, and the Security Agent, as amended or modified to the date of this Offering Memorandum.
- "*Sellers*" means certain investment funds advised by Kohlberg Kravis Roberts & Co. LP or its affiliates, certain investment funds advised by Bregal Capital LLP or its affiliates and certain management shareholders.
- "*Shareholder Contribution*" the £1,345,000,000 equity contribution in Bidco by JHAG and the Management Investors, the proceeds of which were used by Bidco to consummate the Financing.
- "*Singapore dollars,*" "*SGD*" or "*S$*" means the lawful currency of Singapore.
- "*Specified Acquisitions*" means those certain acquisitions for which the B2 Facility is made available in accordance with the terms of the Senior Facilities Agreement, including those acquisitions described in "*Summary—Recent Developments*."
- "*Transactions*" means the Acquisition, the Financing, the Offering, the repayment of certain local facilities on the Acquisition Completion Date and the payment of related fees and expenses.
- "*Transfer Agent*" means Elavon Financial Services DAC, UK Branch as transfer agent under the indenture.
- "*Target*" means Cognita Topco Limited.
- "*Target Group*" means the Issuer, the Target and its subsidiaries.
- "*Term Loan B Facilities*" means the B1 Facility and the B2 Facility.
- "*Thai baht*" or "*THB*" means the lawful currency of Thailand.

- "*Total Assets*" means total assets as adjusted to eliminate intercompany debtors and goodwill.
- "*Trustee*" means U.S. Bank Trustees Limited, as trustee under the Indenture.
- "*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended.
- "*USD*" or "*$*" means the lawful currency of the United States of America.
- "*Vietnamese dong*" or "*VND*" means the lawful currency of Vietnam.

GLOSSARY OF SELECTED TERMS

- "*ATAR*" means the Australian Tertiary Admission Rank.
- "*Cohort*" means year level or grade level in a school.
- "*EAB*" means our Education Advisory Board.
- "*ENEM*" means the standardized university examination used in Chile.
- "*FTE*" means full time equivalent.
- "*GCSE*" means the General Certificate of Secondary Education, the standardized secondary education exams in the U.K.
- "*Head Teachers*" means the academic leaders of each of our schools.
- "*IB*" means the International Baccalaureate curriculum.
- "*PSU*" means the standardized university examination used in Brazil.

EXCHANGE RATE INFORMATION

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

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

	Period end	Average	High	Low
	(U.S. dollar per €)			
Year				
2013	1.6557	1.5649	1.6557	1.4867
2014	1.5577	1.6476	1.7166	1.5517
2015	1.0866	1.1100	1.2099	1.0492
2016	1.0547	1.1068	1.1527	1.0384
2017	1.2022	1.1294	1.2026	1.0427

	Period end	Average	High	Low
	(U.S. dollar per €)			
Month				
January 2018	1.2415	1.2195	1.2492	1.1921
February 2018	1.2209	1.2348	1.2479	1.2209
March 2018	1.2327	1.2336	1.2444	1.2212
April 2018	1.2101	1.2280	1.2390	1.2101
May 2018	1.1671	1.1820	1.2017	1.1546
June 2018	1.1677	1.1678	1.1808	1.1570
July 2018	1.1705	1.1683	1.1747	1.1600
August 2018	1.1595	1.1547	1.1718	1.1342
September 2018	1.1604	1.166	1.1703	1.1621
October 2018	1.1312	1.1481	1.1526	1.1450
November (through November 21, 2018)	1.1396	1.1860	1.2992	1.1245

	Period end	Average	High	Low
	(Singapore dollar per €)			
Year				
2013	2.0916	1.9578	2.0917	1.8577
2014	2.0651	2.0871	2.1416	2.0277
2015	1.5399	1.5258	1.6248	1.4432
2016	1.5259	1.5276	1.5799	1.4867
2017	1.6068	1.5583	1.6254	1.4834

	Period end	Average	High	Low
	(Singapore dollar per €)			
Month				
January 2018	1.6285	1.6120	1.6287	1.5924
February 2018	1.6155	1.6293	1.6426	1.6155
March 2018	1.6156	1.6216	1.6316	1.6107
April 2018	1.6018	1.6153	1.6234	1.6018
May 2018	1.5629	1.5829	1.6008	1.5555
June 2018	1.5914	1.5744	1.5944	1.5607
July 2018	1.5927	1.5927	1.5967	1.5879
August 2018	1.5914	1.5805	1.5982	1.5628
September 2018	1.5864	1.5986	1.603	1.5951
October 2018	1.5674	1.5842	1.5883	1.5810
November (through November 21, 2018)	1.5640	1.5962	1.6426	1.5553

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. The summary below does not contain all the information that you should consider before investing in the Notes. The following summary should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this offering memorandum. You should carefully read the entire offering memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the more detailed information in the consolidated financial statements and the related notes included elsewhere in this offering memorandum, before making an investment decision. Please see the section entitled "Risk Factors" for factors that you should consider before investing in the Notes and the section entitled "Forward-looking statements" for information relating to the statements contained in this offering memorandum that are not historical facts.

Overview

We are a leading global operator of private-pay K-12 schools currently comprising 71 schools in 8 countries across Asia, Europe and Latin America with a total Average Student Capacity of 50,659 places and a total Average FTE Student Enrollment of 38,379 FTE students for the fiscal year ended August 31, 2018. Total Average Student Capacity and total average enrollment increased by 17.4% and 14.2%, respectively, between the fiscal years ended August 31, 2016 and August 31, 2018. For the fiscal year ended August 31, 2018, our revenue and Adjusted EBITDA were £430.5 million and £80.3 million, respectively.

Each Cognita school has its own unique ethos, with curricula and programs tailored to the needs of the students and parents in the market it serves. Our distinctive offerings are underpinned by our commitment to deliver on the three primary aspects of a Cognita education: high academic standards, strong character development and a global perspective. We offer a wide and diverse range of curricula across regions to appeal to both local and expatriate populations, including: the British curriculum, which is based on the standardized national curriculum for England and which, with respect to our Spain segment, is supplemented with the Spanish national curriculum; the International Baccalaureate ("IB"), a prestigious and rigorous internationally recognized diploma program; the American curriculum (American Education Reaches Out standard, Massachusetts state standards, the New York state standards and the Texas state standards); the Australian national curriculum; the Brazilian national curriculum and the Brazilian (bilingual) curriculum, which is based on the Brazilian national curriculum; and the Chilean national curriculum and the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum. We believe that this multi-curriculum approach allows us to better serve a variety of attractive market segments while still preserving our academic and institutional standards. All of our schools have an English language offering. In addition, we believe that, throughout our organization, we benefit from our established reputation for providing academic excellence, high quality teachers and appealing school facilities.

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

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

We operate in developed and developing markets and our success in increasing enrollment reflects the underlying strength and favorable dynamics of these markets. The developed and many of the developing markets in which we operate (such as Vietnam and Thailand) are characterized by stable market fundamentals, including a large middle class and a strong and established private school presence. Our success in the developing markets in which we operate is based, in part, on the sizeable pools of expatriate families in these markets, the increasing wealth among local families, each of whom value and demand high quality education for their children and the increasing demand for English language or bilingual schools such as ours.

Substantially all of our revenues are from private-pay sources without exposure to changes in government funding.

Our operations are backed by a large and attractive portfolio of well-invested and well-maintained campuses and facilities. Our real estate portfolio comprises of 126 sites, of which 36 are owned on a freehold basis and the remaining 90 are leasehold properties on lease terms that we believe are favorable for our operations. The average remaining tenure with respect to our leasehold school properties is 23 years. The book value of our real estate portfolio at cost as at August 31, 2018 was £559.6 million. See "*Business—Properties*" for more information on our properties.

We organize our business into the following operating segments:

Europe

We operate 46 schools in Europe, comprising 40 schools in the United Kingdom and six schools in Spain. The segment accounted for £194.7 million or 45.2% of our revenue and £29.8 million or 32.9% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 15.3% for the fiscal year ended August 31, 2018. For the same period, this segment had 14,459 average FTE students and an Average Revenue per FTE Student of approximately £13,500.

Asia

We operate 11 schools in Asia, comprising four schools in Thailand, three schools in Vietnam, two schools in Hong Kong and two schools in Singapore. The segment accounted for £181.2 million or 42.1% of our revenue and £47.3 million or 52.1% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 26.1% for the fiscal year ended August 31, 2018. For the same period, this segment had 9,457 average FTE students and an Average Revenue per FTE Student of approximately £19,200.

Latin America

We operate 14 schools in Latin America, comprising 12 schools in Chile and two schools in Brazil. This segment accounted for £54.6 million or 12.7% of our revenue and £13.7 million or 15.0% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 25.0% for the fiscal year ended August 31, 2018. For the same period, this segment had 14,464 average FTE students and an Average Revenue per FTE Student of approximately £3,800.

Our Strengths

Structurally growing market

We operate in the large and growing global private-pay K-12 education market. Although we operate globally, our operations have a strategic focus on high value, growing, gateway markets such as: Singapore, Ho Chi Minh City ("HCMC"), Hong Kong, Bangkok, Madrid, Barcelona and London. According to the Market Report, between academic years 2015-2018 (except for Hong Kong, which is measured from academic year 2014-2018), Pre-K-12 revenue in these attractive segments grew at an annual CAGR as follows: Singapore (6%); HCMC (14%); Hong Kong (10%); Bangkok (includes the Eastern Seaboard region) (8%); Madrid (7%); Barcelona (11%) and London (6%). With existing facilities and experience in each of these gateway cities, we consider ourselves well positioned to capture some of this market growth.

Revenue growth in the market is underpinned by high growth in private school enrollments compared to public enrollments. According to UNESCO, in Europe there were approximately 16 million private K-12 students in 2016 and their numbers grew at a CAGR of 8% from 2011 to 2017, in Latin America (including the Caribbean) there were approximately 25 million private K-12 students in 2017 and their numbers grew at a CAGR of 1% from 2011 to 2017 and in Asia (including Central, Southern, Eastern and Southeast regions) there were approximately 198 million private K-12 students in 2017 and their numbers grew at a CAGR of 3% from 2011 to 2017. Research by Euromonitor and Oxford Economics suggests that the relevant school going population for the private K-12 market (aged 3-17 year olds) grew by a CAGR of 0.9% across our key European and Asian markets from 10.6 million in 2015 to 10.9 million in 2018 and is expected to continue to grow at a CAGR of 0.9%, reaching 11.4 million by 2023.

Demand for our schools is driven by both local and expatriate demand. For the fiscal year ended August 31, 2018, we had approximately 75% of local students and 25% of expatriate students. The exact percentage of expatriate students varies significantly country-by-country. Our schools in Hong Kong and Vietnam rely on approximately 49% and 58% expatriate students, respectively, whereas our schools in Chile and Brazil entirely rely on local demand.

Local Demand

The developing markets, in which our schools target local families, have seen both strong parental aspirations not met by public education and an increase in household disposable income in recent years, which has made private education both more affordable and more desirable for an increasing number of families. Furthermore, we believe that demand for private education in these regions is supported by the importance that parents and students living in non-English speaking countries place on English language fluency, which, in turn, supports demand for English language or bilingual schools such as ours, most of which have an English-language offering. Additionally, there is an increasing desire among parents for their children to study abroad at foreign universities. This in turn drives demand for private-pay K-12 schools, such as ours, that are perceived to have a strong record of student placements to reputed higher education institutions. Many of our schools offer college counseling and pre-university programs. We believe that these increases in disposable income, combined with the demand for high quality education, are key drivers of growth in student enrollment in private-pay K-12 schools in these markets.

Expatriate Demand

The international markets in which we serve expatriate families, including Singapore, HCMC, Hong Kong, Bangkok, London, Barcelona and Madrid are located in countries that have experienced strong GDP growth, with an associated increase in expatriate populations who, we believe, prioritize quality and continuity of education for their children and seek schools that provide a similar curriculum and academic standards as schools in their home countries.

The following table shows the annual growth in GDP between 2015 and 2018 and the estimated annual growth in GDP between 2018 and 2023 in our key regions, according to the IMF:

	2015-2018	2018-2023
Singapore	3%	3%
Vietnam	7%	7%
Hong Kong	3%	3%
Thailand	4%	4%
UK	2%	2%
Spain	3%	2%

The following table shows enrollment growth between the academic year 2015 and 2018 (except for Hong Kong, which is measured from academic year 2014-2018) and the estimated enrollment between 2018 and 2023 in our key expatriate cities, according to the Market Report:

	2015-2018	2018-2023
Singapore	3%	3%
HCMC	9%	7%
Hong Kong	5%	4%
Bangkok(1)	4%	3%
London	2%	2%
Barcelona	6%	5%
Madrid	4%	2%

Note:

(1) Includes the Eastern Seaboard region.

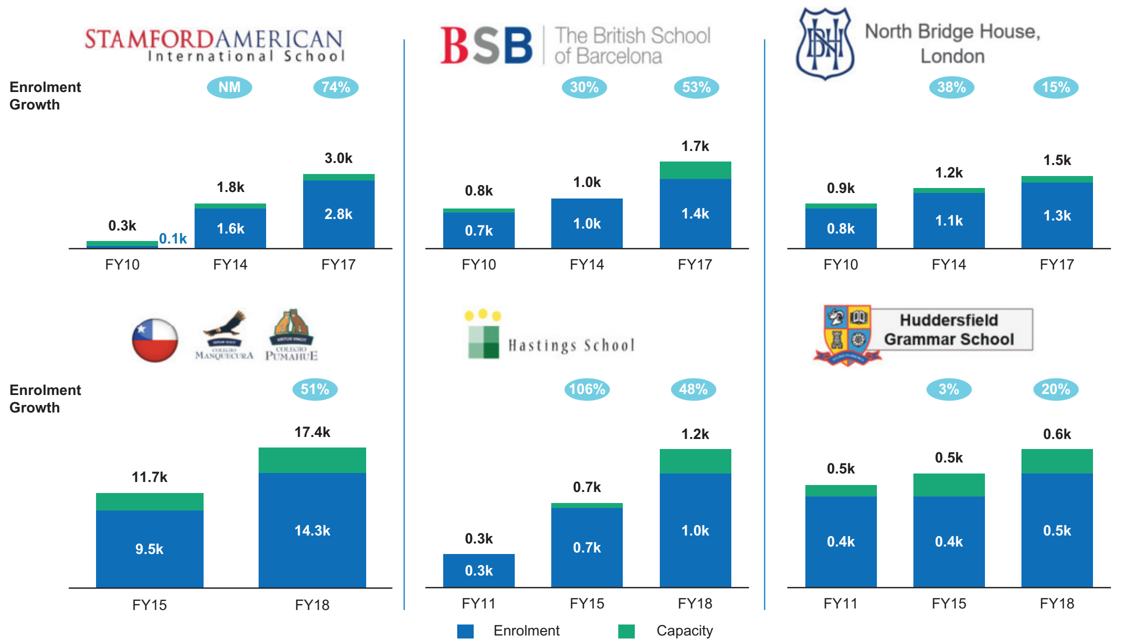
We expect this continued growth in GDP to result in growing expatriate populations in these countries and to lead to increased enrollments.

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

Leading global K-12 operator

We are a leading global operator of private-pay K-12 schools, with a strong presence in the most attractive private-pay education markets and gateway cities. With 71 schools and more than 42,000 students across 8 countries as of the date of this Offering Memorandum, we operate as a platform of scale and have a leading position in our chosen markets, which enables us to provide multiple programs world-wide at differentiated price points that are appropriate for the relevant local markets. Of the leading private-pay K-12 global operators, we are the only global schools group with a platform spanning multiple curricula, geographies and price points. This platform yields strategic flexibility to continue our growth trajectory at different price points.

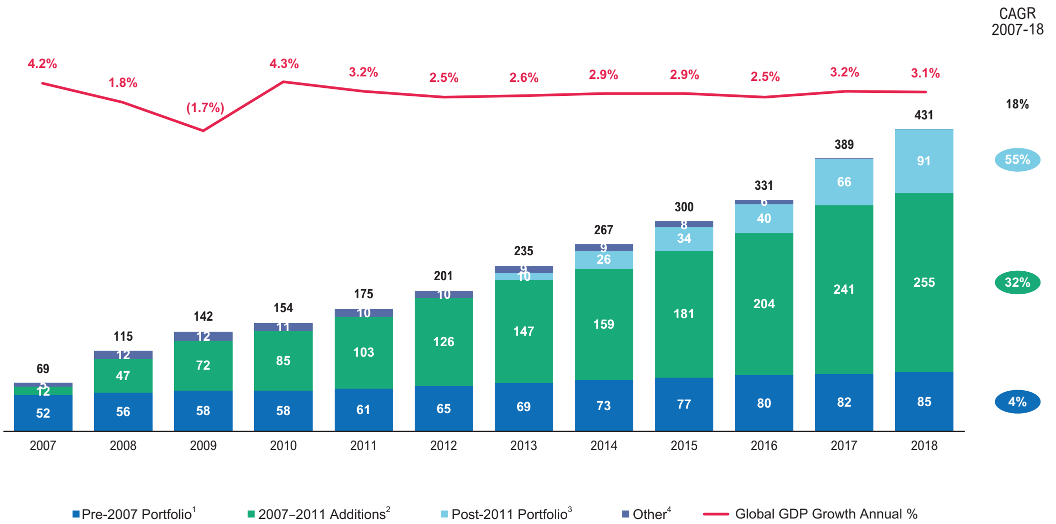
We have a historical presence and strong positioning in the UK and Spanish markets (where we currently have 46 schools and more than 14,000 students), which are supported by favorable regulations in these markets as well as strategic growth investments. In Latin America, we have recently undertaken strategic expansions in Brazil and Chile (where we currently have 14 schools and more than 17,000 students), the countries in the region with the highest enrollment growth in private international and bilingual schools. In Asia (where we currently have 11 campuses and more than 10,000 students), we have a leading presence in the largest premium K-12 markets, where price, enrollment growth and government-controlled supply dynamics are strong. In markets where we have undertaken expansions, we have proved successful at filling new additional capacity. The charts below include select examples of enrollment growth to meet expanded capacity at our schools:



We continue to build on this platform of scale and to increase our capacity through targeted expansions in our existing markets and deliberate entry into key strategic markets (including in new regions such as the Middle East), including dense, high-growth emerging markets, to sustain our trajectory. This is underpinned by a data-driven approach analyzing catchment area dynamics, the supply/demand imbalance and country level macro factors. We utilize a multi-faceted growth strategy which includes capacity expansion, acquisitions and greenfield developments and focus on gateway cities within specific markets.

The following chart shows our historical revenue growth compared to global GDP growth (according to the World Bank), including on a like-for-like basis for our Pre-2007 Portfolio, our 2007-2011 Additions, our Post-2011 Portfolio and Other for the period indicated below:

Historical Revenue Growth (£m)



(1) A school is included in the Pre-2007 Portfolio if it has been owned by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2018. This excludes schools that were acquired or disposed of at any time after August 31, 2006.

(2) A school is included in 2007-2011 Additions if it has been acquired by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2011 and owned by us until August 31, 2018.

(3) A school is included in the Post-2011 Portfolio if it has been acquired by us from the first day of the fiscal year ended August 31, 2011 and owned by us until August 31, 2018.

(4) Other comprises all other elements of our offerings, that we commenced operating after August 31, 2011 and schools that we formerly owned but which we disposed of prior to August 31, 2018. For historical revenue growth, other also includes adjustments for currency exchange rate differences and adjustments between our management accounts and our audited financial statements.

High quality education

In keeping with our philosophy of providing an "Inspiring World of Education," we deliver a consistent, principles-led framework for education which instils academic excellence, develops character and nurtures a global perspective. In February 2017, we established an Education Advisory Board ("EAB") to drive outstanding educational practices across the Group and focus on evidence to improve academic outcomes. The EAB chaired by Sir Kevan Collins, who is currently the Chief Executive of the Education Endowment Foundation (an independent charity organization dedicated to the improvement of the educational attainment of underprivileged students in English schools). The EAB's mission is to accelerate academic improvement, build teacher capacity, share effective best practices and establish external partnerships.

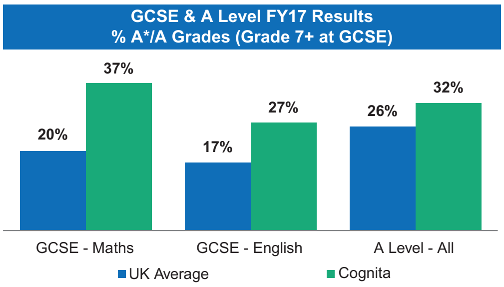
We have developed the "Cognita Way," which is a framework we use to drive improvements at our schools and maintain the high level of education valued by Parents through:

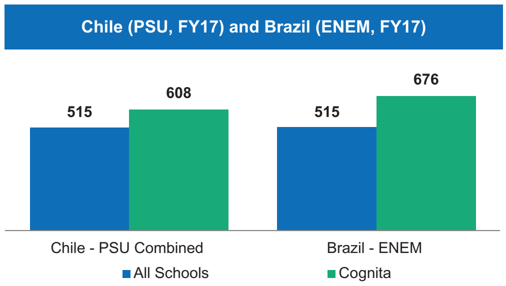
- *Energized Leadership*: We believe that a key to driving improvement and academic success for our students is the academic vision of our Head Teachers. As such, we have a careful recruitment process for our school Head Teachers. Once Head Teachers are hired, we endeavor to ensure stability over time by investing in our leaders to inspire and share best practices they develop.
- *Personalized Learning*: We focus on high quality learning in each classroom and on providing the right level of challenge and support for each student and we underpin this approach with data and predictive tools to track student progress, benchmark individual student attainment and allow us to make informed decisions based on the student's particular situation.
- *People Growth*: We view employing skilled and well-educated teachers at all of our schools as an important driver of the success of our product offering, and we have a professional and diligent approach to recruitment and selection, with tailored practices specific to each region. We also invest in the professional development of our teachers to help them to enhance their skills as well as to maintain high motivation levels, for example, by providing career advancement prospects and the opportunity for teachers with high potential to complete Masters programs in education. By operating as a global group, we also provide internal opportunities to our teachers such as workplace shadowing and secondments, which may not be available with single school operators. In addition, our global platform and Group central and regional management teams free up school management and teachers from dealing with commercial and administrative matters so that they have more time to focus on high quality teaching and learning.
- *Community*: We actively seek to listen to and engage with the key people in each school community. We run a consistent system for gathering feedback across all regions through engagement with students (Voice of Students, VoS), parents (Voice of Parents, VoP) and employees (Voice of Employees, VoE) and utilization of CSAT tools such as Confirmit. Additionally, we work with a range of associations and accreditation bodies and school inspectorates and engage with the global education sector through participation in debates and conferences and partnerships with leading independent schools.
- *Innovation*: We strive to maintain innovative curricula at our schools and constantly seek to implement new learning solutions and programs, both in the classroom, such as our full bilingual and English as an Additional Language (EAL) programs, and outside of the classroom, such as our outdoor learning and leadership development programs through our ALG division.
- *Brilliant Basics*: We have developed systems and best-practices that are applied across our network to ensure that all of our schools are run according to the highest standards of safeguarding and health and safety, allowing us to maintain accreditation and comply with local regulatory frameworks to help streamline the operation of our schools. We have also implemented a global finance system and we are in the process of implementing global solutions for HR, admissions and marketing.
- *International accreditations*: We have received accreditations from the leading international educational organizations, such as Cambridge Assessment International Education, Council of International Schools, COBIS, IB World School and NEASC. We are an outward looking organization, looking to learn from best practices globally.

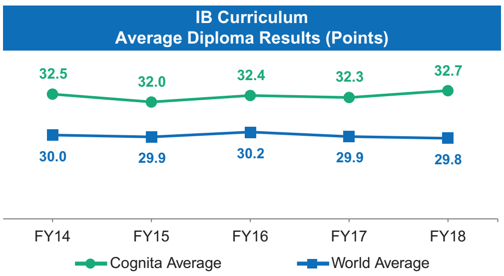
Our continued focus on high quality education has enabled our schools to achieve examination outcomes which are generally well above the relevant national, regional or global averages for each curriculum despite the fact that the majority of our schools are non-selective, for example:

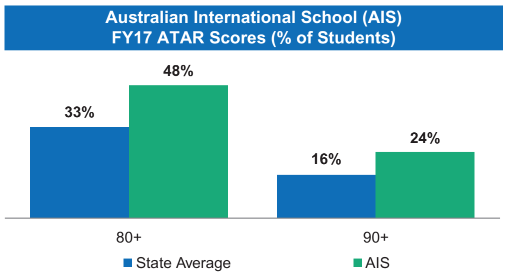
- Over the past three years, our British curriculum schools in the United Kingdom and Spain consistently achieved GCSE outcomes (in Math and English) significantly above the United Kingdom national average.
- Over the past five years, students at our IB curriculum schools achieved outcomes ahead of the "world average" despite being non-selective schools, whilst the IB curriculum is, in many cases, offered by selective schools.
- The Australian International School consistently achieves well on the Australian Tertiary Admission Rank ("ATAR") when compared to New South Wales. In 2017, the school had a mean ATAR score of 75.3 compared to a mean ATAR score of 70.0 for New South Wales. Additionally, 48% of AIS students gained an ATAR score over 80 points.
- Over the past 10 years, our schools in Chile and Brazil have achieved PSU results (the standardized university examination used in Chile) and ENEM results (the standardized university examination used in Brazil) well above the respective national averages.

The following charts highlight our schools' superior academic performance as compared to national and world averages for the fiscal year ended August 31, 2017 with respect to the UK, Chile, Brazil and Australia and for the last five fiscal years with respect to our IB program:









The high quality academics and student care delivered by our schools are also recognized by external school inspections. As of August 31, 2018, every school inspected by the Independent School Inspectorate in the UK was deemed fully compliant with regulations. In the period 2011-2017, inspections outcomes in the UK improved significantly. In 2011, 20% of grades were outstanding, 76% good and 4% requiring improvement. In 2017, 87% of grades were outstanding and 13% good. Data following this date is not ranked in the same way as current inspections are judging regulatory compliance. Every school inspection has been deemed fully compliant.

Resilient market and company performance through economic cycles

The private-pay K-12 education market has been resilient through the recent global economic downturn, primarily due to the continuing demand from parents who view expenditure on their children's education as largely non-discretionary.

Benefiting from these market fundamentals, Cognita grew revenue consistently through and after the global recession. Revenue increased in each in each year from £69 million in 2007 to £267 million in 2014, representing a CAGR of 21%, with our pre-2007 portfolio (comprised of schools owned by us from the first day of the fiscal year ended August 31, 2007 through the last day of the fiscal year ended August 31, 2014) demonstrating consistent organic annual growth with a CAGR of 5% over the period.

Our performance through downturns and negative macroeconomic events is further supported by a flexible operating cost structure. A majority of our costs are variable and semi-variable (including staff costs) and can be adjusted in the medium-term in the event of a downturn to preserve free cash flow and service debt. Teacher salaries, the largest component of our cost base, typically grow in line with inflation but at a discount to fee growth. In each of our markets our fees have grown at a premium to inflation during the last three fiscal years.

Significant requirements before a competitor can achieve our scale and experience

Our existing scale, financial resources, operational experience and deep institutional knowledge allows us to better address certain structural hurdles in expanding in existing markets and entering new markets compared to other operators. For instance, significant financial resources are required in order to invest in new school facilities or to acquire existing schools. Our broad experience coupled with our strong understanding of the local markets facilitates our ability to meet legal, financial and other requirements in securing government licenses and regulatory approvals in multiple jurisdictions. Additionally, centralized expertise and local knowledge helps us address the issue of the scarcity of real estate in key markets and the tendency of property developers and landlords to prefer operators with a strong track record and financial resources. Our long and positive track record and established reputation underpins our ability to recruit and retain high quality teachers, particularly in expatriate markets. Finally, student retention driven by the preference of students to stay at the same school for the tenure of their education is another important factor enhancing our leading position in this market as it discourages existing students from switching to other schools.

Attractive financial profile with high revenue visibility and strong cash conversion/cash flow generation

Our business model offers exceptional near and medium-term visibility on revenues and cash flows as a result of long admissions lead time, high retention, long average student tenure, consistent net positive churn and high visibility on the competitive landscape. Tuition fees are prepaid and we have minimum notice periods for students to withdraw without penalty, and we offer only limited refunds of tuition and other fees. The average year-on-year Student Retention Rates for the last three fiscal years ended August 31, 2018, have been approximately 74% in Asia, 85% in Europe and 90% in Latin America (84% average across our segments). During the last three fiscal years, approximately 81% of our net tuition fee revenues were generated from retained students. Additionally, we maintain good forward visibility on the revenue attributable to new joiners through close monitoring of early confirmations and pipeline. Our revenue visibility enables us to make operational adjustments, balance utilization, expand capacity and manage costs more effectively, which facilitates an efficient use of resources.

Our revenue growth across all regions coupled with our disciplined approach to cost management has enabled us to achieve consistent Regional Adjusted EBITDA growth from fiscal year ended August 31, 2016 to the fiscal year ended August 31, 2018. Over this period, Regional Adjusted EBITDA grew at a CAGR of 14%. This was achieved despite investment in regional resources to position the Group for future growth.

We had an operating cash conversion rate of 63.6% for the fiscal year ended August 31, 2018 (97.3% before operating capital expenditure), which was driven by structurally negative working capital due to the advance collection of tuition fees (and low levels of bad debt), which becomes increasingly favorable as enrollments grow, and efficiently managed capital expenditure (operating capital expenditure has averaged 5.9% of Group turnover for the three fiscal years ended August 31, 2018).

Strong Management Team

We have a highly experienced, dynamic and operationally focused management team, through the Group at both the Group and regional level. Our management combines educational leadership with a proven track record managing global development and expansions and integrating new acquisitions. Our senior management team has significant experience in the education sector, and collectively, bring with them strong backgrounds in management, marketing, human resources, real estate and finance. Our management team is supported by the EAB in pursuing outstanding educational practices across the Group.

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

Our Strategy

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

Continue to deliver high quality education to maintain and increase demand for our offering

Our aim is to become the best and most admired global schools group and to drive enrollments across our portfolio by focusing on high quality educational outcomes and student and parent satisfaction. Academic rigor and excellence are at the core of our value proposition to parents and students and influence all of our strategic decisions. We intend to maintain our systematic and data-driven approach, using our global platform, systems and experience to closely track student progress, develop individualized approaches to help students meet and surpass expectations and ultimately obtain superior educational outcomes and improve the quality of the provision of education in all of our schools. We continue to invest in our people who are integral to this mission of delivering academic excellence and to develop processes that allow us to bring the benefits of our global scale to the individual student.

We will also continue to develop a tailored educational offering, which appeals to the specific parent and student demographic of each of our schools and focuses on personalized learning and will continue to implement innovative approaches to education, including language development programs (such as daily Mandarin in our Singapore schools), bilingual and English as second language curricula, unique educational experiences (such as outdoor leadership programs and summer camps through our Active Learning Group ("ALG") and direct university partnerships offering college credits), high quality athletic programs and extensive co-curricular clubs and activities.

Leveraging our global platform and reputation

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

In addition, we intend to continue our strategy of attracting, retaining and investing in high-quality teaching professionals by offering professional development opportunities and prospects of global mobility through our network of schools. We will continue to support this through an active appraisal program and frequent conversations with our teachers regarding career progression, skills, aspirations, delivery and impact. We believe that maintaining our existing high levels of support staff, which allow our teachers to focus on the educational needs of individual students, will enable us to maintain a high level of job satisfaction of our teachers and enable us to recruit and retain "best-in-class" teachers.

Maximizing operating and financial performance

We continuously monitor and evaluate the operational performance of our schools and staff across our global platform to identify opportunities for enhancement and to capitalize on embedded growth. An ongoing focus on optimizing our marketing and admissions processes is a key feature of our strategy to increase student enrollments and improve utilization of our platform. At the same time, we aim to place a strong emphasis on student retention through processes designed to measure and understand churn at our schools and intervene to ensure high levels of student and parent satisfaction.

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

Continue to look for expansion and acquisition opportunities in existing and selected attractive and scalable markets

Having successfully completed over 40 acquisitions since 2004, we are a natural consolidator and growth leader in the sector. We added nearly 5,000 seats in premium markets over the past year. Our growth has been thoughtful and has been driven by targeted development (through acquisitions, greenfields and expansions), based on data and insights, which has complemented embedded growth stemming from our ability to drive enrollments and fill available capacity at our existing schools. Our track-record of acquisitions, greenfield projects and expansions has demonstrated our ability to create and fill new additional capacity. For example, enrollments grew at the Stamford American International School in Singapore (our first greenfield development) from approximately 109 students in fiscal year 2010 to approximately 2,900 students in fiscal year 2017. Likewise, following our acquisition of the British School of Barcelona, enrollments grew by 84% during the same period. Successfully implemented transactions such as these, where we preserve and enhance the quality of the acquired school in addition to growing enrollment, have further demonstrated our ability to transact in many markets and have made us a buyer-of-choice for family and trusts.

Our data driven approach has resulted in us developing a proprietary pipeline of opportunities curated over more than 10 years. We intend to continue to evaluate both strategic expansion, acquisition and greenfield opportunities to develop capacity in markets in which we have experience or which we have identified as attractive based on rigorous analysis of the relevant market dynamics. We have identified a number of additional capacity expansion opportunities in certain regions. For example, we are in the process of developing the ELIS school in Murcia, Spain and we are embarking on the second phase of expansion at the Stamford American school in Hong Kong. In addition, we continue to evaluate opportunities to enter new regions such as the Middle East and expanding into new markets in Asia and Latin America.

The Transactions

The Acquisition

On September 3, 2018, Lernen Bidco Limited ("Bidco") entered into a share purchase agreement (the "Acquisition Agreement") to purchase from the Sellers 100% of the share capital of Cognita Topco Limited, a company incorporated under the laws of the Bailiwick of Jersey (the "Target") and the indirect owner of 100% of the share capital of the Company. As part of the Acquisition, certain management sellers elected to subscribe for an indirect stake representing 25% of the voting rights attached to the Target's shares in substitution for the cash consideration attributable to the value of their shares in the Target (the "Management Investors"). See "*Principal Shareholders*."

The Financing

In connection with the Acquisition, (i) Bidco entered into the Senior Facilities Agreement, which provides for (a) a facility with a GBP tranche in an aggregate principal amount equal to £200 million and an euro tranche in an aggregate principal amount equal to €255,275,696 (together, the "B1 Facility") and (b) a facility in an aggregate principal amount equal to €52,551,816 made available for and conditional on the signing of the Specified Acquisitions (as further described below) (the "B2 Facility" and, together with the B1 Facility, the "Term Loan B Facilities") and (ii) the Issuer entered into a Bridge Facility Agreement, which provides for an aggregate principal amount equal to €255,275,696 (the "Bridge Facility"), the proceeds of which were lent to Bidco under an intercompany loan (the "Intercompany Loan"). The Senior Facilities Agreement also provides for a Revolving Credit Facility in an aggregate principal amount of up to £100,000,000. For a more detailed description of the Senior Facilities and the Intercompany Loan, see "*Description of Certain Financing Arrangements—Senior Facilities*" and "*Description of Certain Financing Arrangements—Intercompany Loan*." Bidco used the proceeds of the Bridge Facility, the Term Loan B Facilities (including €2,618,278 drawn under the B2 Facility, which was made available to complete the acquisition of the Santo Tomas school in Chile (the "Santo Tomas Acquisition")) and the Shareholder Contribution to finance the Acquisition, complete the Santo Tomas Acquisition and to repay certain of the Group's existing debt (such transactions, collectively referred to as the "Financing"). The Acquisition and the Financing were completed on October 25, 2018 (the "Acquisition Completion Date").

The sources and uses used to consummate the Acquisition, the Financing and to pay the costs and expenses for the Transactions (as defined below) are shown in the table below:

Sources of Funds	(£ in millions)[1]	**Uses of Funds**	
Shareholder Contribution[2]	1,344.8	Equity consideration	1,321.1
Term Loan B Facilities[3]	427.3	Repayment of debt[5]	618.0
Bridge Facility[4]	225.0	Finance leases and Local Facilities[6]	74.5
Finance leases and local facilities	74.5	Costs and expenses for the Transactions[7]	64.4
Cash on hand	71.8	Cash on hand	65.4
Total sources	**2,143.4**	**Total uses**	**2,143.4**

Notes:

(1) We have translated amounts other than amounts in Pound sterling in this table at the exchange rate €1 = £0.8814 as of the Acquisition Completion Date.

(2) Represents the Shareholder Contribution by JHAG and the Management Investors.

(3) Represents (i) the aggregate principal amount of the B1 Facility, including the £200,000,000 GBP tranche and the €255,275,696 euro tranche and (ii) €2,618,278 drawn under the B2 Facility drawn on the Acquisition Completion Date in connection with the Santo Tomas Acquisition. Subsequent to the Acquisition Completion Date, an additional €1,745,519 under the B2 Facility was drawn on November 12, 2018 in connection with the CEM Acquisition. See "*Capitalization*."

(4) Represents the principal amount of the Bridge Facility, which will be refinanced with the proceeds of the Notes issued hereby. See "*Use of Proceeds*."

(5) The debt repaid on the Acquisition Completion Date was comprised of: (i) £491.4 million (including principal, accrued interest and other repayment costs) under the Existing Senior Notes, (ii) £70.5 million (including principal, accrued interest and other repayment costs) under a local facility in Hong Kong and (iii) £56.0 million in costs related to the unwinding of swap arrangements.

(6) Represents the aggregate outstanding indebtedness under our finance leases and Local Facilities which will remain outstanding following the Transactions.

(7) Reflects our estimate of the total fees and expenses associated with the Transactions (including the Offering), including discounts, fees and other commissions, advisory and other professional fees.

The Offering

The gross proceeds from the Offering will be used to repay the Bridge Facility. See "*Use of Proceeds*" for an estimate of the sources and uses of the Offering.

We collectively refer to the Acquisition, the Financing, the Offering, the repayment of certain local facilities on the Acquisition Completion Date and the payment of related fees and expenses as the "Transactions."

Recent Developments

The B2 Facility

The Term Loan B Facilities include a committed €52,551,816 facility (the "B2 Facility"), which is available for the direct or indirect financing or refinancing of certain Specified Acquisitions (as described below) that have signed on or before March 31, 2019 in accordance with the conditions set forth in the Senior Facilities Agreement. Commitments representing amounts not drawn under the B2 Facility by March 31, 2019 are automatically cancelled. Amounts drawn under the B2 Facility in connection with Specified Acquisitions that have signed but not closed by September 30, 2019 are subject to a mandatory prepayment. As of the date of this Offering Memorandum, €48,188,019 is outstanding under the B2 Facility and available for four additional acquisition opportunities (see "*—Acquisition Opportunities in Exclusivity*"). See "*Risk Factors—If we are unable to identify, complete and successfully integrate acquisitions, our ability to grow our business may be limited and our business, financial condition and results of operations may be adversely affected. In addition, management's attention may be diverted from existing operations to the integration of acquisitions*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations and Financial Condition—Acquisitions, Capacity Expansion, Greenfield Developments and Disposals.*"

The Specified Acquisitions

The Specified Acquisitions include acquisitions that have already completed as of the date of this Offering Memorandum and the acquisition opportunities in exclusivity described below.

The Santo Tomas Acquisition

On August 31, 2018 we acquired the Santo Tomas school in Santiago, Chile. We drew €2,618,278 under the B2 Facility on the Acquisition Completion Date to fund a portion of the acquisition price.

The CEM Acquisition

On November 6, 2018, we acquired 90% of the share capital of Colegio Europeo de Madrid ("CEM") in Madrid, Spain, with an option to purchase the remaining 10% (the "CEM Acquisition"). We drew €1,745,519 under the B2 Facility on November 12, 2018 to fund a portion of the acquisition price.

Acquisition Opportunities in Exclusivity

As part of our ongoing corporate strategy of continuing to look for expansion and acquisition opportunities in existing and selected attractive and scalable markets (see "*—Our Strategy—Continue to look for expansion and acquisition opportunities in existing and selected attractive and scalable markets*"), we selectively consider strategic opportunities from time to time.

We have entered into non-binding memoranda of understanding with respect to four acquisition opportunities and are in exclusivity. The first of these acquisition opportunities is in Chile and has Average Student Capacity of 1,481, Average FTE Students of 1,304 and Average FTE Staff of 91 for the twelve months ended August 31, 2018. The second opportunity is also for a school in Chile that has Average Student Capacity of 1,980, Average FTE Students of 1,717, Average FTE Staff of 181 for the twelve months ended August 31, 2018. The third opportunity is in Spain and has Average Student Capacity of 1,080, Average FTE Students of 853 and Average FTE Staff of 120 for the twelve months ended August 31, 2018. Finally, the fourth acquisition opportunity is for a complimentary business in the UK offering extra-curricular language programs to students around the world, which delivered approximately 15,000 student weeks of language programs globally during the twelve months ended August 31, 2018.

Each of the specified acquisition opportunities is independent and the signing and closing of any one of the specified acquisition opportunities is not conditional on the signing and closing of any of the others. There can be no assurances that all or any of such acquisitions will take place. We expect that a combination of cash on balance sheet, cash from operations and the B2 Facility, as well as new equity from our shareholders to the extent necessary, will be sufficient to finance the purchase price of these acquisition opportunities. See "*Risk Factors—Risks Relating to our Indebtedness—Commitments representing amounts not drawn under the B2 Facility by March 31, 2019 will be automatically cancelled.*"

Trading Update

Total average student enrollment for the two months ended October 31, 2018 was 42,240 compared to 36,197 for the two months ended October 31, 2017, an increase of 6,043 (or 17%). This includes total average student enrollments of 10,437 in Asia compared to 9,081 for the two months ended October 31, 2017, an increase of 1,356 (or 15%), 14,446 in Europe compared to 14,296 for the two months ended October 31, 2017, an increase of 150 (or 1%) and 17,357 in Latin America compared to 12,820 for the two months ended October 31, 2017, an increase of 4,537 (or 35%). This resulted in a utilization of 76% for the period, unchanged as compared to the two months ended October 31, 2017.

Revenues for the two months ended October 31, 2018 were £78.6 million compared with £70.2 million for the same period of the previous fiscal year. Adjusted EBITDA amounted to £15.5 million for the two months ended October 31, 2018, an increase of £0.9 million compared to the same period of the previous financial year. These results are in line with management's expectations and are based on our draft management accounts. These results do not give effect to adoption of IFRS 15 or IFRS 16. For a description of the expected impact of the adoption of IFRS 15 and IFRS 16, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Accounting standards issued but not yet effective.*"

The financial results for the two month period ended October 31, 2018 are derived from preliminary management accounts and have not been audited, reviewed or verified by our independent auditors. During the course of our upcoming financial statement closing and review process for the three months ended November 30, 2018, we could identify items that would require adjustments to be made and which could affect the results of operations for the periods presented. Those procedures for such period have not been commenced and the operating results for such period may be different than the performance and trends indicated by the financial results for the two month period ended October 31, 2018 and such changes may be material. The information for the two months ended October 31, 2018 should not be regarded as an indication, forecast or representation by us or any other person regarding our financial performance for the three months ended November 30, 2018.

Our Shareholders

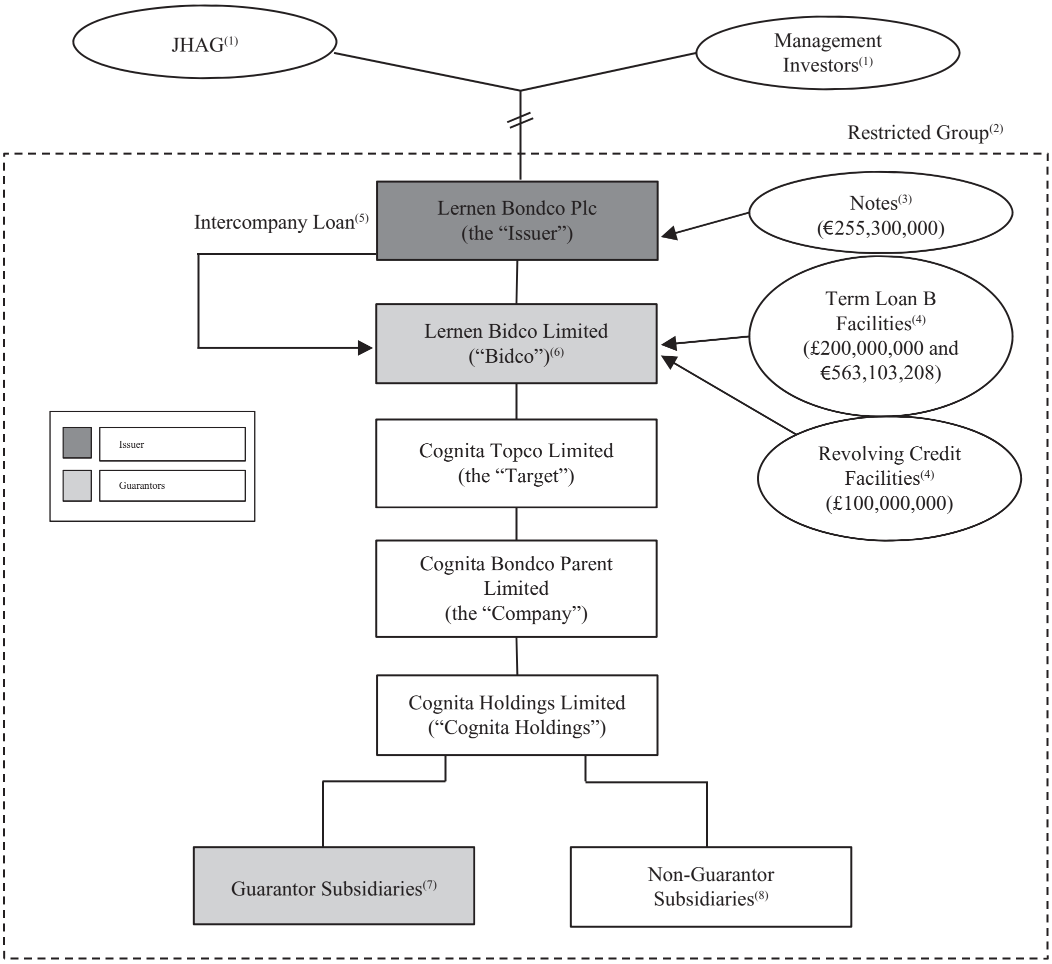
Jacobs Holding AG ("JHAG") and certain members of the Jacobs Family indirectly control 75% of the voting rights attaching to the Issuer's shares. The remaining 25% of the voting rights are indirectly owned by the Management Investors. See "*Principal Shareholders.*"

Founded by entrepreneur Klaus J. Jacobs in 1994, JHAG is a family-controlled global investment firm with a track record of developing investments into market leaders. Previous examples include Jacobs Suchard, Adecco and Barry Callebaut. Jacobs seeks to commit to its investments in the long run, with no holding period limit, focusing on a small number of portfolio companies to ensure full commitment as an owner. The target companies are located in developed markets within consumer goods and professional services sectors, are non-cyclical and cash generative in market with low risk of disruption and low political risk. The investment strategy is overseen by members of the Jacobs Family, complemented by an advisory board of seasoned industry experts.

The Jacobs Foundation, which controls 10% of JHAG's voting rights, is the ultimate economic beneficiary of the investments, with rights to 100% of distributions. The foundation was founded in 1989 and has paid out grants across the globe of over CHF 600 million as of December 2017, with a focus on early education, the science of learning and rural livelihoods. Its goal is to invest in the future of young people to develop socially responsible and productive members of society.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes in a simplified form certain aspects of our corporate and financing structure, after giving effect to the Transactions, including the Offering and the use of proceeds therefrom. All entities shown below are directly or indirectly 100% wholly-owned unless otherwise indicated. See "*Description of the Notes*" and "*Description of Certain Financing Arrangements*" for more information.



Notes:

(1) JHAG (collectively with certain members of the Jacobs Family) and the Management Investors indirectly own 75% and 25% of the voting rights attaching to the Issuer's shares, respectively. See "*Principal Shareholders.*"

(2) Entities in the Restricted Group are subject to the covenants in the Indenture and the Senior Facilities Agreement.

(3) The Issuer will issue €255,300,000 million in aggregate principal amount of the Notes. The Notes will be senior obligations of the Issuer and will, subject to certain limitations, be guaranteed (i) on the Issue Date, by Lernen Bidco Limited (the "Issue Date Guarantor") and (ii) by no later than 120 days after the Acquisition Completion Date, certain subsidiary guarantors incorporated in England and Wales and Singapore (the "Post-Completion Date Guarantors" and, together with the Issue Date Guarantor, the "Guarantors"), in each case subject to the Intercreditor Agreement, the Agreed Security Principles and other limitations. See "*Description of the Notes—Guarantees*." As of the date of this Offering Memorandum, we expect the Post-Completion Date Guarantors to include: Australian International School Pte Ltd (Singapore), Stamford American International School Pte Ltd (Singapore) and Cognita Schools Limited (England and Wales). The Notes will be secured on a second-ranking basis by security over the shares in Lernen Bidco Limited held by the Issuer and any intercompany receivables owed to the Issuer by Lernen Bidco Limited, including the Intercompany Loan (together, the "Notes Collateral"). See "*Description of the Notes—Security.*" The guarantees and security interest will be subject to certain limitations and to the Agreed Security Principles as described in this Offering Memorandum.

(4) In connection with the Financing, Bidco entered into the Senior Facilities Agreement. The Senior Facilities Agreement provides for facilities in the form of (i) the Term Loan B Facilities, including a B1 Facility in an amount equal to £200,000,000, in respect of the GBP tranche and €255,275,696, in respect of the euro tranche and a committed B2 Facility in an amount of €52,551,816 million (€48,188,019 of which is outstanding as of the date of this Offering Memorandum) and (ii) a committed Revolving Credit Facility in an amount equal to £100,000,000 (which is undrawn as of the date of this Offering Memorandum). All of the Guarantors will guarantee the Senior Facilities Agreement on a senior basis and such guarantees will rank senior to the Notes Guarantees of each Guarantor. The Senior Facilities will be secured by the Notes Collateral and certain other assets of certain restricted subsidiaries on a first ranking basis as at the Issue Date. See "*Description of Certain Financing Arrangements—Senior Facilities Agreement—Security*."

(5) The Issuer, as lender, and Bidco, as borrower, entered into the Intercompany Loan in an amount of £219,937,500 pursuant to which the Issuer lent Bidco the proceeds of the Bridge Facility (less certain fees and expenses) in order to consummate the Financing. See "*Certain Financing Arrangements—Intercompany Loan.*"

(6) The Issuer used proceeds from the Bridge Facilities and the Shareholder Contribution to fund the purchase price for the Acquisition, to repay or refinance a portion of the group's existing debt, to pay fees and expenses in connection with the Acquisition and the Financing and for general corporate purposes. See "*Summary—The Transactions*." The gross proceeds from the Offering will be used to refinance amounts that were incurred under the Bridge Facilities. See "*Use of Proceeds*."

(7) As of and for the fiscal year ended August 31, 2018, the Guarantors represented, based on their contribution in our consolidated financial statements, 59% of revenue, 70% of Adjusted EBITDA and 52% of assets of the Group. See "*Presentation of Financial and Other Information—Target and Future Guarantor Coverage.*"

(8) As of August 31, 2018, after giving effect to the Transactions, including the Offering and the use of proceeds therefrom, on a consolidated basis, our subsidiaries that will not guarantee the Notes would have had €50.2 million in outstanding debt. See "*Description of Certain Financing Arrangements—Local Facilities.*"

THE OFFERING

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

Issuer	Lernen Bondco Plc (the "Issuer").
Notes Offered	€255,300,000 aggregate principal amount of % Senior Notes due 2026 (the "Notes").
Issue Date	, 2018 (the "Issue Date").
Issue Price	% plus accrued and unpaid interest from the Issue Date.
Maturity Date	, 2026.
Interest	% per annum.
Interest Payment Dates	Semi-annually in arrears on each and , commencing on , 2019. Interest will accrue from and including the Issue Date.
Minimum Denomination	Each Note will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Ranking of the Notes	The Notes will: • be general, senior obligations of the Issuer; • rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes; • rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes; • be secured on a second-ranking basis by the Notes Collateral. See "*—Security*"; • be guaranteed on a senior subordinated basis by the Guarantors which guarantee the Senior Facilities. See "*—Guarantees*"; • be structurally subordinated to all obligations of the Issuer's subsidiaries that are not Guarantors, including to their trade creditors; and • be effectively subordinated to any existing or future indebtedness of the Issuer that is secured by property or assets of the Issuer that do not secure the Notes (including any property or assets that secure obligations under the Senior Facilities), or that is secured on a priority basis by property or assets that secure the Notes, to the extent of the value of the property or assets securing such indebtedness. The Notes will be subject to the terms of the Intercreditor Agreement, including, subject to certain exceptions, payment blockage, standstill and turnover provisions. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"
Guarantees	On the Issue Date, the Notes will be guaranteed on a senior subordinated basis by Lernen Bidco Limited (the "Issue Date Guarantor"). The Indenture will provide that within 120 days of the Acquisition Completion Date certain subsidiaries of the Issuer located in

jurisdictions, including England and Wales and Singapore will, subject to subject to the Agreed Security Principles, guarantee the Notes on a senior subordinated basis. As of the date of this Offering Memorandum, we expect the Post-Completion Date Guarantors to include: Australian International School Pte Ltd (Singapore), Stamford American International School Pte Ltd (Singapore), and Cognita Schools Limited (England and Wales).

As of and for the fiscal year ended August 31, 2018, the Guarantors represented, based on their contribution in our consolidated financial statements, 59% of revenue, 70% of Adjusted EBITDA and 52% of assets of the Group. See "*Presentation of Financial and Other Information—Target and Future Guarantor Coverage.*"

The Guarantors will also guarantee the Senior Facilities on a senior secured basis. The Guarantees will be subject to the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Ranking of the Guarantees . . . . Each Guarantee will:

- be a general senior subordinated obligation of the relevant Guarantor;
- be subordinated in right of payment to all existing and future senior indebtedness of that Guarantor, including without limitation the obligations under the Senior Facilities;
- rank *pari passu* in right of payment to any future senior subordinated indebtedness of that Guarantor that is not subordinated in right of payment to its Notes Guarantee;
- be senior in right of payment to all existing and future indebtedness that is expressly subordinated in right of payment to the Notes Guarantee;
- be effectively subordinated to any existing or future indebtedness of that Guarantor (including with respect to obligations under the Senior Facilities) to the extent that such indebtedness is secured by property or assets of the Issuer that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of that Guarantor that do not guarantee the Notes, including their obligations to trade creditors.

The Guarantees will be subject to release under certain circumstances. See "*Description of the Notes—Notes Guarantees.*"

As of August 31, 2018, after giving effect to the Transactions, including the Offering and the use of proceeds therefrom, on a consolidated basis, our subsidiaries that will not guarantee the Notes would have had €50.2 million in outstanding debt. See "*Description of Certain Financing Arrangements—Local Facilities.*"

Security . . . . The Notes will be secured over all of the issued Capital Stock of Lernen Bidco Limited and any present and future receivables owed to the Issuer by Lernen Bidco Limited under any intercompany loan (including the Intercompany Loan), in each case, on a second ranking basis (together, the "Notes Collateral"), and in each case to the extent legally possible and subject to the Intercreditor Agreement and to any thin capitalization or tax issues, any legal or corporate benefit

	restrictions and the Agreed Security Principles (as defined in the Intercreditor Agreement). See "*Description of the Notes—Security; the Collateral*."
	The Notes Collateral will also secure liabilities under the Senior Facilities and hedging agreements on a basis senior to the Notes and, subject to certain conditions including compliance with the covenant described under "*Description of the Notes—Certain Covenants—Liens*," additional indebtedness may be incurred and secured by such Notes Collateral in priority to the Notes. Any proceeds received upon any enforcement over any Notes Collateral shall be applied to such senior secured indebtedness, including the Senior Facilities, in priority to the Notes.
	The security interests in the Notes Collateral will be subject to certain limitations under applicable law and may be released in certain circumstances. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability*."
Intercreditor Agreement	The Issuer, the facility agent under the Senior Facilities Agreement and the Security Agent are party to an Intercreditor Agreement, to which the Trustee will accede and which will set out, among other things, the relative priorities of their entitlement and certain other matters relating to the administration of the Guarantees and security interests. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."
	The Trustee will be a party to the Intercreditor Agreement on behalf of the holders of the Notes which will be "Senior Subordinated Debt Liabilities" under and as defined in the Intercreditor Agreement.
	See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."
Use of Proceeds	The gross proceeds from the Offering will be used to repay the amounts outstanding under the Bridge Facility. The Bridge Facility, together with the Shareholder Contribution, the Term Loan B Facilities and cash on hand, was used to finance the Acquisition, including repayment of debt and payment of costs and expenses for the Transactions. See "*Use of Proceeds*" and "*Summary—The Transactions*."
Additional Amounts	All payments made by the Issuer or any Guarantor on the Notes will be made without withholding or deduction for Taxes unless required by law. If any of the Issuer or Guarantors are required by law to withhold or deduct for such Taxes in any Relevant Taxing Jurisdiction (as defined below) with respect to a payment on the Notes, the Issuer or Guarantors will pay the additional amounts necessary so that the net amount received by the holders of the Notes after such withholding or deduction will equal the amounts that they would have received in the absence of such withholding or deduction, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes*."
Optional Redemption	Prior to , 2021, the Issuer may redeem at its option all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this Offering Memorandum, accrued and

unpaid interest and additional amounts, if any, to but not including the redemption date.

On or after , 2021, the Issuer may redeem at its option all or a portion of the Notes at the applicable redemption prices set forth under the caption "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest and additional amounts, if any, to but not including the redemption date.

Prior to , 2021, the Issuer may redeem at its option on one or more occasions the Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at a redemption price equal to % of the principal amount outstanding, plus accrued and unpaid interest to but not including the redemption date, so long as at least 60% of the aggregate principal amount of the Notes remains outstanding immediately after each such redemption and each such redemption occurs within 180 days after the closing date of the relevant equity offering.

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

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

Certain Covenants . . . . The Indenture will, among other things, restrict the ability of the Restricted Group to:

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

Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."

Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).
No Prior Market	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing	Application will be made to the Authority for admission of the Notes to the Official List of the Exchange, and the Issuer will submit this Offering Memorandum to the competent authority in connection with the listing application.
Governing Law for the Notes, the Guarantees and the Indenture	New York law.
Governing Law for the Intercreditor Agreement	English law.
Governing Law for the Security Documents	English and Singapore law.
Trustee	U.S. Bank Trustees Limited
Registrar	Elavon Financial Services DAC
Paying Agent and Transfer Agent	Elavon Financial Services DAC, UK Branch
Listing Agent	Mourant Securities Limited
Security Agent	U.S. Bank Trustees Limited
ISIN	Reg S: ; Rule 144A: .
Common Code	Reg S: ; Rule 144A: .

Risk Factors

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

SUMMARY FINANCIAL AND OPERATING INFORMATION

The Issuer was incorporated on August 28, 2018 for the purposes of facilitating the Transactions. The Issuer has no material assets or liabilities (other than its shares in Lernen Bidco Limited and receivables under the Intercompany Loan) and has not engaged in any activities other than those related to its incorporation and participation in the Transactions. Consequently, we have not included any historical financial information relating to the Issuer in this Offering Memorandum, other than certain limited financial data presented on a consolidated basis "as adjusted" to reflect the Transactions. The consolidated capitalization of the Issuer is not directly comparable to the consolidated capitalization of the Company. See "*Capitalization*." See also "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—The Issuer is a holding company with no independent operations and is dependent on payments from its operating subsidiaries in order to provide it with funds to meet its obligations*."

The Target was incorporated under the laws of Jersey on February 4, 2013 and is the indirect parent of the Company and the holding Company for the Group. We have not included any historical financial data for the Target in this Offering Memorandum.

The Company was incorporated under the laws of England and Wales on July 3, 2015 for the purposes of facilitating the 2015 Refinancing Transactions. We have included in this Offering Memorandum and discuss herein, the audited consolidated financial statements of the Company and its consolidated subsidiaries as of and for the fiscal years ended August 31, 2016, 2017 and 2018 and, in each case, the related notes thereto. Unless the context otherwise requires, the use of the term "Group," "our," "us" and "we" in this Offering Memorandum refers to the Company and its subsidiaries. The Company's audited consolidated financial statements as of and for the years ended August 31, 2016, 2017 and 2018 have been prepared in accordance with IFRS. Our consolidated financial information is presented in Pound sterling.

The unaudited as adjusted financial information presented in this Offering Memorandum for the Issuer and its consolidated subsidiaries has been derived from or developed by applying adjustments to our historical results as of and for the fiscal year ended August 31, 2018 to give effect to the Transactions, including the Offering and the use of proceeds therefrom, as if it had occurred on August 31, 2018 with respect to balance sheet data and September 1, 2017 with respect to data derived from our profit and loss account. The unaudited adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances and may differ materially from the actual adjusted amounts. The unaudited as adjusted financial information is presented for informational purposes only. The unaudited as adjusted financial information does not purport to represent what our results of operations or financial condition would have been had the Transactions, including the Offering and the use of proceeds therefrom, actually occurred at the beginning of the period or on the date indicated, and such information does not purport to project the results of operations or financial condition for any future period or as of any future date. The unaudited as adjusted financial information should be read in conjunction with the information contained in "*Selected Historical Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and related notes thereto appearing elsewhere in this Offering Memorandum. The unaudited as adjusted financial information is not intended to represent pro forma financial information prepared in accordance with the requirements of Regulation S-X promulgated under the U.S. Securities Act or other SEC requirements or IFRS. We have included reconciliations of certain of the non-IFRS measures included in this Offering Memorandum back to the relevant IFRS figures in "*Appendix A—Certain Reconciliations.*"

We present certain figures below on an organic basis in order to eliminate the impact of changes in our scope of consolidation with divestments, acquisitions and new school openings excluded from the relevant period. We use figures prepared on an organic basis, as we believe that they provide a means by which to analyze and explain variations from one period to another on a more comparable basis than historical figures, since they eliminate the effects of changes in our scope of consolidation, which do not directly impact our organic performance. However, these figures provided on an organic basis are not measurements of performance under IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*."

Summary Consolidated Profit and Loss Account

	Fiscal Year Ended August 31,		
	2016	2017	2018
		Audited (£ 000)	
Revenue	326,045	385,160	430,474
Employee benefits expense	(179,380)	(205,210)	(238,441)
Other operating (expenses)/income	(90,358)	(107,036)	(135,199)
Acquisitions and business exploration	(4,575)	(7,759)	(5,911)
Restructuring & exceptional advisory costs	(7,138)	(7,105)	(915)
Impairment	(8,172)	(2,623)	(15,402)
Depreciation and amortization of other intangibles	(25,756)	(32,172)	(49,071)
Operating profit / (loss)	**10,666**	**23,255**	**(14,465)**
Finance income	29,489	9,430	5,149
Finance expense	(73,483)	(50,202)	(47,208)
Share of profit / (loss) of joint venture	454	(303)	—
Loss before taxation	(32,874)	(17,820)	(56,524)
Taxation	(6,745)	(6,375)	(6,784)
Loss for the period	**(39,619)**	**(24,195)**	**(63,308)**
Loss attributable to:			
Equity holders of the parent	(40,215)	(24,122)	(63,243)
Non-controlling interest	596	(73)	(65)
Loss for the year	**(39,619)**	**(24,195)**	**(63,308)**

Summary Consolidated Balance Sheet

	Fiscal Year Ended August 31,		
	2016	2017	2018
		Audited (£ 000)	
Property, plant and equipment	529,783	632,085	647,592
Other non-current assets	101,819	129,487	171,146
Total non-current assets	**631,602**	**761,572**	**818,738**
Total current assets	113,318	145,395	169,577
Total assets	**744,920**	**906,967**	**988,315**
Other interest-bearing loans and borrowings	(51,569)	(39,859)	(69,098)
Deferred revenue	(126,923)	(142,483)	(170,293)
Other current liabilities	(83,317)	(114,644)	(109,580)
Total current liabilities	**(261,809)**	**(296,986)**	**(348,971)**
Other interest-bearing loans and borrowings	(351,118)	(475,593)	(561,809)
Deferred revenue	(3,481)	(14,209)	(12,409)
Other non-current liabilities	(57,822)	(80,981)	(70,932)
Total non-current liabilities	(412,421)	(570,783)	(645,150)
Total liabilities	**(674,230)**	**(867,769)**	**(994,121)**
Total equity attributable to equity holders of the parent	63,962	39,434	(5,505)
Non-controlling interest	6,728	(236)	(301)
Total equity	**70,690**	**39,198**	**(5,806)**

Consolidated Cash Flow Statement

	Fiscal Year Ended August 31,		
	2016	2017 (restated)(1)	2018
		Audited (£ 000)	
Cash inflow from operating activities	52,585	66,490	70,930
Cash outflow from investing activities	(121,228)	(118,884)	(148,808)
Cash inflow/outflow from financing activities	45,554	72,857	85,993
Change in cash	**(23,089)**	**20,463**	**8,115**

Notes:

(1) The restatement related to a reallocation of trade and other payables and acquisition of property plant and equipment in the 2017 Consolidated Cash Flow Statement. As a result of the reallocation, cash flows relating to the acquisition of property, plant and equipment decreased by £2.5 million and cash flows relating to movements in trade and other payables increased by the same amount. There was no impact on the net increase in cash and cash equivalents.

Operating Data and Non-IFRS Financial Information

The following tables show certain non-IFRS financial and operating information:

	As of and for the Fiscal Year Ended August 31,		
	2016	2017	2018
	Audited (£ in millions, unless otherwise indicated)		
EBITDA[1]	44.6	58.1	50.0
Adjusted EBITDA[1]	60.2	72.9	80.3
Adjusted EBITDA margin[2]	18.5%	18.9%	18.7%
Group Adjusted EBITDA[1][3]	61.4	73.9	80.3
Group Adjusted EBITDA margin[2][3]	18.6%	19.0%	18.7%
Capital expenditure:[4]			
Development capital expenditure[5]:			
Europe	6.5	5.9	17.8
Asia	99.0	92.5	14.8
Latin America	2.4	5.9	1.5
Total Development capital expenditure	107.9	104.3	34.1
Operating capital expenditure[6]:			
Europe	8.8	8.7	11.3
Asia	4.8	9.3	10.7
Latin America	1.4	1.9	2.3
Group and other	2.4	2.7	2.7
Total Operating capital expenditure	17.5	22.6	27.0
Total capital expenditure	**125.3**	**126.9**	**61.1**
Adjusted Operating Free Cash Flow[7]	40.8	48.8	51.1
Operating cash conversion rate[7]	67.8%	66.9%	63.6%
Pro Forma Financial Data:			
Pro Forma Adjusted EBITDA[1]			107.6
As Adjusted Company Financial Data:[8]			
As adjusted cash at bank and in hand[9]			65.4
As adjusted net total debt[10]			705.4
As adjusted net secured debt[11]			480.4
As adjusted interest expense[12]			
Ratio of as adjusted net total debt to Pro Forma Adjusted EBITDA			6.6x
Ratio of as adjusted net secured debt to Pro forma Adjusted EBITDA			4.5x
Ratio of Pro Forma Adjusted EBITDA to as adjusted interest expense			x

Notes:

(1) EBITDA, Adjusted EBITDA, Group Adjusted EBITDA and Pro Forma Adjusted EBITDA and other ratios derived therefrom are non-IFRS measures. We define EBITDA as operating profit before depreciation, amortization of other intangibles and impairment. We define Adjusted EBITDA as EBITDA before Non-underlying costs. We define Group Adjusted EBITDA as Adjusted EBITDA including 100% of joint venture (St Nicholas Preparatory School) Adjusted EBITDA. We define Pro forma Adjusted EBITDA as Adjusted EBITDA further adjusted for the full-year effect of completed acquisitions, the incremental EBITDA from confirmed September 2018 enrollment, the expected in-year net growth in Average FTE Students and the expected pro forma EBITDA contributions of acquisitions currently in exclusivity. Investors should not consider EBITDA, Adjusted EBITDA, Group Adjusted EBITDA or Pro Forma Adjusted EBITDA (a) as an alternative to profit/(loss) before taxation as a measure of our operating performance, (b) as an alternative to net cash outflows or inflows from operating, investing and financing activities as a measure of our ability to meet cash needs or (c) as an alternative to any other measure of performance under IFRS. Because companies do not calculate EBITDA, Adjusted EBITDA, Group Adjusted EBITDA and Pro Forma Adjusted EBITDA identically, our presentation of such measures may not be comparable to similarly titled measures of other companies. Investors should also note that EBITDA, Adjusted EBITDA, Group Adjusted EBITDA and Pro Forma Adjusted EBITDA as presented above are calculated differently from "Consolidated EBITDA" as defined and used in the Indenture and Adjusted EBITDA as presented in our Financial Statements. See *"Description of the Notes—Certain Definitions"* for a definition of "Consolidated EBITDA" in the Indenture. See our Financial Statements for a presentation of Adjusted EBITDA. The following is a reconciliation of profit/(loss) for the year to EBITDA, Adjusted EBITDA and to Pro Forma Adjusted EBITDA:

	Fiscal Year Ended August 31,		
	2016	**2017**	**2018**
		(£ in millions)	
Loss for the year	(39.6)	(24.2)	(63.3)
Taxation	6.7	6.4	6.8
Loss before taxation	(32.9)	(17.8)	(56.5)
Share of (loss)/profit of joint venture	(0.5)	0.3	—
Net interest expense	44.0	40.8	42.1
Operating profit / (loss)	10.7	23.3	(14.5)
Depreciation, amortization of other intangibles and impairment(a)	33.9	34.8	64.5
EBITDA	44.6	58.1	50.0
Restructuring costs[(b)]	7.1	7.1	0.9
Acquisitions and business exploration costs[(c)]	4.6	7.8	5.9
Other non-recurring items[(d)]	3.9	—	23.5
Adjusted EBITDA	60.2	72.9	80.3
Share of St Nicholas Joint Venture EBITDA to reflect 100%[(e)]	1.2	1.0	—
Group Adjusted EBITDA	61.4	73.9	80.3
Full-year impact of completed acquisitions[(f)]			4.8
Incremental EBITDA from confirmed September 2018 enrollment[(g)]			10.5
In-year net growth in Average FTE Students[(h)]			2.6
Pro forma EBITDA contributions of acquisitions currently in exclusivity[(i)]			9.4
Pro Forma Adjusted EBITDA[(j)]			**107.6**

Notes:

(a) Impairment costs for (i) fiscal year ended August 31, 2018 relate to the write down of UK assets that were sold and leased back in the period and the impairment of eight schools within the UK and two schools in Latin America and a reversal of impairment was recognize relating to two schools in the UK, (ii) fiscal year ended August 31, 2017 relate to the impairment of two schools within the UK and (iii) fiscal year ended August 31, 2016 relate to the impairment of assets in two UK schools and one school in Latin America.

(b) Restructuring costs during the periods under review mainly relate to employment cessation, management restructuring and associated legal costs (£4.7 million, £2.5 million, £2.0 million in fiscal 2016, 2017 and 2018, respectively), school closing costs (£2.2 million, £3.6 million, in 2016 and 2017, respectively associated with Chilton Cantelo, Cranbrook, Sackville and Avondale schools and a credit of £1.2 million in 2018 driven by the £1.9 million release of the Avondale provision originally made in 2017) and £1.4 million charge associated with the acquisition accounting of the remaining 50% of the St Nicholas Joint Venture in 2017.

(c) Acquisition and business exploration costs include expenses incurred to seek out and acquire new schools or expansion opportunities (including legal and due diligence fees) as well as marketing and other expenses incurred prior to the opening of new schools.

(d) Other non-recurring items includes non-cash charges relating to the management incentive plan (£3.95 million, £0.25 million and £14.79 million for the fiscal years ended August 31, 2016, 2017 and 2018, respectively) and gains/(losses) on disposals of fixed assets (£0.04 million, £0.28 million and £(0.37) million for the fiscal years ended August 31, 2016, 2017 and 2018, respectively). In 2018, it also included £8.3 million of the costs associated with the Acquisition.

(e) Represents the portion of EBITDA derived from the St Nicholas Joint Venture to reflect 100% ownership of the joint venture.

(f) Gives effect to the Adjusted EBITDA contribution of (i) three acquisitions which were completed during the fiscal year ended August 31, 2018 (Woodland, ABS and Santo Tomas) and (ii) the acquisition of CEM, which completed in November 2018 after the fiscal year end, as if each of them was completed on September 1, 2017. The adjustment is based on the historical EBITDA of the entities acquired derived from management accounts for the twelve-month period ended as close to August 31, 2018 as available and adjusted in a manner consistent with the adjustments applied to our Adjusted EBITDA and Pro Forma Adjusted EBITDA to the extent applicable.

(g) Gives effect to the estimated incremental EBITDA from confirmed September 2018 enrollment (and confirmed enrollment for ALG, Camp Asia and the Woodland Pre-Schools for fiscal year 2019). In estimating the incremental EBITDA, we have (i) applied constant fiscal year 2019 prices and 2018 margin to the confirmed September 2018 enrollment student numbers, (ii) given effect to certain expected operational efficiencies as a result of the higher utilization the confirmed September 2018 enrollment may bring and (iii) forecasted a certain growth in central costs independent from the confirmed September 2018 enrollment.

(h) Gives effect to the estimated in-year net growth in Average FTE Students from October 1, 2018 (including estimated net growth in Average FTE Students as a result of enrollments at our schools in Latin America and our Australian curriculum schools where the academic year commences in January). The adjustment is based on historical rates of in-year net growth in Average FTE Students per school plus any management adjustments to reflect relevant market conditions, competition and other factors for such school. In arriving at the estimated incremental EBITDA from estimated in-year net growth in Average FTE Students, we have (i) applied constant fiscal year 2019 prices and 2018 margin to the estimated in-year net growth numbers, (ii) given effect to certain expected operational efficiencies as a result of the higher utilization the estimated in-year net growth may bring and (iii) forecasted a certain growth in central costs independent from the estimated in-year net growth.

(i) Gives effect to the Adjusted EBITDA of four of the Specified Acquisitions as if each of them was completed on September 1, 2017. The four acquisition opportunities are subject to non-binding memoranda of understanding and are in exclusivity: (i) the first is in Chile and has Average Student Capacity of 1,481, Average FTE Students of 1,304, Average FTE Staff of 91 for the twelve months ended August 31, 2018, (ii) the second is also in Chile and has Average Student Capacity of 1,980, Average FTE Students of 1,717, Average FTE Staff of 181 for the twelve months ended August 31, 2018, (iii) the third is in Spain and has Average Student Capacity of 1,080, Average FTE Students of 853, Average FTE Staff of 120 for the twelve months ended August 31, 2018 and (iv) the fourth is in the UK and relates to a complimentary business offering extra-curricular language program to students around the world, which administered approximately 15,000 student weeks of language programs globally during the twelve months August 31, 2018. Each of the specified acquisition opportunities is independent and the signing and closing of any one of the specified acquisition opportunities is not conditional on the signing and closing of any of the others. None of the acquisition opportunities on a stand-alone basis represents more than 30% of the total adjustment. The adjustment is based on the historical EBITDA of the entities acquired for the twelve month-period ended August 31, 2018 and adjusted in a manner consistent with the adjustments applied to our Adjusted EBITDA and Pro Forma Adjusted EBITDA to the extent applicable. We expect to finance the Specified Acquisitions (in part) with drawings from the B2 Facility.

(j) The pro forma adjustments to Adjusted EBITDA presented above are for informational purposes only and do not purport to present what either the newly acquired or existing schools' results of operations and financial condition would have been, nor do they purport to project such schools' results of operations for any future period or financial condition at any future date. The assumptions underlying the pro forma adjustments to Adjusted EBITDA presented above are based on our current estimates, and they involve risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such pro forma financial information. Some of the factors that could result in the newly acquired or existing schools' results of operations not achieving the anticipated Pro Forma Adjusted EBITDA include the failure to adequately integrate new acquisitions into our network or slower integration than expected, adverse macroeconomic conditions in the regions where the new schools are located, increased competition from local or other international school operators and the failure to retain existing students at the school and/or increase enrollments to meet unfilled capacity. See "*Risk Factors—Risks Related to Our Business— We may not realize any or all of our anticipated pro forma adjustments to Adjusted EBITDA included in this Offering Memorandum*."

(2) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage and Group Adjusted EBITDA margin is defined as Group Adjusted EBITDA divided by Group revenue, expressed as a percentage.

(3) Includes 100% of the St Nicholas Joint Venture for the fiscal years ended August 31, 2016 and 2017.

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

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

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

(7) We define Adjusted Operating Free Cash Flow as Adjusted EBITDA less operating capital expenditure less net change in working capital and other operating cash flow items less Non-underlying costs (for a description of Non-underlying costs, please see items (a), (b), (c) and (d) under footnote (1) above). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Flows—Net Cash Inflow from Operating Activities*." Operating cash conversion rate is defined as the ratio of Adjusted Operating Free Cash Flow to Adjusted EBITDA. The table below shows the calculations of Adjusted Operating Free Cash Flow and operating cash conversion rate. Before operating capital expenditures and non-underlying costs,

operating cash conversion was 104.8%, 104.4% and 115.2% for the fiscal years ended August 31, 2016, 2017 and 2018, respectively. For a reconciliation of Adjusted Operating Free Cash Flow to operating cash flow, see "*Appendix A – Reconciliations*."

	Fiscal Year Ended August 31,		
	2016	**2017**	**2018**
	(£ in millions, except as otherwise indicated)		
Adjusted EBITDA	60.2	72.9	80.3
Operating capital expenditure	(17.5)	(22.6)	(27.0)
Net change in working capital	2.9	3.2	12.2
Non-underlying costs.	(12.1)	(12.2)	(12.4)
Effect of exchange rate.	7.3	7.5	(2.0)
Adjusted Operating Free Cash Flow	**40.8**	**48.8**	**51.1**
Operating cash conversion rate	67.8%	66.9%	63.6%

(8) The unaudited as adjusted financial information presented herein has been derived from or developed by applying adjustments to our historical results as of and for the twelve months ended August 31, 2018, to give effect to the Offering and the use of proceeds therefrom, as if it had occurred on August 31, 2018 with respect to balance sheet data and September 1, 2017 with respect to data derived from our profit and loss account. The unaudited adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited as adjusted financial information is presented for informational purposes only. The unaudited as adjusted financial information does not purport to represent what our results of operations or financial condition would have been had the Refinancing Transactions, including the Offering and the use of proceeds therefrom actually occurred at the beginning of the period or on the date indicated, and such information does not purport to project the results of operations or financial condition for any future period or as of any future date. The unaudited as adjusted financial information should be read in conjunction with the information contained in "*Selected Historical Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and related notes thereto appearing elsewhere in this Offering Memorandum. The unaudited as adjusted financial information is not intended to represent pro forma financial information prepared in accordance with the requirements of Regulation S-X promulgated under the U.S. Securities Act or other SEC requirements or IFRS.

(9) As adjusted cash at bank and in hand represents total cash at bank and in hand of the Issuer and its subsidiaries of £65.4 million as of August 31, 2018, adjusted to give effect to the Transactions, including the Offering and the use of proceeds therefrom, as if they had occurred on August 31, 2018. See also "*Capitalization*."

(10) As adjusted net total debt as of August 31, 2018, represents total debt of the Issuer, assuming the B2 Facility is fully drawn, and its subsidiaries less as adjusted cash at bank and in hand, as adjusted to give effect to the Transactions, including the Offering and the use of proceeds therefrom and drawdowns and scheduled repayments of the Local Facilities prior to the Acquisition Completion Date, as if they had occurred on August 31, 2018. In addition, as of August 31, 2018, we also had £1.8 million available under our Local Facilities and £100 million available under our Revolving Credit Facility, in each case, including overdraft facilities and working capital facilities, which have not been included in adjusted total debt since they are undrawn commitments. See "*Summary—The B2 Facility*."

(11) As adjusted net secured debt represents as adjusted net total debt less the Notes as of August 31, 2018.

(12) As adjusted interest expense represents interest payable for the twelve months ended August 31, 2018, adjusted to give effect to the Transactions, including the Offering and the use of proceeds therefrom, as if it had occurred on September 1, 2017, assuming the B2 Facility is fully drawn and assuming that the Revolving Credit Facility was undrawn for such period. Any hedging we may undertake in respect of our obligations has not been reflected.

Organic Growth Metrics

The following tables stats contain organic growth metrics:

	Fiscal Year Ended August 31,				
	2017	2018	Actual	Constant Currency	Organic[(2)]
	£ in millions		% Change		
Group revenue[(1)]:					
Europe	182.6	194.7	6.6	6.2	5.8
Asia	159.3	181.2	13.7	17.1	13.5
Latin America	47.8	54.6	14.3	19.8	11.9
Group revenue	**389.7**	**430.5**	**10.5**	**12.2**	**9.6**
Group Adjusted EBITDA[(1)]:					
Europe	26.5	29.8	12.7	12.2	11.8
Asia	48.7	47.3	(2.8)	0.1	(2.2)
Latin America	9.7	13.7	40.8	44.8	29.0
Regional Group Adjusted EBITDA	84.9	90.8	7.0	9.0	5.7
Group central costs	(11.0)	(10.5)	(4.1)	(4.1)	(4.1)
Group Adjusted EBITDA	**73.9**	**80.3**	**8.7**	**11.0**	**7.2**

Notes:

(1) Includes 100% of the St Nicholas Joint Venture for the fiscal year ended August 31, 2017.

(2) Organic growth is calculated on a constant currency basis and excludes acquisitions and divestments in the fiscal year ended August 31, 2018. For the fiscal year ended August 31, 2018, organic growth excludes the acquisitions during the period of Avondale Grammar School, Woodland Pre-Schools, the Bushcraft Company and the American British School in Chile and the divestment of three UK schools (Cranbrook, Chilton Cantelo and Sackville).

	Fiscal Year Ended August 31,				
	2016	2017	Actual	Constant Currency	Organic[(2)]
	£ in millions		% Change		
Group revenue[(1)]:					
Europe	167.4	182.6	9.1	7.3	4.9
Asia	129.0	159.3	23.5	9.4	9.0
Latin America	34.6	47.8	38.0	13.0	13.0
Group revenue	**330.9**	**389.7**	**17.8**	**8.8**	**7.5**
Group Adjusted EBITDA[(1)]:					
Europe	26.8	26.5	(1.2)	(3.4)	(17.0)
Asia	37.5	48.7	29.9	15.1	14.9
Latin America	6.9	9.7	40.4	16.2	16.2
Regional Group Adjusted EBITDA	71.2	84.9	19.2	8.6	3.0
Group central costs	(9.8)	(11.0)	(12.4)	(12.4)	(12.4)
Group Adjusted EBITDA	**61.4**	**73.9**	**20.3**	**8.0**	**3.3**

Notes:

(1) Includes 100% of the St Nicholas Joint Venture.

(2) Organic growth is calculated on a constant currency basis and excludes acquisitions and divestments in the fiscal year ended August 31, 2017. For the fiscal year ended August 31, 2017, organic growth excludes the acquisitions of the The English Montessori School in Madrid, Avondale Grammar School in Singapore and the Bushcraft Company in the UK and the divestments of three UK school (Cranbrook, Chilton Cantelo and Sackville).

Key Operating Metrics

	As of and for the Fiscal Year Ended August 31,		
	2016	2017	2018
Number of Countries:			
Europe	2	2	2
Asia	4	4	4
Latin America	2	2	2
Total	**8**	**8**	**8**
Number of Operational Schools:			
Europe	46	45	45
Asia	9	10	11
Latin America	12	12	14
Total	**67**	**67**	**70**
Average Student Capacity:			
Europe	17,100	17,448	17,590
Asia	10,554	11,048	15,081
Latin America	15,501	16,217	17,988
Total	**43,155**	**44,712**	**50,659**
Average FTE Student Enrollments:			
Europe	13,817	14,409	14,459
Asia	7,930	8,401	9,457
Latin America	11,848	12,476	14,464
Total	**33,595**	**35,286**	**38,379**
Average Revenue per FTE Student (approximately; in £ thousands):			
Europe	12.1	12.7	13.5
Asia	16.3	19.0	19.2
Latin America	2.9	3.8	3.8
Total	**9.9**	**11.0**	**11.2**
Utilization:			
Europe	80.8%	82.6%	82.2%
Asia	75.1%	76.0%	62.7%
Latin America	76.4%	76.9%	80.4%
Total	**77.8%**	**78.9%**	**75.8%**
Average FTE Staff Numbers:			
Europe	2,412	2,494	2,572
Asia	1,512	1,650	1,917
Latin America	1,139	1,151	1,320
Group Central	35	45	49
Total	**5,098**	**5,340**	**5,858**

Segment Analysis

	Fiscal Year Ended August 31,		
	2016	2017	2018
		Audited (£ in millions)	
Group Revenue[(1)]:			
Europe	167.4	182.6	194.7
Asia	129.0	159.3	181.2
Latin America	34.6	47.8	54.6
Total	**330.9**	**389.7**	**430.5**
Regional Group Adjusted EBITDA[(1)]:			
Europe	26.8	26.5	29.8
Asia	37.5	48.7	47.3
Latin America	6.9	9.7	13.7
Regional Group Adjusted EBITDA	71.2	84.9	90.8
Group central costs	(9.8)	(11.0)	(10.5)
Group Adjusted EBITDA	**61.4**	**73.9**	**80.3**
Regional Group Adjusted EBITDA margins[(1)]:			
Europe	16.0%	14.5%	15.3%
Asia	29.1%	30.6%	26.1%
Latin America	19.9%	20.3%	25.0%
Regional Group Adjusted EBITDA margin	21.5%	21.8%	21.1%
Group central costs	(3.0)%	(2.8)%	(2.4)%
Group Adjusted EBITDA margin[(1)]	**18.6%**	**19.0%**	**18.7%**

Notes:

(1) Includes 100% of the St Nicholas Joint Venture for the fiscal years ended August 31, 2016 and 2017.

RISK FACTORS

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

Risks Relating to our Business

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

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

If we are unable to enroll sufficient students in our new facilities, our business, financial condition and results of operations may be adversely affected.

We opened new facilities in Singapore and Hong Kong during 2017 and in London, Spain and Brazil during 2018. The opening of the Stamford American School in Hong Kong, represented an expansion into a new country, where we may find challenges related to cultural differences and relationships with local education authorities and other regulatory bodies. A second phase of the development is underway and as a result, the school is only partially open. The school has had a strong opening with approximately 600 pupils currently enrolled, however its success is dependent on continued evolved growth in future years.

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

Our expansion project in London added a further site in the Southbank International School and in Spain a new pre-university campus has been added to the British School of Barcelona.

Where we have ongoing construction projects funded from Group resources, as is the case in Hong Kong, there could be currency exposure where the funds available to draw are different from the future liabilities of constructing the asset. This could also create a currency exposure, as future cash flows generated will be in a different currency to the debt drawn.

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

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

- negative perceptions of the quality of our educational offerings;
- resistance to tuition increases by tuition payers for reasons such as difficult economic conditions or previous fee increases in recent academic years;
- the requirement for regulatory approval to increase tuition fees in some of the markets in which we operate;
- reductions or discounts of tuition by local education providers that seek to compete in our markets;
- competition from local education providers that may offer lower tuition fees or that may not increase tuition fees in line with us; and

- adverse reactions from parents at one or more of our schools, which may result in demands from parents for increased services or subject us to parent scrutiny over staff pay awards.

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

Our inability to maintain or increase our tuition fees or to maintain or control our staff costs could have a material and adverse effect on our business, prospects, results of operations, cash flow and financial condition.

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

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

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

- The Group has entered into and may in the future enter into forward exchange contracts in respect of the Notes and the Senior Facilities, however fluctuations in exchange rates will impact Group results which are reported in Pound sterling.
- London's status as a financial centre could be compromised, which in turn could impact the demand for international schools.
- We may find it harder to attract and retain students and teachers from the EU if visa entry requirements become more stringent or if our UK Visas and Immigrations Tier 2 and/or Tier 4 licences are revoked or cease to be renewed.
- The use of British qualifications for Spanish university entry and number of Spanish students applying to British universities may be impacted.
- A significant adverse impact to the UK or European economy could lead to a decline in demand for independent school places in the UK and Spain which could have an adverse effect on our business.

Any of these effects of Brexit, and others that we cannot anticipate, could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition.

We may be adversely impacted by the macroeconomic environment.

Our operations are affected by the general economic conditions in each of the countries in which we operate. These macroeconomic conditions are monitored on an ongoing basis along with the impact on our current and future financial performance. Risks identified during the year included the ongoing potential implications arising from the British referendum on the EU, softening in the growth outlook for the Asia region driven by global macroeconomic environment changes compared to mid-2015, the independence debate within the Catalonia region of Spain and general economic pressure and potential political and regulatory changes in the Latin America region.

Additionally, changes in the compensation and benefits packages of those expatriates whose employers pay for their children's tuition fees may negatively affect our ability to maintain or increase our tuition fees. A change from direct payment from the employer to a cost of living adjustment in the form of a lump sum payment in cash to expatriate parents may cause such parents to become more price sensitive in respect of the tuition they are willing to pay.

Even though to date these factors have had a limited impact on our financial performance due to the importance of education for parents and the general stability of the markets in which we operate, as well as our focus on controlling our costs, they could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition in the future and as a result, we will continue to monitor developments and the potential related risks.

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

Well trained and sufficiently qualified teachers are critical to maintaining the quality of teaching provided at our schools. Our ability to deliver high quality education across a range of curricula is directly related to, and dependent on, the availability of qualified teachers and our ability to continue to recruit, employ, train and retain such teachers. In addition, our ability to retain and, where necessary, attract teachers, principals, school administrators and support staff is important for our operations in providing premium education. The process of hiring staff with the combination of skills and attributes required to implement our business strategy can be difficult and time-consuming. We face competition in attracting and retaining staff who possess the necessary experience and accreditation to teach at our schools. Predicted growth in the number of international schools across the world is likely to increase competition for qualified and experienced staff in the coming years making it even more important for us to be competitive and promote a great place to work. We may experience particular difficulty in recruiting staff who are willing to relocate from their home country to some of our international locations and we must provide competitive compensation packages to attract and retain qualified individuals to join our schools. In addition, some of our teachers could choose to remain at the school only for a limited period of time, which could affect our reputation in the market if we provide insufficient continuity. As we continue to expand and add personnel, we may face additional difficulty in maintaining consistency in the quality of the teaching staff that we recruit. A shortage of quality teaching personnel and a high turnover rate of staff could lead to ineffective delivery of the curricula offered to students, impacting their academic performance and the reputation and brand of our schools. If we are unable to, or are perceived to be unable to, attract and retain qualified and effective teachers, principals, school administrators and support staff at our schools, our business, prospects, results of operations, cash flow and financial condition may be materially and adversely affected.

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

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

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

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

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

In the twelve months ended August 31, 2018, we generated 31.2% of our Adjusted EBITDA from our operations in Vietnam, Thailand, Brazil and Chile. Such emerging economies are more susceptible to global economic trends and higher inflationary pressure, which could result in decrease in demand or a heightened sensitivity to moderate pricing increases in tuition fees, which could have an adverse effect on our business, prospects, results of operations and financial condition. Some of these countries lack highly developed legal systems and are susceptible to high levels of corruption. Our operations in emerging economies increase our exposure to anti-corruption laws, or similar laws.

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

In the United Kingdom, the Government-backed Teacher Pension Scheme (the "Scheme") of which the majority of our UK teaching staff are members, announced in October 2018 a proposal to increase employer pension contributions to the Scheme from 16.4% to 23.6% of members gross salary. The proposal is currently in consultation and would take effect from September 2019. If implemented in full, this could lead to an increase in costs in the United Kingdom of approximately £2-£3 million per annum.

In the fiscal year ended August 31, 2018, we generated 7% of our Adjusted EBITDA from our school in the Catalonia region in Spain. The regional government of Catalonia held a non-binding referendum in October 2017 that backed independence by a large margin of those taking part in the vote. The Spanish government declared the referendum illegal and maintains that Catalonia has no constitutional right to break away, and imposed direct rule on the region after the regional government in Barcelona declared independence. Exposure to political uncertainty could lead to changes in laws, regulations and the macro-economic environment in Catalonia. This could materially and adversely affect our business, prospects, results of operations, cash flow and financial conditions in the region.

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

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

All of our teachers currently employed in Brazil, and certain of our teachers in Chile, Spain and Vietnam are subject to collective bargaining agreements. We are required to consult and seek the advice of unions with respect to a broad range of matters, which could prevent or delay new initiatives. At present, we have three organized unions in Chile (Penalolen, ABS and Santo Tomas) and collective bargaining agreements in place for all three unions. In Brazil, all employees are unionized by law. The collective bargaining agreements are negotiated at a state or municipal level and they directly effect our employees' contracts. For example, we are required to consult unions in order to get approval for agreements varying individual employees' working hours and for requesting teachers to work on a winter or summer camp. If relationships with our teachers and other staff or the unions that represent them become adverse, we could experience labor disruptions, such as strikes. Labor disruptions, which are generally more likely to occur when collective bargaining agreements are being renegotiated, could harm our relationship with our teachers and other staff or cause strained relationships with parents and students and could result in temporary disruptions to our ability to operate schools where such labor disruptions occur. For example, in Chile we have had strikes or threats of strikes in relation to the Penalolen union. Additionally, in Brazil, there was a one-day teacher strike in 2018, which came amid a wave of strikes in other industries in the country. Future labor disruptions could have an adverse effect on our operations. Additionally, labor regulation or the settlement of labor disputes could lead to higher wage and benefit costs and increased operating expenses and legal costs. We may not be able to satisfactorily renegotiate these collective bargaining agreements when they expire. For example, the collective bargaining agreements for the three Chilean unions will expire in 2021, 2019 and 2020, respectively. We may also be subject to or affected by labor disruptions unrelated to our business or collective bargaining agreements. Due to our operation of several schools within one group, we are also exposed to the risk that a labor dispute or settlement of such at any one school may result in similar disputes or a requirement for similar settlements at other schools within our Group. Any such labor disruptions or potential labor disruptions could have a material adverse effect on our business, cash flow, financial condition and results of operations. Although management believes that its relationship with teachers and other staff is generally good, there can be no assurance that there will not be labor disputes and/or adverse employee relations in the future.

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

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

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

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

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

- applying for, obtaining and maintaining necessary authorizations to operate as an education provider from the relevant government department for education in each jurisdiction in which we operate;
- monitoring of school standards by a third party, e.g. the Independent Schools Inspectorate in the UK;
- applying for, obtaining and maintaining necessary licenses, permits, visas, accreditations, certifications and other authorizations for operating our schools and employing our teachers;
- our ability to recruit students;
- limits on acceptance of Singaporean national students after age five and Vietnamese national students in primary school and high school. See "*—We are subject to rules arising from our ownership structures in Thailand and Vietnam*";
- employment conditions, including taxation rates, minimum or mandatory terms and conditions of employment of staff and other factors related to teaching staff;
- the development of curricula that meet the requirements of local educational authorities;
- ownership structure, in particular policies and regulations that relate to foreign ownership; and
- the construction and maintenance of our buildings and other facilities in compliance with applicable building codes, permits, zoning and other rules, regulations and ordinances affecting occupancy and use of our facilities.

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

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

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

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

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

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

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

A former teacher at the Southbank International School was engaged in criminal conduct with respect to a number of students during the course of his career, including between 2009 and 2013, during which time he taught at Southbank International School. Although Southbank International School conducted background checks consistent with the legislative requirements at the time, and while independent inspections prior to the discovery of such conduct had found the school to be compliant (either on initial inspection or on re-inspection following the identification of compliance issues), we commissioned an independent review that concluded that there were aspects of the school’s recruitment and other practices that could be improved. The findings from a UK statutory Serious Case Review were published in January 2016 and the recommendations included therein supported those made in the independent review. National and international police investigations, which have been widely reported in the United Kingdom national media, were conducted with respect to the former teacher, since deceased. These investigations have now ended. Our insurers have agreed to cover current and future claims, subject to an agreed review process for each claim. To date only a small number of claims have been made, though we may face further civil claims by such persons or by other affected students and their parents. Such claims may be filed either individually or as a joint action. Although we maintain insurance coverage, and believe such insurance will be adequate to cover the full amount of expected claims, we cannot provide any assurance that claims will not exceed expected amounts or the level of insurance cover. While enrollment levels at Southbank International School have not been affected, the consequences of any further reputational damage could materially and adversely affect our enrollments, retention of students and parent satisfaction for all three Southbank schools we operate as well as have an adverse impact on the Southbank International brand, all of which could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition.

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

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

A public litigation event could negatively affect the reputation of our schools or groups which could adversely affect our business.

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

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

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

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

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

We rely on the timely payment of the tuition fees charged with respect to our students. For the twelve months ended August 31, 2018, our bad debts provisions were insignificant, representing 0.2% of Group turnover. Any future increase in defaults or significant delays in the payment of tuition fees may impact our cash flow and our ability to meet our obligations which may in turn have an adverse effect on our business, prospects, results of operations and financial condition.

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

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

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

Historically, our growth has been, in part, attributable to acquisitions of other schools. Since our inception in 2004, we have acquired nearly all of our 71 schools across various countries. The success of our acquisition strategy depends on our ability to identify suitable acquisition targets, to assess the value, strengths, weaknesses, liabilities and potential profitability of such acquisition targets, the availability of sufficient financial or operational resources to fund such acquisitions, to negotiate acceptable purchase terms and to integrate the operations of such businesses, once acquired. Successful integration of acquired schools will depend on our ability to effect any required changes in operations or personnel, and may require renovation or other capital expenditure or the funding of unforeseen liabilities, especially if we discover non-compliance in circumstances where recourse against the seller is either not advisable or not available. The integration and operation of any future acquisitions may expose us to certain risks, including unanticipated costs, expenses and liabilities, including latent or potential liabilities that relate to the time prior to our acquisition of a school but only becomes apparent after we have taken control of such school, difficulties in integrating the acquired schools in a timely and cost-effective manner or maintaining standard controls, policies and procedures across all our schools, the establishment of effective management information and financial control systems, unforeseen legal, regulatory, contractual, labor or other issues, such as defects in existing licenses arising out of the acquisitions.

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

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

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

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

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

- our properties may not have the capacity to accommodate the necessary or desired changes;
- suitable new land may not be available, especially in land constrained cities, such as Singapore, Hong Kong and London;
- our existing facilities may not be configured to provide for such renovations;
- the costs of renovations and expansions may not be economical and we may not realize the anticipated benefits of the new facilities;

- we may be required to seek planning permits or zoning permission that may be costly and time consuming to obtain or which may be denied;
- we may not be able to obtain regulatory approval from the licensing bodies;
- we may not be able to obtain approval for desired changes or to agree such changes on commercially favorable terms with our landlords;
- we may not be able to secure any amendments to the terms of the lease from our landlord that would permit us to make the investments necessary to upgrade or expand our schools;
- we may not have or be able to obtain adequate funds on commercially favorable terms or at all to finance such upgrades and expansions of existing schools; and
- we may not be able to upgrade or expand the facilities within our anticipated timeframe, and allocated budgets.

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

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

There are a number of financing, construction and operating risks associated with the construction of new schools and the expansion of facilities at our existing schools. Usually, construction must be completed within a designated timeframe. In addition, we require schools to operate from the beginning of an academic year in order to secure enrollments and to collect fees prior to the commencement of the school term. Therefore, such construction projects may be required to be completed on an expedited basis or may require additional development efforts to meet predetermined deadlines that may result in significant additional costs. An unanticipated increase in development costs may result in lower than expected returns on the investment we have made in a new school or an existing school. In addition, it may take a significant period of time before school buildings or new facilities become operational and start to generate additional revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, which may include but are not limited to the following:

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

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

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

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

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

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

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

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

As of August 31, 2018, we had over 90 leasehold properties (including playing fields) in connection with our school operations. A number of our leases will expire within the next five years, none of which are governed by the Landlord and Tenant Act, which restricts landlords' ability not to renew such leases. If we are unable to renew our leases for our school facilities on favorable terms or if our leases are terminated by the landlord:

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

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

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

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

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

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

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

Our business involves an inherent risk of liability. We may also be required to obtain additional insurance to comply with the relevant regulatory requirements in certain jurisdictions. The activities in which we engage pose risks related to the health and safety of our students and other beneficiaries of our services. We believe that our current insurance in each of our segments is consistent with industry practice within the relevant markets, however claims in excess of our insurance coverage or claims not covered by our insurance could arise. Furthermore, there can be no assurance that we will be able to obtain liability insurance coverage in the future on acceptable terms or at all. A successful claim against us which is not covered by or is in excess of our insurance coverage could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition. Claims against us, regardless of their merit or eventual outcome, may also have a material adverse effect upon our reputation and our ability to attract or retain students. Any such claims may also increase the premiums payable by us for our insurance coverage.

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

Our success depends in part on the continued skills, efforts and motivation of our directors and senior management team. We have in the past, and may in the future, experience changes in our senior management for a variety of reasons. In addition, key personnel could leave us to join our competitors. Loss of the services of key members of senior management or experienced personnel may be disruptive and cause uncertainty. If one or more members of our senior management team or key personnel are unable or unwilling to continue in their present positions, including for health, family or other personal reasons, we may not be able to replace them easily or at all. An inability to attract and retain qualified senior managers or key personnel in a timely manner could have a material and adverse effect on our business, prospects, results of operations, cash flow and financial condition.

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

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

We could incur significant expenses in connection with remedying any such security breaches, complying with compulsory notification requirements, settling any resulting claims against us and providing additional protection from the threat of these breaches.

In May 2018 the European General Data Protection Regulations came into force imposing stricter requirements on data controllers handling the data of EU citizens and giving local regulators the ability to impose much higher fines and penalties for breaches of the regulations. If we do not implement and maintain suitable controls and processes that comply with the regulations it may adversely impact our ability to attract and retain students, cause our reputation to deteriorate and materially and adversely affect our business, prospects, results of operations, cash flow and financial condition.

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

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

Failure to invest in technology that differentiates our service or provides adequate protection against data loss and inappropriate use of digital content could materially adversely affect our business, prospects, results of operations and financial condition. We are currently implementing global finance, HR and CRM systems across the entire Group and are continuing to evaluate the possibility of introducing new technology in order to:

- improve efficiencies, including the centralization of certain back office functions;

- improve our ability to share information and leverage digital assets;
- improve the visibility of internal and external information required to monitor performance across our schools; and
- differentiate our service through the use of technology and digitization.

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

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

Thai law requires that all school permit holders must be at minimum majority owned by Thai persons, which would include Thai corporations. British Education Management Systems Company Limited (Thailand) ("BEMS"), which operates St. Andrews International School Sathorn, St. Andrews International School Green Valley and St. Andrews International School Sukhumvit 107 in Thailand, is majority owned by a Thai national nominee. Pursuant to other contractual arrangements that have been put in place with such Thai national nominee, all rights and 95% of the economic benefits to the shares of BEMS have been unconditionally assigned to Cognita Asia Holdings Pte. Ltd. St. Andrews Dusit Campus Company Limited (Thailand), which operates St. Andrews International School Dusit, is majority owned by Thai nationals and Thai corporations, with an option for Cognita Asia Holdings Pte. Ltd. to call for a further 20% of the shares held by Thai nationals. There can be no assurance either that the relevant Thai regulator will not challenge or find that the ownership structure violates current legislation or that the relevant regulations governing foreign ownership of schools in Thailand will not change in the future. If the ownership structure of our schools in Thailand is found to be non-compliant with current or future relevant regulations, we may be unable to operate our schools or we may have less control over our schools that are subject to such ownership structures. In addition, we may experience disputes with our nominees or ownership partners. As a result, our business related to these schools could be materially and adversely affected.

Vietnam law allows up to 100% foreign ownership of an educational establishment. However, pursuant to Decree 86, which came into effect on August 1, 2018 foreign owned education institutions are subject to certain restrictions, including a 50% cap on intake of Vietnamese national students in kindergarten, primary and secondary schools, which are not applicable to non-foreign owned education institutions. International Education Corporation Joint Stock Company, which owns and operates the International School of Ho Chi Minh City ("ISHCMC") and International School of Ho Chi Minh City American Academy ("AAVN"), is a foreign owned entity incorporated under the laws of Vietnam. ISHCMC and AAVN are owned and operated under a 40 year investment certificate which was granted in 1993, prior to the changes in Vietnam law, and have obtained a "Certificate of Operation Registration" that had allowed the schools to enroll Vietnamese national students in primary school and secondary school level without any cap on the total number of the Vietnamese national students. ISHCMC and AAVN voluntarily limit the number of Vietnamese students enrolled, however if we were to expand our operations to other schools in Vietnam which required a new investment certificate, International Education Corporation Joint Stock Company could become subject to Decree 86, which would impact our ability to enroll Vietnamese national students and may make ISHCMC and AAVN less competitive in the market. Lotus Education and Training One Member Company Limited, which owns and operates International School Saigon Pearl ("ISSP"), is owned by an entity incorporated under the laws of Vietnam. It is structured as a local entity without foreign ownership and therefore is not subject to the cap on intake of Vietnamese national students. There can be no assurance that the relevant regulator will not challenge our interpretation of the guidelines or that the regulator will not amend the guidelines such that Decree 86 may be deemed to apply to us. Any such action which limits our ability to enroll Vietnamese students in our schools in the future could adversely affect our business prospects, results of operations, cash flow and financial condition in Vietnam.

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

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

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

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

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

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

We have received assessments from HMRC in the aggregate amount of £1.57 million with respect to PAYE amounts payable in connection with our operation of a Growth Securities Ownership Plan in the years ended August 31, 2010 to 2013. We have challenged these assessments and are currently subject to an inquiry from HMRC in respect of these periods. On the basis of the inquiries received to date, we estimate that the maximum potential liability of the Group in relation to the operation of the GSOP in the fiscal years ended August 31, 2010 to August 31, 2013 would total £0.5 million, due to the indemnity to recover certain amounts from employee participants. If this inquiry or other tax audits, investigations or challenges render decisions that are unfavorable to us, we may be required to pay settlement amounts, and penalties, which may adversely impact our financial position. In addition, regardless of the outcome of any such investigations or challenges, such proceedings could result in substantial costs and may require that we devote substantial time and resources to defend ourselves. Furthermore, tax legislation may be enacted in the future, domestically or abroad, that adversely affects our current or future tax structure and tax liability.

We may not realize any or all of our anticipated pro forma adjustments to Adjusted EBITDA included in this Offering Memorandum.

We have prepared Pro Forma Adjusted EBITDA on the basis of certain estimates and assumptions to present an estimate of our Adjusted EBITDA for the fiscal year ended August 31, 2018 after giving pro forma effect to the estimated EBITDA contribution of (i) the full year impact of the Woodland, ABS and Santo Tomas acquisitions (completed during the fiscal year ended August 31, 2018) and the CEM acquisition (completed in November 2018), (ii) confirmed September 2018 enrollment, (iii) estimated in year growth in Average FTE students from October 1, 2018 and (iii) the Adjusted EBITDA from four acquisitions subject to non-binding memoranda of understanding as if each were completed on September 1, 2017. See "*Summary—Summary Financial and Operating Information—Operating Data and Non-IFRS Financial Information.*"

Each of the adjustments is based on our current estimates, and involve risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different from any anticipated future results. In particular, the pro forma adjustments intended to give effect to the full year impact on our Adjusted EBITDA for the fiscal year ended August 31, 2018 of acquisitions completed within the year or slightly thereafter are inherently speculative. These pro forma adjustments are based upon financial information, including budgeted data, that was made available to us in connection with the acquisitions together with our management's assumptions and estimates. Therefore, for periods prior to the acquisitions of these schools, we have included in this Offering Memorandum certain financial information related to the schools on the basis of estimated figures for such periods which have been prepared by their previous management together with external advisors. Moreover, these businesses were previously operated by separate entities from which they have since separated and as such, their historical financial performance may not be indicative of their financial performance both on a standalone basis and within our Group. The Pro Forma Adjusted EBITDA was prepared without being reviewed by our auditors and the adjustments and assumptions used in preparing the metrics may prove to be inaccurate or may be affected by other factors that have not been accounted for. The Pro Forma Adjusted EBITDA should not be considered in isolation or be used as a substitute for an analysis of the operating results of our Group no undue reliance should be made in respect of such information.

Any pro forma adjustments related to acquisitions that have not yet been completed carry the risk that the acquisition and the associated EBITDA contribution may never be realized. Such acquisitions are independent and the signing and closing of any acquisition opportunity is not conditional on the signing and closing of any of the other acquisition opportunities. There can be no assurances that all or any of such acquisitions will take place. The acquisitions may not be completed for any number of reasons, including, among others, default by the sellers under the purchase agreements or memoranda of understanding, as applicable, or failure by us or them to meet the relevant conditions for any such acquisition. Furthermore, the EBITDA adjustments related to the potential acquisitions are themselves inherently uncertain for similar reasons as those related to the adjustments for the completed acquisitions, i.e. they are based on materials provided to us by the sellers' management team and/or financial advisors as part of the acquisition process.

Moreover, these businesses were previously operated by separate entities from which they have since separated and as such, their historical financial performance may not be indicative of their financial performance both on a standalone basis and within our Group. The Pro Forma Adjusted EBITDA was prepared without being reviewed by our auditors, consultants or experts and the adjustments and assumptions used in preparing the metrics may prove to be inaccurate or may be affected by other factors that have not been accounted for. The Pro Forma Adjusted EBITDA should not be considered in isolation or be used as a substitute for an analysis of the operating results of our Group no undue reliance should be made in respect of such information.

We have also made further adjustments based on a number of assumptions related to the contribution to Adjusted EBITDA from the enrollement confirmed for the beginning of the September 2018 year at constant fiscal year 2019 prices and an increase in Average FTE Students during the school year such as operational efficiencies related to higher utilization which may not ever materialize.

Risks Relating to our Indebtedness

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

After the issuance of the Notes, we will be highly leveraged. As of August 31, 2018, on an as adjusted basis after giving effect to the Transactions, including the Offering and the use of proceeds therefrom, we would have had as adjusted net total debt of £705.4 million. The terms of the Indenture will permit the Company and its subsidiaries to incur substantial additional indebtedness, including indebtedness in connection with any future acquisition and borrowings under the Senior Facilities Agreement.

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

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

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

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

The Indenture and the Senior Facilities Agreement will, among other things, restrict our ability to:

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

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

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

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

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

The Notes will mature in 2026 (while the Term Loan B Facilities mature in 2025). At the maturity of the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. The type, timing and terms of any future financing will depend on our cash needs and the conditions prevailing in the financial markets. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures or sell assets or raise additional debt or equity financing in amounts that could be substantial. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Senior Facilities Agreement, the Indenture and any future debt may limit our ability to pursue any of these measures.

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

We may incur substantial additional debt in the future. Any debt that our subsidiaries incur could be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. In addition to the Revolving Credit Facility and the B2 Facility, certain operating facilities and certain hedging obligations, we may incur additional indebtedness that is permitted to share in proceeds from enforcement of the Collateral. Although the Senior Facilities Agreement and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. Increases in our total indebtedness could also lead to a downgrade of the ratings assigned to the Group or the Notes, which could negatively affect their trading price. In addition, the Senior Facilities Agreement and the Indenture will not prevent us from incurring obligations or entering other arrangements that do not constitute indebtedness under those agreements, such as non-recourse receivables securitization financings and sale and lease-backs.

The loans under our Senior Facilities Agreement and certain of the Local Facilities bear interest at floating rates that could rise significantly, increasing our costs and reducing our cashflow.

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

Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly, our interest expense would correspondingly increase, thus reducing cash flow.

Following allegations of manipulation of LIBOR, various interest rate benchmarks (including LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some reforms are already effective while others are still to be implemented including the EU Benchmark Regulation (Regulation (EU) 2016/1011). In addition, the sustainability of LIBOR has been questioned by the FCA as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On November 29, 2017, the Bank of England and the FCA announced that the market Working Group on Sterling Risk-Free Rates would have an extended mandate to catalyze a broad transition to the Sterling Over Night Index Average rate ("SONIA") across sterling bond, loan and derivatives markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. The Bank of England and FCA have stated that a key near-term priority for the Working Group will be to make recommendations relating to the potential development of SONIA reference rates. A public consultation was launched in July 2018 in relation to specific queries related to the operations of SONIA reference rates. On April 23, 2018, the Bank of England took over administration of SONIA and issued a series of reforms as part of its implementation as a replacement to LIBOR. From April 2018, the Bank of England has been setting the interest rate benchmark using SONIA, meaning that banks are no longer compelled by the FCA to submit LIBOR rates beyond 2021. These reforms and other pressures may cause such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Senior Facilities whose interest rates are linked to LIBOR and EURIBOR). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

Commitments representing amounts not drawn under the B2 Facility by March 31, 2019 will be automatically cancelled.

The Term Loan B Facilities include a committed €52,551,816 facility (i.e. the B2 Facility), which is available for the direct or indirect financing or refinancing of the Specified Acquisitions. As of the date of this Offering Memorandum, €4,363,797 million is outstanding under the B2 Facility which was drawn in connection with the Santo Tomas Acquisition and the CEM Acquisition. The B2 Facility is subject to certain conditions, including that the Specified Acquisitions must be signed on or before March 31, 2019 and completed on or before September 30, 2019. In the event that any of the Specified Acquisitions is not signed commitments representing amounts not drawn under the B2 Facility by March 31, 2019 will be automatically cancelled and such source of liquidity will not be available to us. If we fail to sign the Specified Acquisitions by March 31, 2019, we may not be able to finance the Specified Acquisitions from other sources and, as a result, we may not be able to complete the Specified Acquisitions and benefit from the incremental EBITDA contribution from the targets of the Specified Acquisitions. In the event that we draw the B2 Facility but fail to complete any of the Specified Acquisitions by September 30, 2019, such related drawn amounts will be subject to a mandatory prepayment. The Specified Acquisitions may not be completed for a number of reasons, including, among others, default by the sellers under the purchase agreements or memoranda of understanding, as applicable, or failure by us or them to meet the relevant conditions for any such acquisition. See "*—Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.*"

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

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

Risks Relating to the Notes, the Guarantees and Our Structure

The Issuer is a holding company with no independent operations and is dependent on payments from its operating subsidiaries in order to provide it with funds to meet its obligations.

The Issuer is a holding company and was formed in order to enter into the Transactions. The Issuer conducts no business operations of its own, and has not engaged in, and will not engage in, any activities other than those relating to its finance activities. As at the Issue Date, the Issuer has no material assets. Therefore, the Issuer will be dependent upon payments from other members of the Group to meet its obligations, including its obligations under the Notes. We intend to provide funds to the Issuer in order for it to meet its obligations under the Notes, including, through payments under the Intercompany Loan. The amounts available to the Issuer from the other relevant members of the Group will depend on the profitability and cash flows of such members of the Group and the ability of such members to make payments to them under applicable law or the terms of any financing agreements or other contracts that may limit or restrict their ability to pay such amounts. Various agreements governing our debt restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within the Restricted Group. See *"Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources," "Description of Certain Financing Arrangements—Local Facilities"* and *"Description of Certain Financing Arrangements—Intercreditor Agreement."* Applicable tax laws may also subject such payments to further taxation. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

The financial information presented in this Offering Memorandum does not cover the Issuer or Bidco.

We have not included any financial statements of the Issuer or Bidco either on a stand-alone basis or consolidated with its subsidiaries in this Offering Memorandum. Although the Issuer and Bidco do not engage in any activities other than those relating to holding the shares of their subsidiaries, these entities may have external liabilities that are not subordinated to the Notes and have experienced losses in the past and may do so in the future. The limited information that we have provided regarding these external liabilities and losses on an unconsolidated basis is not based on IFRS accounts in all cases and thus may not be comparable to, and could differ significantly from, such information prepared on the basis of IFRS. Since the financial information of the Target that is presented in this Offering Memorandum does not include the results of the Issuer or Bidco, such financial information may be of limited use in assessing the financial position of the Issuer.

Your right to receive payment under the Guarantees is contractually subordinated to senior debt of the Guarantors.

The obligations of the Guarantors under their respective Guarantees will be contractually subordinated in right of payment to the prior payment in full in cash of all existing and future obligations in respect of senior debt of such Guarantor. This senior debt includes, in the case of Lernen Bidco Limited, its obligations under the Senior Facilities Agreement and certain hedging arrangements. Although the Indenture will contain restrictions on the ability of the Issuer and the Guarantors to incur additional debt, any additional debt incurred may be substantial and senior to the Guarantees.

Upon any payment or distribution to creditors of a Guarantor in respect of an insolvency event, the holders of senior debt of such Guarantor will be entitled to be paid in full from the assets of such Guarantor before any payment may be made pursuant to the Guarantees. Until the senior debt of such Guarantor is paid in full, any distribution to which holders of the Notes would be entitled but for the subordination provisions included in the Intercreditor Agreement shall instead be made to holders of senior debt of such Guarantor as their interests may appear. As a result, in the event of insolvency of a Guarantor, holders of senior debt of such Guarantor may recover more, ratably, than the holders of Notes, in respect of the Guarantees.

In addition, the subordination provisions in the Intercreditor Agreement relating to the Guarantees provide:

- customary turnover provisions by the Trustee and the holders of the Notes for the benefit of the holders of senior debt of such Guarantor;
- that if a payment event of default on any senior debt of a Guarantor has occurred and is continuing, such Guarantor may not make any payment in respect of its Guarantee until such event of default is remedied or waived;
- that if any other event of default occurs and is continuing on any designated senior indebtedness that permits the holders thereof to accelerate its maturity and the Trustee receives a notice of such event of default, such Guarantor may not make any payment in respect of the Notes, or pursuant to its Guarantee (subject, in each case, to certain exceptions), until (among others) the earlier of the waiver or cure of such event of default and 179 days after the date on which the applicable payment blockage notice is delivered; and
- that the holders of the Notes and the Trustee are prohibited, without the prior consent of the the Majority Second Lien Creditors, from taking any enforcement action in relation to the Guarantees, except in certain circumstances.

The Indenture will also provide that, except under very limited circumstances, only the Trustee will have standing to bring an enforcement action in respect of the Notes and the Guarantees. Moreover, the Intercreditor Agreement and the Indenture will restrict the rights of holders of the Notes to initiate insolvency proceedings or take legal actions against each of the Guarantors and by accepting any Note each such holder will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse under the Guarantees in the event of an event of default by the Issuer or a Guarantor.

Certain of our subsidiaries (including but not limited to those located in Spain, Chile, Brazil, Hong Kong, Thailand and Vietnam) will not guarantee the Notes, and the Notes and each of the Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries and effectively subordinated to liabilities that are secured on assets that do not secure the Notes.

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

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

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

As such, the Notes and each Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries for the Notes. Our subsidiaries organized in Spain, Chile, Brazil, Hong Kong, Thailand and Vietnam and certain other subsidiaries in Singapore will not guarantee the obligations under the Notes in line with the Agreed Security Principles. As of August 31, 2018, after giving effect to the Transactions, including the Offering and the use of proceeds therefrom, on a consolidated basis, our subsidiaries that will not guarantee the Notes would have had €50.2 million in outstanding debt. See "*Description of Certain Financing Arrangements—Local Facilities*." Any of the debt that our non-guarantor subsidiaries incur in the future in accordance with the Indenture will rank structurally senior to the Notes and each Guarantee and any debt we incur that is secured on property or assets that do not form part of the Collateral securing the Notes will be effectively senior to the Notes to the extent of the value of the property or assets securing such indebtedness, including indebtedness of the Senior Credit Facilities.

In the event of our bankruptcy, liquidation, reorganization or other winding-up, our assets that secure debt ranking senior or equal in right of payment to the Notes will be available to pay obligations on the Notes only after the secured debt has been repaid in full from those assets. There may not be sufficient assets remaining to pay amounts due on any or all of the Notes then outstanding.

The Notes will not be initially guaranteed by all the Guarantors.

On the Issue Date, the Notes will only be guaranteed by the Issue Date Guarantor. We will agree in the Indenture, subject to the Agreed Security Principles, to take such necessary actions so that the Post-Completion Date Guarantors become guarantors of the Notes by executing and delivering to the Trustee a supplemental indenture (or supplemental indentures) substantially in the form attached to the Indenture and accede to the Intercreditor Agreement by no later than 120 days after the Acquisition Completion Date. We expect that the Post-Completion Date Guarantors will be the following: (i) Australian International School Pte Ltd (Singapore); (ii) Stamford American International School Pte Ltd (Singapore); and (iii) Cognita Schools Limited (UK). The Notes Guarantees will be subordinated in right of payment to any existing and future indebtedness of the relevant Guarantor (including its guarantee of the Senior Facilities (as defined herein)). As of and for the fiscal year ended August 31, 2018, the Guarantors represented, based on their contribution in our consolidated financial statements, 59% of revenue, 70% of Adjusted EBITDA and 52% of assets of the Group. See "*Presentation of Financial and Other Information—Target and Future Guarantor Coverage.*" There can be no assurance that we will be successful in procuring such additional Guarantees within the time period specified. The initial Notes Guarantees by the Issue Date Guarantor and the Notes Guarantees of the Post-Completion Date Guarantors will be limited as set forth in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*"

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

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

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

Claims of our senior secured creditors will have priority with respect to their security over the claims of holders of the Notes, to the extent of the value of the assets securing such indebtedness.

The holders of the Notes may not be able to recover on the Collateral that are pledged or assigned for the benefit of the holders of the Notes because the lenders under the Term Loan B Facilities, creditors under the Revolving

Credit Facility, certain hedging obligations and certain other senior debt or obligations permitted to be incurred and secured over the Collateral on a senior basis to the Notes under the Indenture) will have a prior claim on all proceeds realized from any enforcement of such Collateral and any enforcement sale with respect to such Collateral and the Notes will need to share any remaining proceeds from such enforcement with any other secured creditor. In addition, on the Issue Date, the Term Loan B Facilities, the Revolving Credit Facility and our finance leases are, and the Indenture will permit future senior debt to be, secured by liens over property and assets that do not secure the Notes. Therefore, the Notes will be effectively subordinated to the Term Loan B Facilities, the Revolving Credit Facility and future senior debt or obligations to the extent of the value of the property and assets securing such indebtedness (other than the Collateral).

If the proceeds realized from the enforcement of Collateral exceed the amount owed under the Term Loan B Facilities, the Revolving Credit Facility and such other senior debt or obligations, any excess amount of such proceeds will be paid to the Trustee on behalf of itself and for the benefit of the holders of the Notes (as beneficiary of junior-priority interests, in the case of Collateral, and as an unsecured creditor, in the case of all other property and assets). If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Notes and any other indebtedness permitted under the Indenture and the Intercreditor Agreement to share in the Collateral with the Notes on a *pari passu* basis, the holders of the Notes will not fully recover (if at all) under such Collateral. In addition, with respect to all property and assets that are not part of the Collateral, the holders of the Notes would have only an unsecured claim against the Issuer's and the relevant Guarantors' remaining assets.

As of August 31, 2018, on a pro forma basis and after giving effect to the Transactions, we had as adjusted net secured debt of £480.4 million, which is secured by liens on assets that do not secure the Notes or secured by liens which rank in priority to the liens securing the Notes. We have the ability to borrow up to £100 million under our Revolving Credit Facility, which will be secured by collateral (including the Shared Collateral, as defined in the Intercreditor Agreement). We may also issue further indebtedness which will be entitled to rank pari passu with or senior to the Notes in right and priority of payment and which will be entitled to share in the Collateral with the Notes on a pari passu or senior-priority basis. In the event that any such debt is issued, the creditor voting rights in respect of the Notes will be diluted proportionately to the amount of indebtedness incurred.

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

The Notes Collateral will consist of security over all of the issued capital stock of Lernen Bidco Limited and any present and future receivables owed to the Issuer by Lernen Bidco Limited under any intercompany loan, in each case, on a second ranking basis and, in each case, to the extent legally possible and subject to the Intercreditor Agreement and to any thin capitalization or tax issues, any legal or corporate benefit restrictions and the Agreed Security Principles. Not all of our assets secure the Notes and we will not be obligated to take action to perfect all liens on assets that do secure the Notes. If we default on the Notes, the holders of the Notes will be secured only to the extent of the value of the Collateral underlying their security interest. We may incur additional indebtedness in the future, which may also be secured by the Collateral. Your rights to the Collateral may be diluted by any increase in debt secured by the Collateral on a similar or more favorable basis to the Notes or a reduction of the Collateral securing the Notes. If the value of the Collateral is less than the value of the claims of the holders of the Notes together with the claims of the other secured creditors, those claims may not be satisfied in full.

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

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

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

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

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

The Intercreditor Agreement provides that, subject to certain exceptions, the senior secured creditors and (until the senior secured creditors are repaid in full) not the holders of the Notes, will be entitled to form an intstructing group and direct the Security Agent as to the enforcement of the Collateral. The Intercreditor Agreement also provides that subject to certain exceptions the agent of the creditor class who wishes to deliver an enforcement instruction must first consult with every agent or representative of the other creditor classes (only to the extent that the Collateral is secured in favor of such creditors), certain creditors and the Security Agent for a period of not less than 10 Business Days. After an initial consultation period, the Security Agent may act upon the instructions of an instructing group, which, prior to the date that the Senior Facilities Agreement (including, for the avoidance of doubt any debt that ranks pari passu with such facilities) is discharged, shall be the holders of (i) prior to the date on which any public securities which rank *pari passu* with such liabilities are issued, 66 ⅔ of such senior indebtedness and (ii) after such date, 50% of such senior indebtedness.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in Collateral. The Security Agent may also need to obtain the consent of a third-party to enforce a security interest in certain jurisdictions. As a result, the fair market value of such Collateral is subject to, among other things, the availability of approved buyers. In addition, we cannot assure you that the Security Agent will be able to obtain any consents required to enforce the Collateral or to realize the security interests in the Collateral. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may decline significantly.

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

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

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

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

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

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

Enforcement of the Collateral and the Guarantees across multiple jurisdictions may be difficult.

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

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

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

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

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

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

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

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

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

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

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Guarantee;
- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of or to promote the success of the Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

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

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

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

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

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

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

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with England. There is, therefore, doubt as to the enforceability in England of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in England. In addition, the enforcement in England of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that an English court would have the requisite power or authority to grant remedies sought in an original action brought in England on the basis of U.S. securities laws violations. See *"Certain Insolvency Law and Local Law Limitations."*

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

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

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

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

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

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

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

In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest on the Notes that remain outstanding. See "*Description of the Notes—Change of Control*."

The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

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

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

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

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

We cannot assure you as to:

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of such Notes.

Many of the covenants in the Indenture that will govern the Notes will not apply to us if the notes are rated investment grade by either Moody's or S&P.

Many of the covenants in the Indenture that will govern the Notes will cease to apply to the Notes during such time, if any, as the Notes are rated investment grade by both Moody's and S&P, provided that at such time no default or event of default has occurred and is continuing. Although there can be no assurance that the Notes will ever be rated investment grade, or if they are rated investment grade, that the Notes will maintain these ratings, any suspension of the covenants under the Indenture that will govern the Notes would allow us to engage in certain transactions that would not be permitted while these covenants were in effect. Such transactions may impair our ability to satisfy our obligations with respect to the Notes. To the extent any suspended covenants are subsequently reinstated, any actions taken by us while the covenants were suspended would not result in an event of default under the Indenture that will govern the Notes on the basis that such actions would have been prohibited by the covenants. See *"Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status."*

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

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

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

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

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

The interests of our shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. Investment funds or limited partnerships associated with or designated by JHAG control us. See *"Principal Shareholders."* Our shareholders are able to appoint a majority of our Board of Directors and to determine our corporate strategy, management and policies. In addition, our shareholders have control over our decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of shareholders regardless of whether the holders of the Notes believe that any such transactions are in their own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture, the Senior Facility Agreement, and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect holders of the Notes.

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

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

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

If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.

In the event that the Notes are redeemed early in accordance with "*Description of the Notes—Optional Redemption*" and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the Notes.

USE OF PROCEEDS

The gross proceeds from the Offering are expected to be €255.3 million. The gross proceeds from the Offering will be used to repay the amounts outstanding under the Bridge Facility. The Bridge Facility, together with the Shareholder Contribution, the Term Loan B Facilities and cash on hand, was used to finance the Acquisition, including repayment of debt and payment of costs and expenses for the Transactions. See "*Summary—The Transactions*."

The estimated sources and uses of the funds are shown in the table below. Actual amounts are subject to adjustments and may vary from estimated amounts depending on several factors, including accrued interest. Actual sources, net of transaction expenses and fees for the Offering, may include other cash sources of the Restricted Group.

Sources of Funds	**(€ in millions)**	**Uses of Funds**	
Notes offered hereby[1]	255.3	Repayment of Bridge Facility[2]	255.3
Total sources	**255.3**	**Total uses**	**255.3**

Notes:

(1) Assumes issuance at par and represents the gross proceeds of the Offering.

(2) Represents the aggregate principal amount of indebtedness outstanding under the Bridge Facility. On the Issue Date, any accrued but unpaid interest on the Bridge Facility will be paid from cash on hand.

CAPITALIZATION

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

- the Company, on an actual basis as of August 31, 2018; and
- the Issuer, as adjusted to give effect to (i) the Transactions, including the Offering and the use of proceeds thereof, (ii) drawdowns and scheduled repayments of the Existing Revolving Credit Facility and local facilities prior to the Acquisition Completion Date, and (iii) the CEM Acquisition, in each case, as if they had occurred on August 31, 2018. See "*Summary—Recent Developments.*"

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

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

	As of August 31, 2018	
	Actual	**As adjusted**
	Company	**Issuer**
	(£ in millions)[1]	
Cash and cash equivalents[2]	89.2	65.4
Existing Revolving Credit Facility	54.2	—
Existing Notes	435.0	—
Revolving Credit Facility[3]	—	—
Term Loan B Facilities[4]	—	428.8
Notes offered hereby[5]	—	225.0
Local Facilities[6]	123.3	50.2
Finance leases[7]	24.6	24.3
Total debt[8]	637.1	728.3
Total equity[9]	8.7	1,353.5
Total capitalization	**645.7**	**2,081.8**

Notes:

(1) Amounts in currencies other than Pound sterling are translated in this table at the relevant exchange rates as of August 31, 2018 in the Actual column and at the relevant exchange rates as of the Acquisition Completion Date in the As Adjusted column.

(2) The as adjusted amount gives effect to the Transactions, including the Offering and the use of proceeds therefrom, £6.4 million cash used on the Acquisition Completion Date for the repayment of existing local facilities and transaction costs as well as £0.6 million of cash and cash equivalents at a holding company of the Company which was acquired as part of the Transactions. The as adjusted amount does not reflect any cash that the Company has generated or used since August 31, 2018, other than to give effect to drawdowns and scheduled repayments under the Existing Revolving Credit Facility (£12.8 million) and the Local Facilities (£2.5 million) through Acquisition Completion Date, and a drawdown under the B2 facility of €1,745,519 (£1.5 million) and £4.2 million in cash used in connection with the acquisition of CEM on November 6, 2018. Accrued and unpaid interest on the Bridge Facility will be paid from cash on hand.

(3) The Senior Facilities Agreement provides for a committed £100.0 million Revolving Credit Facility. We currently expect no amounts to be drawn in cash under the Revolving Credit Facility on the Issue Date.

(4) Represents the aggregate principal amount loans outstanding under the Senior Facilities: (i) the aggregate principal amount of the B1 Facility, including the £200,000,000 GBP tranche and the €255,275,696 euro tranche, (ii) €2,618,278 under the B2 Facility drawn on the Acquisition Completion Date in connection with the Santo Tomas Acquisition and (iii) an additional €1,745,519 under the B2 Facility drawn on November 12, 2018 in connection with the CEM Acquisition. This does not include €48,188,019, available under the B2 Facility for Specified Acquisitions and which will be drawn in full to complete the acquisitions currently in exclusivity and given effect in Pro Forma Adjusted EBITDA. See "*Summary Financial and Operating Information—Operating Data and Non-IFRS Financial Information*" for the as adjusted net total debt and net secured debt leverage ratios and the adjusted interest expense coverage ratio, which assume the B2 Facility is fully drawn. See "*Summary—The B2 Facility.*"

(5) Represents the aggregate principal amount of the Notes offered hereby.

(6) Represents the aggregate outstanding indebtedness under our local facilities which will remain outstanding following the Transactions, giving effect to scheduled repayments under the local facilities prior to the Acquisition Completion Date (£2.5 million), repayment of debt in connection with the Transactions (£70.0 million) and the effect of foreign exchange (£0.5 million). In addition, as of August 31, 2018, we also had combined £1.8 million in undrawn commitments under our Local Facilities. See "*Description of Certain Financing Arrangements—Local Facilities*"

(7) Represents the present value of the minimum lease payments of finance leases in respect of property, plant and equipment of the Group as of August 31, 2018, giving effect to foreign exchange (£0.3 million). See "*Description of Certain Financing Arrangements—Finance Leases.*"

(8) All debt has been presented at its relevant aggregate principal amount, which excludes accrued interest and capitalized issue costs that will be amortized over the life of the relevant debt. The as adjusted amount gives effect to drawdowns and scheduled repayments through the Acquisition Completion Date.

(9) As adjusted number gives effect to the £1,345 million Shareholder Contribution and does not take into account costs and expenses for the Transactions.

SELECTED HISTORICAL FINANCIAL INFORMATION

The Issuer was incorporated on August 28, 2018 for the purposes of facilitating the Transactions. The Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its incorporation and participation in the Transactions. Consequently, we have not included any historical financial information relating to the Issuer in this Offering Memorandum, other than certain limited financial data presented on a consolidated basis "as adjusted" to reflect the Transactions. The consolidated capitalization of the Issuer is not directly comparable to the consolidated capitalization of the Company. See "*Capitalization*." See also "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—The Issuer is a holding company with no independent operations and is dependent on payments from its operating subsidiaries in order to provide it with funds to meet its obligations*."

The Target was incorporated under the laws of Jersey on February 4, 2013 and is the indirect parent of the Company and the holding Company for the Group. We have not included any historical financial data for the Target in this Offering Memorandum.

The Company was incorporated under the laws of England and Wales on July 3, 2015 for the purposes of facilitating the 2015 Refinancing Transactions. We have included in this Offering Memorandum and discuss herein, the audited consolidated financial statements of the Company and its consolidated subsidiaries as of and for the fiscal years ended August 31, 2016, 2017 and 2018 and, in each case, the related notes thereto. Unless the context otherwise requires the use of the term "Group," "our," "us" and "we" in this Offering Memorandum refers to the Company and its subsidiaries. The Company's audited consolidated financial statements as of and for the years ended August 31, 2016, 2017 and 2018 have been prepared in accordance with IFRS. Our consolidated financial information is presented in Pound sterling.

Summary Consolidated Profit and Loss Account

	Fiscal Year Ended August 31,		
	2016	2017	2018
		Audited (£ 000)	
Revenue	326,045	385,160	430,474
Employee benefits expense	(179,380)	(205,210)	(238,441)
Other operating (expenses)/income	(90,358)	(107,036)	(135,199)
Acquisitions and business exploration	(4,575)	(7,759)	(5,911)
Restructuring & exceptional advisory costs	(7,138)	(7,105)	(915)
Impairment	(8,172)	(2,623)	(15,402)
Depreciation and amortization of other intangibles	(25,756)	(32,172)	(49,071)
Operating profit / (loss)	**10,666**	**23,255**	**(14,465)**
Finance income	29,489	9,430	5,149
Finance expense	(73,483)	(50,202)	(47,208)
Share of profit / (loss) of joint venture	454	(303)	—
Loss before taxation	(32,874)	(17,820)	(56,524)
Taxation	(6,745)	(6,375)	(6,784)
Loss for the period	**(39,619)**	**(24,195)**	**(63,308)**
Loss attributable to:			
Equity holders of the parent	(40,215)	(24,122)	(63,243)
Non-controlling interest	596	(73)	(65)
Loss for the year	**(39,619)**	**(24,195)**	**(63,308)**

Summary Consolidated Balance Sheet

	Fiscal Year Ended August 31,		
	2016	2017	2018
		Audited (£ 000)	
Property, plant and equipment	529,783	632,085	647,592
Other non-current assets	101,819	129,487	171,146
Total non-current assets	**631,602**	**761,572**	**818,738**
Total current assets	113,318	145,395	169,577
Total assets	**744,920**	**906,967**	**988,315**
Other interest-bearing loans and borrowings	(51,569)	(39,859)	(69,098)
Deferred revenue	(126,923)	(142,483)	(170,293)
Other current liabilities	(83,317)	(114,644)	(109,580)
Total current liabilities	**(261,809)**	**(296,986)**	**(348,971)**
Other interest-bearing loans and borrowings	(351,118)	(475,593)	(561,809)
Deferred revenue	(3,481)	(14,209)	(12,409)
Other non-current liabilities	(57,822)	(80,981)	(70,932)
Total non-current liabilities	(412,421)	(570,783)	(645,150)
Total liabilities	**(674,230)**	**(867,769)**	**(994,121)**
Total equity attributable to equity holders of the parent	63,962	39,434	(5,505)
Non-controlling interest	6,728	(236)	(301)
Total equity	**70,690**	**39,198**	**(5,806)**

Consolidated Cash Flow Statement

	Fiscal Year Ended August 31,		
	2016	2017 (restated)[1]	2018
		Audited (£ 000)	
Cash inflow from operating activities	52,585	66,490	70,930
Cash outflow from investing activities	(121,228)	(118,884)	(148,808)
Cash inflow/outflow from financing activities	45,554	72,857	85,993
Change in cash	**(23,089)**	**20,463**	**8,115**

Notes:

(1) The restatement related to a reallocation of trade and other payables and acquisition of property plant and equipment in the 2017 Consolidated Cash Flow Statement. As a result of the reallocation, cash flows relating to the acquisition of property, plant and equipment decreased by £2.5 million and cash flows relating to movements in trade and other payables increased by the same amount. There was no impact on the net increase in cash and cash equivalents.

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

The Issuer was incorporated on August 28, 2018 for the purposes of facilitating the Transactions. The Issuer has no material assets or liabilities (other than its shares in Lernen Bidco Limited and receivables under the Intercompany Loan) and has not engaged in any activities other than those related to its incorporation and participation in the Transactions. Consequently, we have not included any historical financial information relating to the Issuer in this Offering Memorandum, other than certain limited financial data presented on a consolidated basis "as adjusted" to reflect the Transactions. The consolidated capitalization of the Issuer is not directly comparable to the consolidated capitalization of the Company. See "*Capitalization*." See also "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—The Issuer is a holding company with no independent operations and is dependent on payments from its operating subsidiaries in order to provide it with funds to meet its obligations*."

The Target was incorporated under the laws of Jersey on February 4, 2013 and is the indirect parent of the Company and the holding Company for the Group. We have not included any historical financial data for the Target in this Offering Memorandum.

The Company was incorporated under the laws of England and Wales on July 3, 2015 for the purposes of facilitating the 2015 Refinancing Transactions. We have included in this Offering Memorandum and discuss herein, the audited consolidated financial statements of the Company and its consolidated subsidiaries as of and for the fiscal years ended August 31, 2016, 2017 and 2018 and, in each case, the related notes thereto. The use of the term "Group," "our," "us" and "we" in this Offering Memorandum refers to the Company and its subsidiaries. The Company's audited consolidated financial statements as of and for the years ended August 31, 2016, 2017 and 2018 have been prepared in accordance with IFRS. Our consolidated financial information is presented in Pound sterling.

You should read the following discussion and analysis in conjunction with the audited consolidated financial statements of the Company as of and for the fiscal years ended August 31, 2016, 2017 and 2018 and the related notes thereto, included elsewhere in this Offering Memorandum as well as the "*Presentation of Financial and Other Information*" and the "*Selected Historical Financial Information*."

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

Overview

We are a leading global operator of private-pay K-12 schools currently comprising 71 schools in 8 countries across Asia, Europe and Latin America with a total Average Student Capacity of 50,659 places and a total Average FTE Student Enrollment of 38,379 FTE students for the fiscal year ended August 31, 2018. Total Average Student Capacity and total average enrollment increased by 17.4% and 14.2%, respectively, between the fiscal years ended August 31, 2016 and August 31, 2018. For the fiscal year ended August 31, 2018, our revenue and Adjusted EBITDA were £430.5 million and £80.3 million, respectively.

Each Cognita school has its own unique ethos, with curricula and programs tailored to the needs of the students and parents in the market it serves. Our distinctive offerings are underpinned by our commitment to deliver on the three primary aspects of a Cognita education: high academic standards, strong character development and a global perspective. We offer a wide and diverse range of curricula across regions to appeal to both local and expatriate populations, including: the British curriculum, which is based on the standardized national curriculum for England and which, with respect to our Spain segment, is supplemented with the Spanish national curriculum; the International Baccalaureate ("IB"), a prestigious and rigorous internationally recognized diploma program; the American curriculum (American Education Reaches Out standard, Massachusetts state standards, the New York state standards and the Texas state standards); the Australian national curriculum; the Brazilian national curriculum and the Brazilian (bilingual) curriculum, which is based on the Brazilian national curriculum; and the Chilean national curriculum and the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum. We believe that this multi-curriculum approach allows us to better serve a variety of attractive market segments while still preserving our academic and institutional standards. All of our schools have an English language offering. In addition, we believe that, throughout our organization, we benefit from our established reputation for providing academic excellence, high quality teachers and appealing school facilities.

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

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

We operate in developed and developing markets and our success in increasing enrollment reflects the underlying strength and favorable dynamics of these markets. The developed and many of the developing markets in which we operate (such as Vietnam and Thailand) are characterized by stable market fundamentals, including a large middle class and a strong and established private school presence. Our success in the developing markets in which we operate is based, in part, on the sizeable pools of expatriate families in these markets, the increasing wealth among local families, each of whom value and demand high quality education for their children and the increasing demand for English language or bilingual schools such as ours.

Substantially all of our revenues are from private-pay sources without exposure to changes in government funding.

Our operations are backed by a large and attractive portfolio of well-invested and well-maintained campuses and facilities. Our real estate portfolio comprises of 126 sites, of which 36 are owned on a freehold basis and the remaining 90 are leasehold properties on lease terms that we believe are favorable for our operations. The average remaining tenure with respect to our leasehold school properties is 23 years. The book value of our real estate portfolio at cost as at August 31, 2018 was £559.6 million. See "*Business—Properties*" for more information on our properties.

Operating Segments

The Group is structured into the following operating segments:

Europe

We operate 46 schools in Europe, comprising 40 schools in the United Kingdom and six schools in Spain. The segment accounted for £194.7 million or 45.2% of our revenue and £29.8 million or 32.9% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 15.3% for the fiscal year ended August 31, 2018. For the same period, this segment had 14,459 average FTE students and an Average Revenue per FTE Student of approximately £13,500.

Asia

We operate 11 schools in Asia, comprising four schools in Thailand, three schools in Vietnam, two schools in Hong Kong and two schools in Singapore. The segment accounted for £181.2 million or 42.1% of our revenue and £47.3 million or 52.1% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 26.1% for the fiscal year ended August 31, 2018. For the same period, this segment had 9,457 average FTE students and an Average Revenue per FTE Student of approximately £19,200.

Latin America

We operate 14 schools in Latin America, comprising 12 schools in Chile and two schools in Brazil. This segment accounted for £54.6 million or 12.7% of our revenue and £13.7 million or 15.0% of our Regional Adjusted EBITDA and had a Regional Adjusted EBITDA margin of 25.0% for the fiscal year ended August 31, 2018. For the same period, this segment had 14,464 average FTE students and an Average Revenue per FTE Student of approximately £3,800.

St Nicholas Joint Venture

Before August 25, 2017, we owned a 50% stake in a joint venture, the St Nicholas Preparatory School (the "St Nicholas Joint Venture"), which we have always managed as part of our day to day operations. On August 25, 2017, we acquired the remaining 50% of the joint venture company, which is fully consolidated in our results of operations and financial position from the date of acquisition. However, in this discussion and analysis section, we discuss certain figures that include 100% of the results of the St Nicholas Joint Venture for all of the periods under review, including prior to August 25, 2017. This presentation is not in accordance with the statutory presentation in our audited consolidated financial statements or the consolidated interim management statements, where we include only our 50% share of the St Nicholas Joint Venture's results and financial position prior to the date when we acquired full control.

Information on a Constant Currency Basis

Our discussion and analysis of our results of operations contains information comparing our performance year-on-year on an actual historical basis and, in some instances, on a "constant currency" basis. Figures have been given on a constant currency basis in order to eliminate the impact of changes in exchange rates, with both previous year and current year figures calculated using the same exchange rates. We use figures prepared on a constant currency basis both for our internal analysis and for our external communications, as we believe that they provide means by which to analyze and explain variations from one period to another on a more comparable basis than historical figures, since they eliminate the impact of exchange rates which do not directly impact our organic performance. However, these figures provided on a constant currency basis are not measurements of performance under IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*."

Factors Affecting Our Results of Operations and Financial Condition

Macroeconomic Conditions

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

Enrollment and Average Revenue per FTE Student

Our results of operations are directly affected by our ability to maintain levels of enrollment and Average Revenue per FTE Student. Our revenue grew during the periods under review principally as a result of increased enrollment and fee increases above the rate of inflation due to our focus on quality and strong demand.

We have grown our average student numbers through filling pre-existing capacity as well as through greenfield and expansion projects. During the periods under review, this growth resulted from (i) maturity of existing schools as senior grades start to fill, (ii) capacity expansion at existing schools (which reduces short term utilization and earnings but enhances longer term growth as schools fill over time), (iii) five acquisitions and two greenfield expansions, and (iv) a reduction in student churn due to heightened focus on student retention.

Total enrollment in our schools has increased by a CAGR of 6.9% from 33,595 average FTE students as of August 31, 2016 to 38,379 average FTE students as of August 31, 2018. Of this increase in enrollments, 2,415 Average FTE Student Enrollments were as a result of acquisitions. For a discussion of our historical Average FTE Student Enrollment, see *"—Key Operating Metrics—Enrollments*."

Average Revenue per FTE Student has increased from approximately £9,900 for the year ended August 31, 2016 to £11,200 for the fiscal year ended August 31, 2018 primarily due to fee increases above consumer price inflation and the impact of the portfolio mix of higher fee paying schools when considered on a Group basis, in particular, the change in mix toward premium education offerings in Asia, including the recently opened Stamford American School in Hong Kong. For a presentation of our historical Average Revenue per FTE Student, see "*—Key Operating Metrics—Average Revenue per FTE Student*."

Student Retention Rates

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

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

	Year ended August 31,		
	2016	**2017**	**2018**
Student Retention Rates (in %):			
Europe	84.1	84.3	85.5
Asia	72.4	73.5	75.5
Latin America	90.0	89.7	90.9
Total	**83.6**	**83.8**	**85.2**

Our Student Retention Rates are generally lower in our Asia segment due to the relocation of expatriate students. In these markets, expatriate churn can have a positive effect on our financial results since application and facilities fees are payable when new students enroll and take places vacated by outward bound expatriate students.

Acquisitions, Capacity Expansion, Greenfield Developments and Disposals

We have a well-researched pipeline of acquisition and development projects. In the three fiscal years ended August 31, 2018, the business has invested approximately £250 million in large development projects across the three regions in which we operate. We have a disciplined approach to investments and look at compelling opportunities for expansions at our existing schools as well as new schools to acquire. During the periods under review, our most significant expansions and acquisitions were:

- the capacity expansion of our Early Learning Village in Singapore, which opened in July 2017 at a cost of SGD 202.9 million (£109.8 million);
- the greenfield development of Stamford American School in Hong Kong in September 2017 at a cost of HKD 1,042 million (£98.3 million), including HKD 751.4 (£67 million) for the acquisition of the building and associated costs. A second phase of the development is currently underway and is expected to add approximately 300 seats and be completed by August 2021, with an estimated cost of £16 million;
- the capacity expansion (construction of a new campus) of the International School Ho Chi Minh City ("ISHCMC"), which completed in January 2018 at a cost of VND 370.4 million (£12.3 million) including building prepayments and deposits of VND 247.9 million (£8.3 million);
- the acquisition of the remaining 49% interest in the Chile Schools Business (as defined below), previously operated as a joint venture with Desarrollos Educacionales S.A. in September 2016;
- the acquisition of Bushcraft in May 2017 and the creation of the Active Learning Group ("ALG");
- the capacity expansion of the GayLussac school in Brazil, which was completed in February 2018 at a cost of BRL 12.4 million (£3.0 million);
- the acquisition of the American British School in Santiago, Chile in March 2018;
- the capacity expansion of the British School of Barcelona, which was completed in April 2018 at a cost of EUR 6.4 million (£5.5 million);
- the acquisition of the Woodland Pre-Schools in Hong Kong in May 2018; and
- the capacity expansion of Southbank International School, which was completed in September 2018 at a cost of £6.1 million.

Currency Translation

As a global business, we operate in multiple countries with different currencies. Each entity in the Group uses the currency of the primary economic environment in which it operates as its functional currency for the purposes of conducting its operations. Although we conduct our business in several major currencies, a significant proportion of our business is conducted in Pounds sterling and Singapore dollars. Our consolidated financial statements are presented in pounds sterling and, as a result, fluctuations in exchange rates between the Pound sterling and our other operating currencies affect the translation of our results and the net assets and liabilities of our non-United Kingdom entities. Foreign exchange gains and losses arising upon the translation of monetary assets and liabilities from their operational currencies into pounds sterling are credited/charged to the income statement of the Group. Foreign exchange gains and losses arising on non-monetary assets and liabilities from their operating currencies to pounds sterling are recognized as part of our income statement foreign exchange reserve on our balance sheet. During the periods under review, the Pound sterling has generally weakened against the other currencies in which we operate. Future weakening of pounds sterling would be expected to positively impact our operating results because 64.8% of revenues were generated in foreign currency for the fiscal year ended August 31, 2018.

Cost Base

Our operating costs generally comprise costs incurred directly by our schools, regional offices and central office. A number of our largest operating costs, including staff costs and rent, are largely incurred by our schools and relate directly to the provision of our education services. These increase as we expand and have also gone up as we have invested in the quality of teaching and education across our global platform to attract high caliber teaching staff and improve student outcomes. Due to our fixed costs for rent, utilities and maintenance, we are able to leverage our cost base as we increase enrollments and tuition revenue in our schools.

In addition, our regional offices incur costs to provide support services on a regional and local basis for education management, finance, facilities, information technology (IT), human resources, legal and marketing functions, as well as business development and mergers and acquisition activities within a region. Operating costs incurred on a regional basis tend to be higher as a percentage of revenue in our newer regions due to the fact that we are establishing our operations, and, initially, there are fewer schools that benefit from the provision of such services in these new markets. We are able to increase cost efficiencies of these regional functions as we develop our operations and increase the number of schools in each region.

Key Operating Metrics

In addition to financial performance, we use the following key operating metrics to manage our schools: Average Student Capacity; Average FTE Student Enrollments; Average Revenue per FTE Student; utilization; and Average FTE Staff. We monitor these operating metrics on a monthly basis as we believe that they are the most reliable metrics for measuring and predicting the current and future profitability of our schools.

The following table sets out a summary of our key operating metrics as of and for the periods indicated:

	As of and for the Fiscal Year Ended August 31,		
	2016	**2017**	**2018**
Number of Countries:			
Europe	2	2	2
Asia	4	4	4
Latin America	2	2	2
Total	**8**	**8**	**8**
Number of Operational Schools:			
Europe	46	45	45
Asia	9	10	11
Latin America	12	12	14
Total	**67**	**67**	**70**
Average Student Capacity:			
Europe	17,100	17,448	17,590
Asia	10,554	11,048	15,081
Latin America	15,501	16,217	17,988
Total	**43,155**	**44,712**	**50,659**
Average FTE Student Enrollments:			
Europe	13,817	14,409	14,459
Asia	7,930	8,401	9,457
Latin America	11,848	12,476	14,464
Total	**33,595**	**35,286**	**38,379**
Average Revenue per FTE Student (approximately; in £ thousands):			
Europe	12.1	12.7	13.5
Asia	16.3	19.0	19.2
Latin America	2.9	3.8	3.8
Total	**9.9**	**11.0**	**11.2**
Utilization:			
Europe	80.8%	82.6%	82.2%
Asia	75.1%	76.0%	62.7%
Latin America	76.4%	76.9%	80.4%
Total	**77.8%**	**78.9%**	**75.8%**
Average FTE Staff Numbers:			
Europe	2,412	2,494	2,572
Asia	1,512	1,650	1,917
Latin America	1,139	1,151	1,320
Group central	35	45	49
Total	**5,098**	**5,340**	**5,858**

Number of operational schools

The total number of operational schools grew to 71, following the acquisition of CEM in November 2018. During the fiscal year ended August 31, 2018, the number of schools grew to 70, with the acquisitions of the American British School and Santo Tomas in Chile, the Woodland Pre-Schools in Hong Kong, along with the opening of the Stamford American School in Hong Kong. The Avondale school in Singapore was also merged with the Australian International School, Singapore during the year (and is now considered part of AIS for purposes of the number of operation schools).

During the fiscal year ended August 31, 2017, the number of schools stayed at 67, with the acquisition of The English Montessori School in Spain and the Avondale school in Singapore being offset by the sale of the

Sackville school in the UK and the merger of the International School of Barcelona, Sitges with the British School of Barcelona.

During the fiscal year ended August 31, 2016, the number of schools grew to 67. The closures of Chilton Cantelo and Cranbrook schools in the UK were offset by the acquisition of the International School of Barcelona in Spain and St. Andrews International School, Dusit in Thailand along with the opening of the Colegio Pumahue Chicauma in Chile.

Capacity

We monitor our Average Student Capacity, which is the total number of students a particular school can accommodate at any given time. We increased our Average Student Capacity by 17.4%, from 43,155 average places in the fiscal year ended August 31, 2016 to 50,659 average places in the fiscal year ended August 31, 2018. This increase in capacity was primarily due to the acquisitions and openings of the schools described in "*—Number of operational schools*" above.

Total Average Student Capacity increased by 13.3% in the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017. Of this increase, 8.1% was attributable to group expansion projects, most notably in Singapore, Hong Kong, Vietnam and Brazil, while the remainder of the increase represented the net impact of acquisitions and divestments.

Total Average Student Capacity increased by 3.6% in the year ended August 31, 2017 compared to the fiscal year ended August 31, 2016. The growth in capacity excluded the new Hong Kong school, which added a further 400 seats of capacity from September 2017, rising to 800 from January 2018. The growth is attributable to the acquisitions in 2016 and 2017 financial years, along with the opening of the Colegio Pumahue Chicauma in Chile and the new Hastings sites in Madrid Spain.

Enrollments

We monitor the average number of FTE students for any given year in a particular Cohort. For example, one student in a school for half a year is 0.5 FTE, or one nursery student attending 50% of available sessions for a year is 0.5 FTE. The number of FTE students fluctuates throughout the academic year as existing students flow through to higher Cohorts from one year to the next, new students join at different Cohorts (both at the start of and during the academic year) as well as due to student churn (including students who leave school either to go to another school or expatriate churn).

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

The level of enrollments by region for the periods under review is shown below:

	Fiscal Year Ended August 31,				
	2016	**2017**	**Change in %**	**2018**	**Change in %**
Average FTE Student Enrollments:					
Europe	13,817	14,409	4.3	14,459	0.3
Asia	7,930	8,401	5.9	9,457	12.6
Latin America	11,848	12,476	5.3	14,464	15.9
Total	**33,595**	**35,286**	**5.0**	**38,379**	**8.8**

Average FTE Student Enrollments throughout the Group increased by 8.8% and Average FTE Staff numbers increased by 9.7% in the fiscal year ended August 31, 2018 compared to the prior comparable period. The staff number increased at a faster rate than students due to the opening of new facilities.

Average FTE Student Enrollments throughout the Group grew by 5.0% and Average FTE Staff numbers grew by 4.7 % in the year ended August 31, 2017 compared to the prior year, driven primarily by acquisitions in 2016 and 2017 financial years, ongoing growth in Chile from the increasing popularity of the bilingual program, along with strong growth in Spain following targeted development projects to increase capacity.

Average Revenue per FTE Student

We calculate Average Revenue per FTE Student for a period by dividing the revenue from our schools for the period (including 100% of the St Nicholas Joint Venture for the fiscal year ended August 31, 2018) by the average FTE students for the period. Average Revenue per FTE Student is primarily affected by the tuition fees we charge at each of our schools. Average Revenue per FTE Student, and therefore our revenue, is directly affected by our ability to increase tuition fees year on year at each of our schools. We believe expatriates and local families generally accept our price increases because of the importance they place on a quality education for their children. As a result, we seek to increase Average Revenue per FTE Student at our schools at a rate in excess of our cost inflation in the markets in which we operate. Our tuition fees are charged in the local currencies of the countries where the schools are located. Therefore, our Average Revenue per FTE Student is subject to fluctuations in foreign exchange rates between these local currencies and our reported currency (which is partially offset by a natural hedge resulting from the fact that our school operating costs are largely in the relevant local currency).

The geographical mix of our students also affects our results of operations. During the periods under review, we experienced higher student numbers in Chile (and to a lesser extent, Spain) where gross fees are lower than in other countries (reflecting local market dynamics).

Within each of our segments, our Average Revenue per FTE Student is set out below:

	Fiscal Year Ended August 31,				
	2016	**2017**	**Change in %**	**2018**	**Change in %**
Average Revenue per FTE Student (approximately; in £ thousands)					
Europe	12.1	12.7	4.6	13.5	6.2
Asia	16.3	19.9	16.6	19.2	1.0
Latin America	2.9	3.8	31.0	3.8	(1.4)
Total	**9.9**	**11.0**	**12.1**	**11.2**	**1.6**

Utilization

We measure utilization of total average capacity at any given time, which is calculated as the average number of FTE students divided by total average capacity, expressed as a percentage. Utilization should be analysed over time, as it is impacted by the opening of new sites and the expansion of existing sites, which adds capacity immediately but typically takes time to mature. Utilization has remained relatively flat during the periods under review, decreasing from 77.8% in the fiscal year ended August 31, 2016 to 75.8% for the fiscal year ended August 31, 2018. The small decrease was driven by the significant capacity expansion in the last two years, particularly in Asia.

Utilization decreased by 3.2% to 75.8% for the fiscal year ended August 31, 2018 compared to the same period last year due to the additional capacity opened in Singapore, Hong Kong, Vietnam and Brazil. Utilization increased by 1.1% to 78.9% during the year ended August 31, 2017, due to increased enrollments to fill existing capacity.

FTE Staff

We monitor Average FTE Staff for any given year at a school as well as the average number of Group central staff. Our total Average FTE Staff numbers have increased by 14.9%, from an average of 5,098 in the fiscal year ended August 31, 2016 to an average of 5,858 in the fiscal year ended August 31, 2018. This increase in Average FTE Staff has been primarily due to the acquisition of new schools, the opening of new facilities in Asia and Brazil and an increase in staffing at our existing schools in line with increased enrollments. A discussion of the evolution in the Average FTE Staff is included under *"—Enrollments"* above. We further monitor FTE staff based on teachers and non-teaching staff. See "*Business—Employees*."

Principal Components of Our Results of Operations

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

Revenue

Revenue is generated from the provision of educational services and the sale of related services and goods. Principal components of revenue comprise amounts received from tuition fees and additional services, including fees for enrollment, facility fees, technology, extracurricular activities, holiday camps, outdoor leadership and development programs and catering. Although tuition fees are generally invoiced and collected in advance of the education services being provided for such period, they are included on the balance sheet as deferred income or fees in advance and recognized as revenue.

With respect to facility fees that are paid when a student joins the relevant school and are generally non-refundable under our policy, we recognize revenue over the average tenure of a student within the relevant school.

Operating Costs

Our total operating costs include both underlying and non-underlying costs. Underlying costs represent the expenses in connection with our day-to-day operations. Our key underlying operating costs comprise employee benefit expense, other underlying operating costs and depreciation and amortization, all of which exclude the costs in relation to the St Nicholas Joint Venture for the period until August 25, 2017 when we acquired the remaining 50%.

Underlying Costs

Employee benefit expense. Employee benefit expense comprises salaries, allowances, benefits, social security and pension costs in relation to our employees, including those based at our schools as well as staff based in our central and regional offices.

Depreciation and amortization of other intangibles. Depreciation represents the decrease in value of fixed assets as they are used in our business over time. The depreciation rate applied to fixed assets is determined based on the estimated useful economic life of each fixed asset category. Fixed asset categories include freehold land and buildings, short leasehold land and buildings, fixtures, fittings and equipment and motor vehicles. Goodwill and intangibles with an indefinite useful life are not amortized but are tested for impairment at each balance sheet date.

Other Operating Costs. These include:

- *Property Costs.* Property costs primarily relate to the cost of rent, running and maintaining our school property portfolio. The most significant components of our property costs include rent, business rates (i.e. council tax), repairs and maintenance, utilities and cleaning. As of August 31, 2018, we leased 71% of our properties (by number of properties), primarily in the UK, Spain, Hong Kong and Vietnam.
- *School Consumables.* School consumables include the costs of learning aids and materials, including textbooks and library books, lesson equipment, information technology consumables and stationery. School consumables also include catering costs for the provision of school meals to students.
- *Business Support Costs.* Business support costs include legal and professional costs, as well as advertising and marketing costs.

Non-underlying Costs

Our non-underlying costs include acquisition and business exploration costs, restructuring costs, impairments of assets, gains and losses on disposal of fixed assets and non-cash share-based payment charges.

Acquisition and Business Exploration Costs. Costs and expenses incurred to seek out and acquire new schools or expansion opportunities including future business development into new countries and regions. These include any legal and due diligence fees relating to potential or actual acquisitions as well as pre-opening expenses. Pre-opening expenses include marketing and other expenses incurred prior to the opening of new schools or facilities providing significant new capacity. Expenses incurred once the school or facility opens is treated as an underlying cost.

Restructuring Costs. Restructuring costs mainly relate to employment cessation and associated legal costs, costs associated with the closing or selling of schools and exceptional advisory fees, for example, with respect to the review and assessment of the Group's child safeguarding policies and procedures.

Impairment Costs. Impairment costs relate to the write-down of assets identified as being impaired.

Share Based Payment Costs. Share based payment costs represent the income statement charge relating to the management incentive plan (MIP).

Finance Income

Finance income represents interest receivable, which during the periods under review, comprised mainly interest receivable on cash balances. Finance income also includes unrealized exchange gains arising on the translation of intragroup balances as well as gains on the fair value of forward contracts. It also included any dividends receivable from the St Nicholas Joint Venture, for the period until August 25, 2017 when we acquired the remaining 50% stake.

Finance Expense

Finance expense represents interest payable, which during the periods under review, includes interest accrued and paid on borrowings, including the Existing Notes, other bank borrowings, the Existing Revolving Credit Facility and other loans. Finance expense also includes unrealized exchange losses arising on the translation of intragroup balances as well as losses on the fair value of forward contracts and the amortization of capitalized financing costs.

Share of Operating Profit of Joint Venture

For the period until August 25, 2017 when we acquired the remaining 50% stake, share of operating profit in respect of joint venture consisted of our share of operating profit of the St Nicholas Joint Venture.

Taxation

Taxation on loss on ordinary activities consists of corporation tax, including our share of the tax charge of the St Nicholas Joint Venture (where applicable), adjustments to taxes in respect of prior periods. In addition, our taxation on loss on ordinary activities includes a charge or credit for deferred tax. Fluctuations in our effective tax rate are primarily attributed to changes in the operating results of our subsidiaries, which are subject to various tax rates and tax concessions in their respective jurisdictions.

Non-controlling Interest

Non-controlling interest represents profits attributable to minority shareholders of our majority-owned subsidiaries. Minority interests in the period under review included the Chile Schools Business (prior to our acquisition of the remaining 49% equity stake in September 2016) and the St. Andrews International School, Dusit minority interest.

Adjusted EBITDA

Adjusted EBITDA means EBITDA (which we define as Operating Profit plus depreciation and amortization of other intangibles and impairment) plus Non-underlying income and expenditure.

Regional Adjusted EBITDA

Regional Adjusted EBITDA means Adjusted EBITDA before central costs (relating to executive governance and strategy, finance, compliance, mergers and acquisitions, legal, human resources, marketing and IT) and excluding 100% of the St Nicholas Joint Venture Adjusted EBITDA (other than for the fiscal year ended August 31, 2018).

Results of Operations

Fiscal year ended August 31, 2018 Compared to the Fiscal year ended August 31, 2017

Group Revenue

The table below presents our revenue for the fiscal years ended August 31, 2017 and 2018:

	Fiscal year ended August 31,			
	2017	**2018**	**Actual**	**Constant currency**
	£m	**£m**	**% Change**	
Europe	178.1	194.7	9.3%	8.9%
Asia	159.3	181.2	13.7%	17.1%
Latin America	47.8	54.6	14.3%	19.8%
Total	**385.2**	**430.5**	**11.8%**	**13.5%**

Group revenue increased by 11.8% (13.5% on a constant currency basis) from £385.2 million (£389.7 million including 100% of the St Nicholas Joint Venture) in the fiscal year ended August 31, 2017 to £430.5 million for the fiscal year ended August 31, 2018 as a result of strong growth in student numbers and, to a lesser extent, increased fee income.

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

	Fiscal year ended August 31,		
	2017	2018	Actual
			% Change
Europe	14,409	14,459	0.3%
Asia	8,401	9,457	12.6%
Latin America	12,476	14,464	15.9%
Total	**35,286**	**38,379**	**8.8%**

Average student numbers increased (including the impact of acquisitions) by 8.8% between the two periods, with an increase in Europe of 0.3%, Asia of 12.6% and Latin America of 15.9%.

Asia student growth was mostly driven by the opening of Stamford American School, Hong Kong, the acquisition of Avondale Grammar School, Singapore, the opening of the ISHCMC secondary campus in Vietnam and strong organic growth in Vietnam. Growth in student numbers in Latin America reflected strong organic growth in Chile, supported by the success of the bilingual syllabus offered in five schools in Chile and the GayLussac expansion.

Operating Costs

Underlying costs increased by 12.1% to £350.2 million for the fiscal year ended August 31, 2018 from £312.3 million (£315.8 million including 100% of the St Nicholas Joint Venture) in the comparable period of 2017. This reflects the impact of staff number and premises increases associated with the new capacity and ongoing organic growth. We also incurred additional costs from further investments in educational capability, leadership, technology and professional development across the Group.

Total FTE staff numbers increased by 518, or 9.7% to 5,858 in the fiscal year ended August 31, 2018 from 5,340 in the comparable period of 2017. This increase included a net movement of 302 FTE related to acquisitions and divestments, including the new Stamford American School, Hong Kong, the new ISHCMC campus in Vietnam and the acquisitions of the American British School in Chile and the Woodland Pre-Schools in Hong Kong.

Adjusted EBITDA

Adjusted EBITDA by geographical segment is analyzed below:

	Fiscal year ended August 31,			
	2017	2018	Actual	Constant currency
	£m	£m	% Change	
Europe	25.5	29.8	17.2%	16.7%
Asia	48.7	47.3	(2.8)%	0.1%
Latin America	9.7	13.7	40.8%	44.8%
Regional Adjusted EBITDA	83.9	90.8	8.3%	10.4%
Group central costs	(11.0)	(10.5)	(4.1)%	(4.1)%
Adjusted EBITDA	**72.9**	**80.3**	**10.2%**	**12.6%**

Regional Adjusted EBITDA grew by 10.2% (12.6% on a constant currency basis) to £90.8 million in the fiscal year ended August 31, 2018 from £83.9 million (£84.9 million including 100% of the St Nicholas Joint Venture) in the comparable period of 2017 and represented a margin of 21.1% of revenue compared to 21.8% in the comparable period of 2017. Much of this increase in Regional Adjusted EBITDA was derived from strong growth in Spain and Chile associated with the infill of capacity and the growth in the bilingual education programs in Chile. The decline in margin was due to the transitional impact of the lower utilization associated with the opening of new capacity, particularly in Asia.

Group central costs decreased 4.1% to £10.5 million in the fiscal year ended August 31, 2018 from £11.0 million in the comparable period of 2017 due to £0.8 million of central costs being reallocated into Regional Adjusted EBITDA.

Non-Underlying Costs

Non-underlying operating expenses of £8.7 million in the fiscal year-ended August 31, 2018 included costs related to the Acquisition of £8.3 million along with a loss on disposal of £0.4 million, this compared to operating income of £0.3 million from a gain on disposal in the prior year. Restructuring costs of £0.9 million in the fiscal year ended August 31, 2018 (compared to a £7.1 million expense in the comparable period of 2017) were due to a £2.9 million cost associated with restructuring programs, offset by the release of a provision relating to the transfer of students from Avondale Grammar School to the Australian International School in Singapore, which was no longer required. Non-underlying costs in the fiscal year ended August 31, 2018 also included acquisition and business exploration costs of £5.9 million (compared to £7.8 million in the comparable period of 2017), reflecting costs related to acquisitions completed in the period and £1.0 million of pre-opening losses relating to unopened sites. There were also non-cash share-based payment charges of £14.8 million in the fiscal year ended August 31, 2018 compared to £0.2 million in the comparable period of 2017.

Finance Income

Finance income decreased by £4.3 million to £5.1 million for the fiscal year ended August 31, 2018 from £9.4 million for the fiscal year ended August 31, 2017. The decrease was primarily due to £7.3 million of exchange gains on intercompany loans in the year ended August 31, 2017, being an exchange loss in the current year (therefore recorded in finance expense), this decrease was offset by £4.2 million of derivative gains in the year ended August 31, 2018.

Finance Expense

Finance expense decreased by £3.0 million to £47.2 million for the fiscal year ended August 31, 2018 from £50.2 million for the fiscal year ended August 31, 2017. The decrease was primarily due to a lower expense associated with a £15.2 million derivative loss recorded in the year ended August 31, 2017, offset by £7.0 million of higher interest payable on bank borrowings associated with increasing debt levels and £7.4 million exchange losses on intercompany loans in the current year.

Profit/Loss for the Period Before Taxation

The Group’s loss before tax was £56.5 million in the fiscal year ended August 31, 2018 compared to a loss of £17.8 million in the comparable period of 2017. The loss was primarily driven by a £16.9 million increase in depreciation and amortization and a £12.8 million increase in impairment charges, partly offset by a £7.4 million increase in Adjusted EBITDA.

Taxation

The Group’s tax charge increased by 6.4% to £6.8 million in the fiscal year ended August 31, 2018 from £6.4 million in the comparable period of 2017. This was primarily due to the increase in profitability and higher tax charges, particularly in Spain and Chile.

Fiscal Year Ended August 31, 2017 Compared to the Fiscal Year Ended August 31, 2016

Revenue

The table below presents our revenue for the fiscal years ended August 31, 2016 and 2017:

	2016	2017	Actual	Constant currency
	£m	£m	% Change	
Europe	162.5	178.1	9.6%	7.7%
Asia	129.0	159.3	23.5%	9.4%
Latin America	34.6	47.8	38.0%	13.0%
Total	**326.0**	**385.2**	**18.1%**	**9.0%**

Revenue increased 18.1% (9.0% on a constant currency basis) to £385.2 million (£389.7 million including 100% of the St Nicholas Joint Venture) in the year ended August 31, 2017 from £326.0 million (£330.9 million including 100% of the St Nicholas Joint Venture) in the year ended August 31, 2016. Revenue attributable to new acquisitions during the year ended August 31, 2017 represented 2.8% of the increase on a constant currency basis, with the remainder due to the organic increase in student numbers and annual fee inflation.

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

	2016	2017	% Change
Europe	13,817	14,409	4.3%
Asia	7,930	8,401	5.9%
Latin America	11,848	12,476	5.3%
Total	**33,595**	**35,286**	**5.0%**

Student numbers increased by 5.0% in the year ended August 31, 2017, with Europe growing by 4.3%, Asia by 5.9% and Latin America by 5.3%. The Europe student growth was driven primarily by the schools in Spain, partially offset by a decrease in student numbers in Chilton Cantelo and Cranbrook (closed in the year ended August 31, 2016) and Sackville (sold in the year ended August 31, 2017) schools in the United Kingdom.

Asia student growth was mostly driven by the Dusit acquisition in Thailand in 2016 and continued growth in Stamford American International School in Singapore and ISHCMC in Vietnam.

The growth of 5.3% in Latin America was largely due to the ongoing growth in the Chile schools with new capacity and the bilingual program continuing to drive enrollment increases.

Operating Costs

Underlying costs increased 17.5% to £312.3 million (£315.8 million including 100% of the St Nicholas Joint Venture) for the year ended August 31, 2017 from £265.8 million (£269.5 million including 100% of the St Nicholas Joint Venture) for the year ended August 31, 2016. The increase reflected both organic and acquisition growth in operations during the year.

Employee benefits expense are the main component of the Group's operating costs. The underlying employee benefits expense increased 16.8% to £205.0 million (£207.0 million including 100% of the St Nicholas Joint Venture) for the year ended August 31, 2017 from £175.4 million (£176.9 million including 100% of the St Nicholas Joint Venture) for the year ended August 31, 2016. The increase includes the impact of the acquisitions made during the year, along with the growth associated the opening of the Early Learning Village in Singapore and additional capacity in the Spanish schools. Additional employee costs were also incurred in the Europe segment and Group central due to strategic investments in educational capability and obligatory costs incurred from higher national insurance contributions in the UK.

Total FTE staff numbers increased by 242 or 4.7% to 5,340 in the year ended August 31, 2017 from 5,098 in the year ended August 31, 2016.

Adjusted EBITDA

Adjusted EBITDA by geographical segment is presented below:

	2016	2017	Actual	Constant
	£m	£m	% Change	
Europe	25.6	25.5	(0.5)%	(2.8)%
Asia	37.5	48.7	29.9%	15.1%
Latin America	6.9	9.7	40.4%	16.2%
Regional Adjusted EBITDA	70.0	83.9	19.8%	9.0%
Group central costs	(9.8)	(11.0)	(12.4)%	(12.4)%
Adjusted EBITDA	**60.2**	**72.9**	**21.0%**	**8.5%**

Regional Adjusted EBITDA grew by 19.8% (9.0% on a constant currency basis) to £83.9 million (£84.9 million including 100% of the St Nicholas Joint Venture) for the year ended August 31, 2017 from £70.0 million (£71.2 million including 100% of the St Nicholas Joint Venture) for the year ended August 31, 2016, representing a margin of 21.8% of revenue in the year ended August 31, 2017 and 21.5% in the year ended August 31, 2016. Much of this increase was driven by a strong growth in all countries in the Asia region utilizing available capacity. The Asia Regional Adjusted EBITDA grew 29.9% (15.1% on a constant currency basis) on revenues that grew by 23.5% (9.4% on a constant currency basis) in the same period.

The 16.2% growth in Latin America, on a constant currency basis, was driven by a 0.5 percentage points improvement in the utilization rates from 76.4% to 76.9% in the year ended August 31, 2017. The improvement in EBITDA was most notable in Chile, where a new bilingual program continued to grow and led to improved margins.

Europe Regional Adjusted EBITDA fell 0.5% to £25.5 million (£26.5 million including 100% of the St Nicholas Joint Venture) for the year ended August 31, 2017 from £25.6 million (£26.8 million including 100% of the St Nicholas Joint Venture) in the year ended August 31, 2016, driven by lower EBITDA in the UK as a result of targeted investment in the educational provision and higher national insurance contributions. The EBITDA in Spain was impacted by new costs from two additional sites in Madrid for Hastings school, which we expect to drive growth in future years.

Group central costs increased by 12.4% to £11.0 million in the year ended August 31, 2017 from £9.8 million in the year ended August 31, 2016. This increase was primarily due to the full year impact following the transition of our executive management team.

Non-Underlying Costs

Non-underlying costs for the year ended August 31, 2017 included one-off charges for non-cash impairments of £2.6 million compared to £8.2 million for the year ended August 31, 2016, acquisition and business exploration costs of £7.8 million (compared to £4.6 million for the year ended August 31, 2016) restructuring costs of £7.1 million (compared to £7.1 million for the year ended August 31, 2016) and non-cash share based charges of £0.2 million (compared to £4.0 million for the year ended August 31, 2016).

The impairment charge arose due to a reduction in the carrying value of fixed assets for two of the Group's UK schools following an impairment review in accordance with the Group accounting policy.

The acquisition and business exploration costs were higher in the year ended August 31, 2017 due to the increase in M&A activity during the year.

The restructuring costs in the year ended August 31, 2017 included the costs associated with the sale of Sackville School and the restructuring costs of closing the Avondale Grammar School property and moving the students to the Australian International School, Singapore.

Finance Income

Finance income decreased from £29.5 million in the year ended August 31, 2016 to £9.4 million in the year ended August 31, 2017, primarily associated with the lower exchange gains realized on intercompany loans between Cognita Holdings Limited and subsidiaries. The intercompany loans were put in place to enable funding to be passed into the Cognita Group from Cognita Financing plc (the issuer under the Existing Notes).

Finance Expense

Finance expense decreased by 31.7% to £50.2 million in the year ended August 31, 2017 from £73.5 million in the year ended August 31, 2016. The decrease was primarily driven by the lower fair value losses on foreign exchange hedge instruments of £28.8 million partly offset by £4.8 million higher interest costs from the Existing Notes and the Existing Revolving Credit Facility.

Profit/Loss for the Year Before Taxation

The Group's loss before tax decreased by 45.8% to £17.8 million for the year ended August 31, 2017 from £32.9 million in the year ended August 31, 2016. The £15.1 million decrease in losses was primarily driven by the £12.7 million increase in Adjusted EBITDA generated from organic and acquisitive growth, a £6.3 million decrease in non-underlying costs driven by a smaller impairment charge and lower net finance expense partly offset by £6.4 million of additional depreciation and amortization in the year ended August 31, 2017.

Taxation

The Group's tax charge decreased by 4.5% to £6.4 million in the year ended August 31, 2017 from £6.7 million in the year ended August 31, 2016. This was primarily due to an over-provision of current tax of £0.4 million in Singapore in the prior year.

Liquidity and Capital Resources

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

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

Cash Flows and Working Capital

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

The table below summarizes the condensed consolidated cash flows for the periods indicated:

	As of and for the Fiscal Year Ended August 31,		
	2016	2017 (restated)(1)	2018
		£m	
Cash flows from operating activities	52.6	66.5	70.9
Net cash outflow from investing activities	(121.2)	(118.9)	(148.8)
Cash inflow from financing activities	45.6	72.9	86.0
Cash and cash equivalents	61.0	83.3	89.2

Notes:

(1) The restatement related to a reallocation of trade and other payables and acquisition of property plant and equipment in the 2017 Consolidated Cash Flow Statement. As a result of the reallocation, cash flows relating to the acquisition of property, plant and equipment decreased by £2.5 million and cash flows relating to movements in trade and other payables increased by the same amount. There was no impact on the net increase in cash and cash equivalents.

The principal factors affecting our net cash inflows from operating activities in the periods presented are the operating results of the Group along with the positive impact of changes in our working capital.

Our business benefits from structurally negative working capital, as fees are generally paid in advance of the provision of services, with the highest cash inflow occurring prior to the commencement of the relevant academic year. Our working capital cycles are also influenced by the geographical markets in which we operate. School billing cycles differ from one jurisdiction to another and these billing cycles impact the negative working capital position of the Group. Our working capital has become increasingly negative over time due to our growing FTE student numbers and because of an increase in the proportion of Group revenue generated by our schools in Asia that generally invoice further in advance compared to our other regions. Our net working capital was £147.0 million as of August 31, 2016, £189.1 million as of August 31, 2017 and £190.2 million as of August 31, 2018. The higher negative working capital at August 31, 2017 compared to the prior year was principally due to £24.2 million of additional capital expenditures accrued in connection with the large development projects concluding in Singapore, along with a £16.7 million increase in prepaid tuition fees. The higher negative working capital as of August 31, 2018 compared to the prior year was primarily due to a growth of £8.0 million in prepaid tuition and £6.5 million of transaction fees relating to the Acquisition being accrued as at August 31, 2018, this has been largely offset by £18.8 million unwinding of capital expenditure accruals as of August 31, 2017 relating to the completion of the Early Learning Village in Singapore and the Stamford International School Hong Kong development.

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

A significant proportion of our operating capital expenditure occurs in July and August of each year due to the fact that most of our schools in the Europe and Asia have extended vacation periods during these months and we can therefore undertake projects without disrupting the relevant schools during this time.

Cash Flows from Operating Activities

Net cash inflow from operating activities increased by £4.4 million or 6.7%, to £70.9 million in the fiscal year ended August 31, 2018 from £66.5 million in the fiscal year ended August 31, 2017, driven by improved performance and growth in prepaid tuition.

Net cash inflow from operating activities increased by £13.9 million, or 26.4%, to £66.5 million in the year ended August 31, 2017 from £52.6 million in the year ended August 31, 2016, due to the improvements in operating performance from growing student numbers, higher prepaid tuition fees in net working capital and management of operating costs. These positive increases were offset by cash outflows from prepaid rent and deposits in Vietnam.

Cash Flows from Investing Activities

Net cash outflow from investing activities increased by £29.9 million, or 25.2%, to £148.8 million in the fiscal year ended August 31, 2018 from £118.9 million in the fiscal year ended August 31, 2017. The increase was primarily driven by the cash outflows associated with the acquisition of the American British School and Santo Tomas in Chile and Woodland Pre-Schools, Hong Kong. Cash outflows due to acquisitions was £71.0 million in the fiscal year ended August 31, 2018, compared to £19.0 million in the fiscal year ended August 31, 2017.

Net cash outflow from investing activities decreased by £2.3 million, or 1.9%, to £118.9 million in the year ended August 31, 2017 from £121.2 million in the year ended August 31, 2016. The cash outflow for acquisition of property, plant and equipment in the year ended August 31, 2017 included £63.5 million related to the Early Learning Village (Singapore) and the refurbishment of the new school property in Hong Kong. Cash outflow on acquisitions was £19.0 million in the year ended August 31, 2017 compared to £6.7 million in the year ended August 31, 2016.

Cash Flows from Financing Activities

Net cash inflow from financing activities increased by £13.1 million, or 18.0%, to £86.0 million in the fiscal year ended August 31, 2018 from £72.9 million in the fiscal year ended August 31, 2017. In the fiscal year ended August 31, 2018 the Group received proceeds for the issuance of the Existing Notes of £62.0 million (compared to £99.3 million in the fiscal year ended August 31, 2017), a net drawdown on the Existing Revolving Credit Facility of £19.9 million, a net drawdown on a local debt facility in Hong Kong to acquire the Woodland Pre-Schools of £14.0 million and £9.9 million (compared to £12.7 million in the fiscal year ended August 31, 2017) from the sale and leaseback of properties in the UK. This was partly offset by £38.6 million of interest paid.

Net cash inflow from financing activities increased by £27.3 million, or 59.9%, to £72.9 million in the year ended August 31, 2017 from £45.6 million in the year ended August 31, 2016. The increase was driven by the £99.3 million proceeds of the two additional issues of the Existing Notes, £12.7 million proceeds from the sale and leaseback of properties in the UK and the net £10.3 million drawdown on local debt facilities in Hong Kong for the continued refurbishment of the Stamford American School property. This increase was partly offset by the £32.2 million interest paid across the Group and the £11.6 million net repayment on the Revolving Credit Facility in the year ended August 31, 2017.

Capital Expenditures

Capital expenditure includes development capital expenditure and operating capital expenditures. Operating capital expenditure represents investment that ensures the schools maintain their standards and compliance with all regulations, as well as investment in IT infrastructure. Development capital expenditure represents investment made to expand capacity at the Group's schools and for the construction and development of other major facilities that do not directly result in capacity expansion, but increase the property footprint.

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

	Fiscal Year Ended August 31,				
	2016	**2017**	**Change in %**	**2018**	**Change in %**
Operating	17.5	22.6	29.1	27.0	19.5
Development	98.4	79.9	(18.8)	51.9	(35.1)
Total	**115.9**	**102.5**	**(11.5)**	**78.9**	**(23.0)**

We intend to fund capital expenditure to the extent possible with existing cash and operating cash flow. We expect our capital expenditure in the fiscal year ending August 31, 2019 to be in the range of £70 million to £85 million. Such capital expenditure will be made primarily in relation to (i) the ongoing expansion of the Stamford American School, Hong Kong, (ii) the refurbishment of the new St Nicholas Preparatory School property, (iii) the refurbishment of the Pre-University facility in Madrid, (iv) the Long Close expansion in the United Kingdom and (v) smaller investments at schools in the UK, Chile and Asia to enhance capacity and the facilities available to the schools.

Our other capital expenditures in the fiscal year ending August 31, 2019 will relate to maintenance capital expenditures and other development projects. These estimates are based on our projected capital expenditure budget for the periods in question, which are subject to change in the event that additional acquisition, expansion or other opportunities arise during the period or if existing projects are delayed or cancelled. Estimates of capital expenditures for the fiscal year ending August 31, 2019 constitute forward-looking statements and speak only as of the date of this Offering Memorandum and are subject to change (see "*Forward Looking Statements*"). Our development capital expenditures beyond the fiscal year ending August 31, 2019 are discretionary, with decisions being made on the basis of expected revenues and return on investment.

Fiscal year ended August 31, 2018 and 2017

The Group had £78.9 million in capital expenditures in the fiscal year ended August 31, 2018 (£102.5 million in the fiscal year ended August 31, 2017), a significant portion of which related to the completion of the Early Learning Village, Singapore and the opening of the Stamford American School, Hong Kong. The capital expenditure reported includes amounts spent on the regular renewal of the estate, along with amounts invested in the expansion plans of our existing portfolio of schools. Amounts in currencies other than Pound sterling in this section are translated at the exchange rate as of August 31, 2018, for the relevant currency.

Operating capital expenditure

In the fiscal year ended August 31, 2018, operating capital expenditure was £27.0 million (£22.6 million in the fiscal year ended August 31, 2017). Expenditure during the fiscal year ended August 31, 2018 comprised £16.0 million of facilities investment and £11.0 million on IT and computer equipment.

Development capital expenditure

As of August 31, 2018, we had development capital expenditures of SGD 196.7 million (£110.5 million) for land and buildings for the Early Learning Village in Singapore, which opened in July 2017. We incurred completion costs for the Early Learning Village of SGD 36.6 million (£20.6 million) in the fiscal year ended August 31, 2018.

We are investing approximately HKD 1,173 million (£114.9 million) to purchase and undertake a complete refurbishment of the building now housing Stamford American School, Hong Kong. As of August 31, 2018, we spent HKD 1,024.6 million (£100.3 million) on this project, with HKD 178.6 million (£17.5 million) incurred in the fiscal year ended August 31, 2018. The school opened in September 2017, with 345 students and now has approximately 600 students at the start of its second year of operations.

Years ended August 31, 2017 and 2016

We had £102.5 million in capital expenditures in the year ended August 31, 2017 (£115.9 million in the year ended August 31, 2016). The capital expenditure reported in the year represents amounts spent on the regular renewal of the estate, along with amounts invested in the expansion plans of our existing portfolio of schools, investment in the Early Learning Village (Singapore) and the refurbishment of the school property in Hong Kong. Amounts in currencies other than Pound sterling in this section are translated at the relevant exchange rate as of August 31, 2018.

Operating Capital Expenditure

In the year ended August 31, 2017, operating capital expenditure was £22.6 million (compared to £17.5 million in the year ended August 31, 2016), an increase of 29.1% on the prior year.

Development Capital Expenditure

As of August 31, 2017, SGD 160 million (£89.9 million) in total had been invested in land and buildings to develop the Early Learning Village in Singapore with SGD 97 million (£54.4 million) incurred in the year ended August 31, 2017.

Development capital expenditure for the year ended August 31, 2017 included approximately HKD 93.3 million (£9.1 million) associated with the ongoing refurbishment of the Hong Kong property. We invested approximately HKD 845.7 million (£82.8 million) to acquire the property and undertake a complete refurbishment.

Contractual Obligations

The following table shows our contractual commitments as of August 31, 2018, after giving effect to the Offering and the use of proceeds therefrom as if it had occurred on August 31, 2018:

	Up to one year	One to five years	More than five years	Total
		(£ in millions) [1]		
Senior Facilities[2]	—	—	428.8	428.8
Notes offered hereby[3]	—	—	225.0	225.0
Local Facilities[4]	8.8	21.5	26.2	56.5
Finance leases[5]	0.3	0.8	23.5	24.6
Operating leases[6]	17.4	59.3	213.4	290.1
Deferred consideration	1.4	3.6	—	5.0
Total	**27.9**	**85.2**	**916.9**	**1,030.0**

(1) Amounts in currencies other than Pound sterling are translated in this table at the relevant exchange rates as of August 31, 2018 unless otherwise stated.

(2) Represents the aggregate principal amount loans outstanding under the Senior Facilities, including £200,000,000 and €255,275,696 under the B1 Facility and €2,618,278 under the B2 Facility drawn on the Acquisition Completion Date in connection with the Santo Tomas Acquisition and an additional €1,745,519 under the B2 Facility drawn on November 12, 2018 in connection with the CEM Acquisition, translated at the exchange rate as of the Acquisition Completion Date.

(3) Represents the aggregate principal amount of the Notes offered hereby, translated at the exchange rate as of the Acquisition Completion Date.

(4) See "*Description of Certain Financing Arrangements—Local Facilities.*"

(5) See "*Description of Certain Financing Arrangements—Finance Leases.*"

(6) Includes amounts payable under our non-cancellable operating leases.

Quantitative and Qualitative Disclosures about Market Risk

We use various financial instruments. These include loans, cash, equity investments and various items, such as trade receivables and trade payables that arise directly from our operations. The main purpose of these financial instruments is to raise finance for our operations.

The existence of these financial instruments exposes us to a number of financial risks, which are described in more detail in note 25 to the financial statements for the year ended August 31, 2018. In order to manage our exposure to those risks, in particular our exposure to interest rate risk, the Group enters into a number of derivative transactions including, but not limited to, variable to fixed rate interest rate swaps. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from our financial instruments are credit risk, liquidity risk, foreign exchange risk, and interest rate risk. The Directors review and agree policies for managing each of these risks and they are summarised in note 25 to the financial statements for the year ended August 31, 2018.

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.

The following are the critical judgements (other than those involving estimation uncertainty, which are discussed below) that the management makes in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Classification of Singapore land lease—decommission liability

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

Revenue recognition—Development/facility fees

We recognize development and facility fees over the tenure or expected tenure of a student within a school. In order to do so, management determines the estimated tenure of a student in order to recognize development and facility fee revenue over the period of service provision (i.e. the student's tenure). The estimated tenure is calculated on a school by school basis using an analytical method based on historical statistics, adjusted for known or anticipated trends.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty during the periods under review that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below.

Share based payments

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

Fair value of assets and liabilities attributable to business combinations

We account for all business combinations in accordance with IFRS 3 which requires that all assets and liabilities acquired are recorded at their respective fair value at the date of acquisition. In addition we perform a purchase price allocation for each acquisition which identifies the separable intangible assets acquired as part of each business combination. To establish the fair value of these separable intangible assets, we have to make assumptions in relation to the potential future cash flows relating to these assets which involve assumptions relating to potential future revenues, appropriate discount rates and the useful life of such assets.

Impairment of goodwill

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

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

Provisions

We recognize a provision where a legal or constructive obligation exists at the balance sheet date. The amount of provision recognized is dependent upon management's estimation of the likely outcome. At the balance sheet date, provisions included amounts for onerous leases, lease dilapidations, employee termination and other specific provisions.

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

Recoverability of trade receivables

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

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

Due to the use of estimates, sometimes there will be a difference between amounts collected in future periods related to fees receivable recognized at the balance sheet date. The difference between the carrying amount of the fee receivable on the balance sheet and the amount actually collected in a future period is recognized in our Consolidated Statement of Comprehensive Income.

Deferred tax assets

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

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

Accounting standards issued but not yet effective

The material new standards and interpretations that are endorsed by the EU but not yet effective up to the date of issuance our financial statements for periods covered in this Offering Memorandum are disclosed below and will be adopted where applicable when they become effective.

IFRS 9, "Financial Instruments"

This standard addresses the classification, measurement and recognition of financial assets and liabilities and replaces the guidance provided by IAS 39 "Financial Instruments: Recognition and Measurement" with effect for the year ending August 31, 2019. Early application is permitted. The key change for the Group arising from IFRS 9 is in the requirement to use an expected loss model for recognition of bad debt provisions across the whole Group, however, the impact on the Group is not expected to be material.

IFRS 15, "Revenue from Contracts with Customers"

This standard deals with revenue recognition and focuses on the nature, amount, timing and uncertainty of revenue and its related cash flows. IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" with effect for the year ending August 31, 2019. Early application is permitted. The adoption of IFRS 15 will change the timing of revenue recognition with tuition and associated fees being recognized on a term time basis instead of the current policy of being recognized evenly over the year. Management's latest estimate of the impact of adopting IFRS 15 in the fiscal year ending August 31, 2019 is that it will decrease revenue by approximately £1 million. The increase in opening deferred revenue as of September 1, 2018 and the corresponding debit to equity reserve has not yet been finalized but is expected to be in the region of £1-5 million.

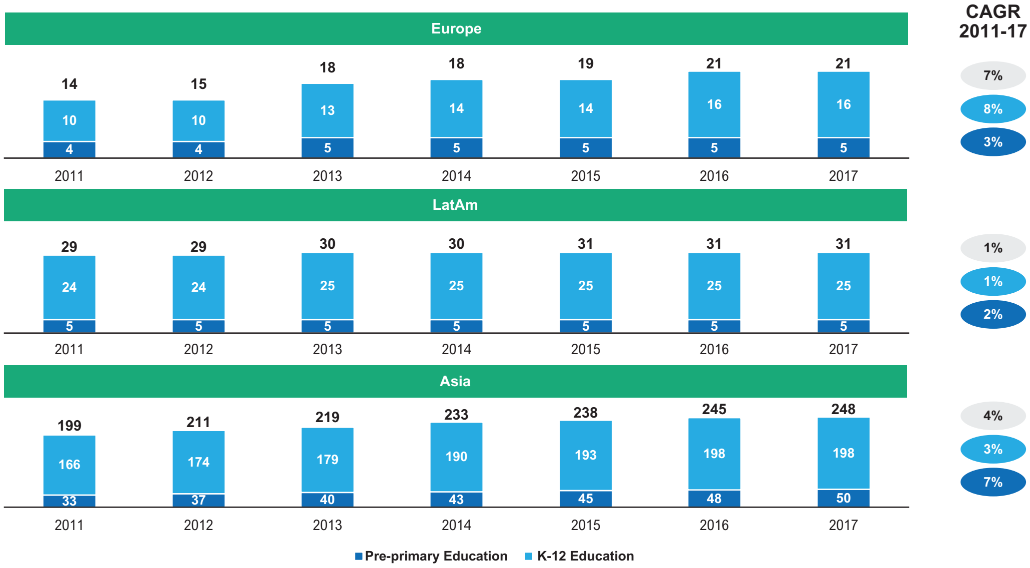
IFRS 16, "Leases"

This standard considers the definition of a lease, recognition and measurement of leases and also deals with the disclosure of useful information relating to leasing activities. The standard replaces IAS 17 "Leases" and a key change is that most operating leases held by lessees will be accounted for on the balance sheet. IFRS 16 is effective for the year ending August 31, 2020, with early adoption permitted, as long as the standard is not adopted prior to IFRS 15. The full financial consequences of adopting IFRS 16 are being calculated by management but are expected to be material. On transition to the new standard, the Group will derecognize certain balances associated with IAS 17, including prepaid and accrued rent, onerous lease provisions and recognize a new right of use asset offset by a lease liability. The net impact on equity is not expected to be material. The adoption of the standard will increase Adjusted EBITDA by replacing rental charges in the income statement with interest and depreciation charges.

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

Private-pay K-12 education provides students and parents with an alternative to public education in an environment where quality provision of public education in most jurisdictions continues to be strained by limited public funding. The global market for private-pay K-12 education is large and fast growing. UNESCO estimates that the global private-pay K-12 education enrollments grew from 288 million to 358 million at a CAGR of 4% over the period from 2011 to 2017. Such growth is primarily attributable to an increase in student enrollment at a CAGR of 7%, 4% and 1% in Europe, Asia and Latin America, respectively in the period from 2011 to 2017. In addition to increased enrollments, in management's experience, the growth in private-pay K-12 revenue is further supported by the growth in tuition fees across most markets.

Global Private-Pay K-12 School Enrollment (m)



Source: UNESCO.

The private-pay K-12 education market is highly fragmented and is served by a large number of single-school operators alongside a small number of global multi-school operators that have achieved significant scale[1], such as Cognita, Nord Anglia and GEMS. We believe that multi-school operators enjoy a competitive advantage over single-school operators not only in terms of the educational experience of students, parents, and teachers (in the form of quality, standards, organizational structure, and training) but also in terms of better capabilities to pursue expansion opportunities in-market and globally.

Resilient and Stable through Economic Cycles

The private-pay K-12 education market demonstrated strong resilience through the 2007 to 2009 global economic downturn, primarily due to the inelastic nature of demand for quality education from parents, who view education expenditures as largely non-discretionary.

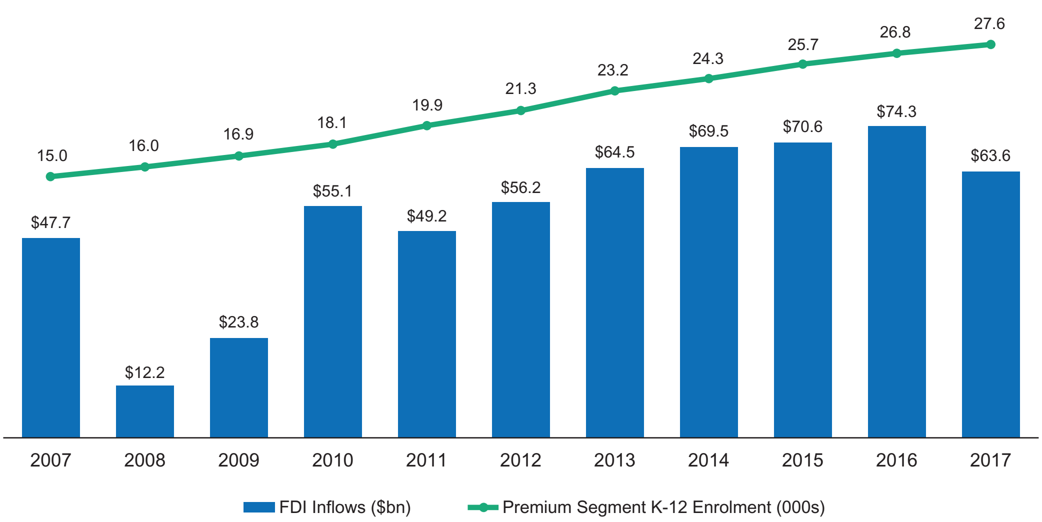
For instance, Singapore has experienced consistent enrollment increases between academic year 2007 and academic year 2018[2], despite the global financial crisis and a substantial decline in Foreign Direct Investment[3] in 2008 and 2009.

[1] Represents operators with 2017 revenue above £400 million.

[2] Singapore academic year typically runs from mid-August to mid-June.

[3] Measured in current USD, refers to direct investment equity flows.

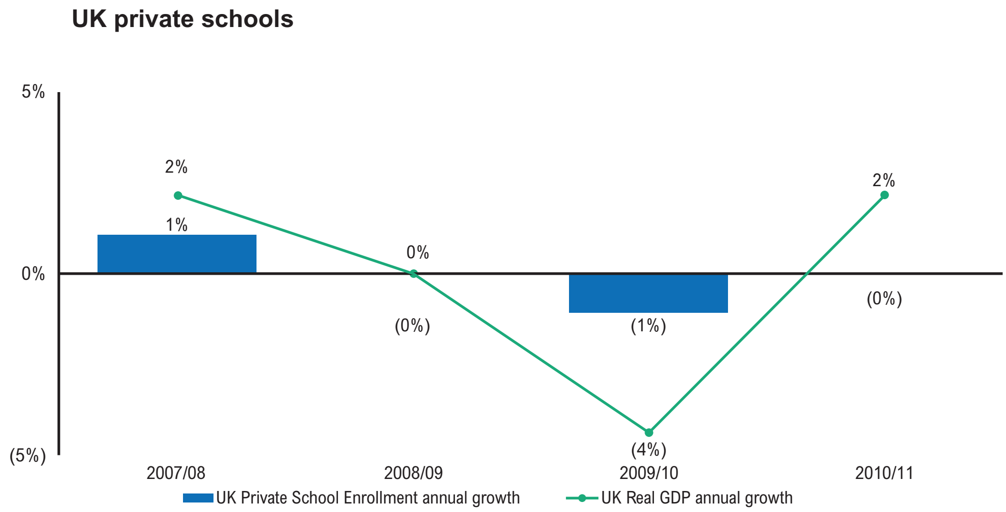
FDI Inflows and Premium[4] International K-12 Enrollment[5] Growth in Singapore



Source: The World Bank, Market Report and Management.

During the previous downturn in the UK, the decline in UK private enrollment was relatively muted vis-a-vis the decline in UK real GDP growth. In management's experience, the modest decline in enrollment was more than offset by fee growth experienced over the same period.

UK Private-Pay K-12 Enrollment and UK Real GDP Growth[6]



Source: Market Report.

Demand and Supply Drivers

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

Demand Drivers

Demand for English Language Education

Due to the continued increase in importance of the English language in non-English speaking countries, we believe that parents in these markets consider the quality of English teaching to be an important criterion when

4 Premium segment is defined as schools with tuition fee greater than SGD 30,000 in 2018.

5 Includes both not-for-profit and for-profit enrollments

6 GDP growth was lagged by one year to account for delayed impact on private school enrollment

choosing a school. Attending schools that teach in English better prepares children for post-secondary education at universities that teach primarily in English. We believe parents increasingly emphasize the pursuit of education in highly ranked universities, many of which are located in English-speaking countries, as a path to a successful career. Obtaining quality primary and secondary education in English enhances the likelihood of admission to, and success, at these top universities.

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

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

Strong Academic and Career Outcomes

Private-pay K-12 operators aim to provide an educational experience that tends to focus on stronger academic outcomes relative to public school alternatives. Strong academics are among the highest ranked factors that parents and students consider when choosing schools. Since most international private-pay K-12 schools focus on internationally recognisable curricula, this focus drives demand from both local and expatriate students. For example, for local students, curriculum preference tends to be driven by location of university aspirations abroad. Similarly, for expatriates, the right curriculum options are critical for parents to ensure consistency of education for their child, as well as portability of credits and ease of transfers to the next school.

Local Student Population

Across both developed and emerging markets, the local student population demand for private-pay K-12 education has seen consistent growth. For example, in many of our catchment markets, like Barcelona, Spain where demand for English- and Spanish-based curricula exists, local students make up approximately 40% of the student population in English based schools and 75% of the student population in Spanish based schools. Further, in Sao Paulo, Brazil, approximately 93% of the student population is local. Similar trends are present in Asia and the United Kingdom. Similarly, local students in Ho Chi Minh City, Vietnam, make up over 70% of the student population within the international and bilingual K-12 market segments. This growth has been driven by several structural factors:

Increases in Household Disposable Incomes

Increases in household disposable income (especially in emerging markets) make private education more affordable for an increasing number of families. In management's experience, many of the markets in which we operate have experienced significant growth in household disposable incomes.

Greater Parental Aspirations

In general, parents strive to provide the best possible educational opportunities for their children. In emerging markets, with growing disposable income, parents realize the link between education and further advancement and prioritize the education of their children accordingly.

Expatriate Student Population

A Growing Global Expatriate Population

Globalization has led to increasing FDI and an increasing number of expatriates. Studies indicate that expatriates prioritize quality and continuity of education for their children, and seek schools that provide similar curricula and academic standards as schools in their home country. We believe that an increasingly global and connected economy coupled with continued FDI growth will drive continued demand for premium international K-12 education options.

Employer Support for Education Spend

To facilitate and encourage international assignments, employers of expatriates often reimburse parents for tuition fees, make direct payment of fees to educational institutions or provide lump sum payments that parents use to pay tuition, further supporting demand for quality private-pay K-12 education options.

Government Support for International Education

In our end markets, governments have generally been supportive of and have encouraged the expansion of private educational options. Governments support private education with international curricula, in part, because high-quality international education supports expatriate families and FDI growth.

Supply Drivers

Limited High Quality Public School Options

Public investments in education tend to focus on access to education and prioritize national curricula. Parents looking for a high quality education, especially one that offers international curricula, tend to focus on private-pay opportunities for their children. As a result, parents who can afford private education generally turn to that alternative across both developed and developing markets.

Limited Investment in Capacity

Investment in new or expanded capacity at public and single-operated private-pay K-12 schools in most of the countries in which we operate has not kept pace with the increasing demand for quality education. In our end markets, the majority of government funding is spent on teacher salaries, other current expenses, and maintenance capital expenditures, with limited remaining funding available for capacity expansion.

Most single-school private-pay K-12 operators are resource constrained in terms of management's ability to expand capacity. Consequently, historically, many of these operators have not increased capacity even when demand in their markets has exceeded supply, creating significant and attractive opportunities for multi-school operators to expand capacity and deliver high-quality education and school options.

Additionally, when governments or regulators, such as in Singapore, plan capacity expansion for private-pay K-12 international curriculum education, they generally expect operators to have a strong reputation and to be able to demonstrate their scale and ability to finance such expansion as well as to have a proven track record of meeting demand for private-pay K-12 international curriculum education. As we are one of very few multi-school operators with global scale, we consider ourselves well-positioned to work with governments and regulators to achieve desired capacity expansion.

High Barriers to Entry

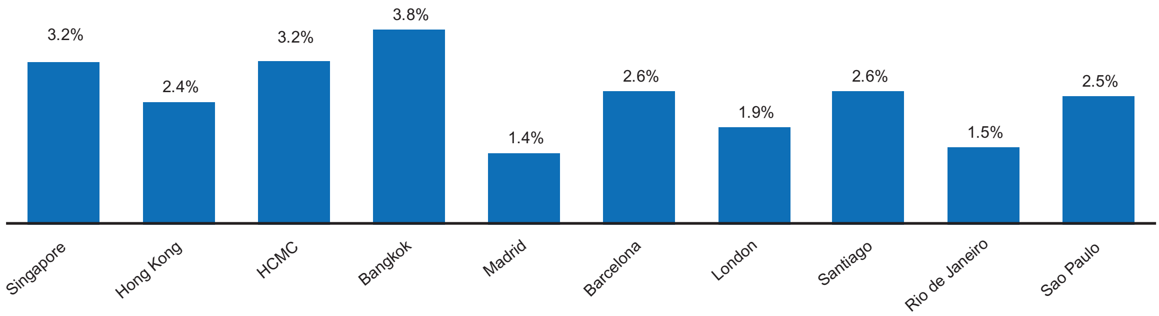
The private-pay K-12 education industry has high barriers to entry, making it challenging for new entrants to take market share from incumbents. Barriers generally include:

- Lead time required to build brand recognition and reputation, both on a local and global basis: due to the intimate nature of education and its impact on lifelong trajectory, parents carefully consider the reputation of schools for their children and tend to choose established schools;
- Challenges faced by inexperienced operators in securing government licenses and regulatory approval in many jurisdictions; and
- Scarcity of real estate (especially in urban centres) in commercially viable areas that can accommodate a sizeable campus with comprehensive high-quality facilities and the importance of a deep understanding of the local real estate markets including relevant catchment dynamics and land acquisition process.

Revenue Visibility and Predictability of Cash Flows

The private-pay K-12 market is characterized by strong revenue visibility due to the nature of long student tenures and yearly fee increases above inflation. In management's experience, the market enjoys long average student tenure: 8-10 years for local students and 4-6 years for expatriate students. School tuition is considered by parents as "non-discretionary" spending. This visibility is further enhanced by competition among students to gain a spot in prestigious private-pay K-12 institutions. This allows operators to effectively plan for the future, and increase capacity knowing where future demand is likely to come from. Considering the inherent operating leverage in the model, at high utilization levels, the market is able to achieve strong cash flows with a high degree of certainty.

Overall Fee Growth Premium Over Market Inflation (2015-2018)



Source: Market Report.

Our Geographic Markets

Founded in 2004 in the United Kingdom, we operate a portfolio of 71 private-pay K-12 schools in eight countries. While still retaining a strong presence and heritage in the United Kingdom, the main expansion focus has been the emerging markets that offer compelling growth opportunities and favorable catchment area dynamics. Over the last 14 years, our platform has expanded to three continents. Each market entry, acquisition and expansion is a result of a thorough, rigorous and analytical assessment.

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

Market Size[7] in Terms of Revenue and Enrollments	Market Revenue (£m) Academic year[8] End	AY18-23 CAGR Academic year End	Enrollments as of Academic year End (‘000)	AY18-23 CAGR Academic year End
England				
London				
2015	2,300		155	
2018	2,710		163	
2023	3,620	6%	179	2%
Spain				
Barcelona				
2015	40		4	
2018	55		5	
2023	95	11%	6	5%
Madrid				
2015	105		11	
2018	125		12	
2023	170	6%	14	2%
Hong Kong				
2014	465		38	
2018	680		45	
2024	1,095	8%	56	4%
Singapore				
2015	495		26	
2018	595		28	
2023	885	8%	33	3%

7 We are an operator of scale with an offering that spans a wide range of price-points and curricula across our markets. The definition of Market Size in the Market Report was tailored, based on feedback from management, to the addressable market based on our offerings in the relevant market (including, among other factors, the predominance of expatriate and local students, curriculum offerings, price-points and geography.

8 Academic year end; typically end of summer in most markets.

Market Size[7] in Terms of Revenue and Enrollments	Market Revenue (£m) Academic year[8] End	AY18-23 CAGR Academic year End	Enrollments as of Academic year End ('000)	AY18-23 CAGR Academic year End
Thailand[9]				
2015	395		34	
2018	490		38	
2023	690	7%	45	3%
Vietnam				
Ho Chi Minh City				
2015	160		18	
2018	240		24	
2023	445	13%	32	7%
Brazil				
Rio de Janeiro[10]				
2015	45		11	
2018	55		10	
2023	75	6%	11	2%
Sao Paulo				
2014	270		30	
2017	350		30	
2024	540	8%	35	2%
Chile				
Santiago				
2015	135		46	
2018	185		52	
2023	260	7%	61	3%

Source: Market Report estimates.

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

United Kingdom

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

London

The London private-pay K-12 education market accounted for approximately £3 billion in revenue and enrollments of approximately 220,000 students in academic year 2018 according to the Market Report. Our addressable market, defined by premium pricing strategies[11], represents approximately £2.7 billion in revenues and enrollments of approximately 163,000 students. The Market Report estimates enrollments in this premium private schools segment to grow at a compounded annual rate of 2.0% between academic year 2018 and academic year 2023, and projected number of students to increase to approximately to 179,000 by the end of such period.

According to the Market Report, the London private school market is highly capacity constrained, with an average capacity utilization of approximately 90%. Adding additional capacity is difficult due to constraints on school site availability, and enrollment growth has historically exceeded capacity growth across the market. The Market Report indicates that fees in this competitive market have grown at an approximately 2.0-2.5% premium to inflation over the last 5-6 years. This has allowed premium private-pay K-12 operators, like us, to compete across the British and IB curricula spectrums with annual fees ranging from £12,000-28,000.

Spain

According to the Spanish Ministry of Education, the majority of the private-pay K-12 schools in Spain operated on a "concerted" basis in the academic year 2016-2017, where a large portion of the fees and expenses were

9 Represents addressable market in Bangkok and Eastern Seaboard region.

10 Refers to Niteroi region market.

11 Annual tuition fee above £9,000.

subsidized by the government and offer Spanish curriculum, while the remaining private-pay K-12 schools operate on a "fully private-pay" basis where fees are paid solely by parents and offer Spanish, International and bilingual curricula.

Our schools in Spain operate solely on a "fully private-pay" basis and offer the British curriculum, which is supplemented with the Spanish national curriculum and therefore are not dependent on government.

Barcelona

The Barcelona premium private-pay K-12 education market[12] accounted for £170 million in revenue and enrollments of approximately 24,000 students in academic year 2018 according to the Market Report. The market is comprized of English language-based International, Spanish bilingual and other language-based international schools. We compete within the fast-growing English language-based segment[13], which encompasses £55 million of revenue and is expected to deliver an approximate compound annual revenue growth rate of 11% between 2018 and 2023.

The premium private-pay K-12 market has historically grown at 11% annually since 2015. This premium private market in Barcelona has been driven by enrollment growth of 6% annually and fee growth of approximately 5% during academic year 2015-2018. Despite the recent capacity expansion of approximately 700 seats in the last three years, the Market Report reveals that demand growth has outpaced supply growth, resulting in a segment capacity utilization of approximately 87%. Per the Market Report, the market enrolls approximately 5,000 pupils across 11 schools in 2018, which is expected to increase to approximately 6,000 students by academic year 2023, implying a compound annual growth rate of 5% over the period.

Madrid

The Madrid premium private-pay K-12 market[14] is expected to account for £305 million in revenue and enrollments of approximately 45,000 students in academic year 2018 according to the Market Report. English-based international, Spanish bilingual and other language international schools are the main segments in this market. We compete in the English-based international segment[15] which is £125 million in revenue and enrolls approximately 12,000 students. Revenue from this segment[16] accounts for approximately 41% of the overall market revenue. The Market Report estimates enrollment in this segment of the market to grow at an annual rate of 2.5% between academic year 2018 and 2023 to reach approximately 14,000 pupils by the end of the period.

According to the Market Report, Madrid's premium private-pay K-12 market revenue annual growth rate of 7% has been driven by enrollment growth of 4% and fee growth of 2.6% between 2015 and 2018. According to the Market Report, the market has added approximately 2,000 seats over the last three years, but despite this increase, capacity utilization remains at approximately 90%.

Hong Kong

The most common school type in Hong Kong K-12 market falls in the government aided segment; such schools are run by charitable or religious organizations and are either fully or partially funded by the government. We compete in the premium private segment of the market, which includes international schools, private independent schools and English Schools Foundation. The premium international segment is comprized of schools typically catering to a mix of both local and expatriate students as the international curricula offerings include British, IB, American, Australian, Canadian and Montessori.

The overall Hong Kong Market is capacity constrained due to land scarcity with utilization levels consistently exceeding 90%.

The premium private Hong Kong K-12 market[17] accounted for approximately £680 million in revenue and enrollments of approximately 45,000 students in academic year 2018 according to the Market Report. The market has shown consistent enrollment growth of 4 to 5% per year since 2011. The Market Report estimates market enrollment to grow at 5.7% annually between academic year 2018 and academic year 2024 to reach 56,000 pupils by the end of the period.

[12] Annual tuition fees above €3,000.

[13] Annual tuition fees above €8,800.

[14] Annual tuition fees above €3,000.

[15] Annual tuition fees above €8,800.

[16] Annual tuition fees in this segment range from £8,000 to £14,000.

[17] Annual tuition fees above approximately £11,500 (HKD 125,000).

Current regulations are favorable for schools already operating in the region given limited site availability, long lead time to gain licenses, approvals needed to build and expand campuses and rules around percentage of seats allocated to non-local students and type of curricula that can be offered by international schools.

Due to historical capacity constraints and long waitlists, some premium schools in Hong Kong require an upfront payment (debenture system) to secure their child's admission to the school. These upfront payments help parents gain priority admissions for their children and help schools raise funds for operating costs and other capital outlays.

Singapore

The international K-12 education market in Singapore accounts for £900 million in revenue and enrolls approximately 50,000 students and has the highest number of large scale[18] assets relative to other global K-12 markets.

Our schools in Singapore cater exclusively to expatriate families and offer Australian, IB and American curricula as regulations prohibit most Singaporean nationals from attending international schools. We compete within the premium segment of this market[19], which is the largest segment and accounts for approximately £595 million in revenue and enrollments of approximately 28,000 students according to the Market Report.

According to the Market Report, enrollment is estimated to grow at approximately 3% annually between academic year 2018 and academic year 2023, reaching approximately 33,000 students by the end of such period.

Over the past decade, market revenue has grown at approximately 10-12% annually, driven by enrollment growth of approximately 6% and a fee growth at a premium of 2-4% over inflation. The market has consistently operated at capacity utilization levels of approximately 80-90% as new school sites are difficult to establish due to the Economic Development Board's control over supply and scarcity of potential sites. According to the Market Report, the international K-12 market mainly caters to high-income expatriates; expatriates attending schools in Singapore typically spend three to four years in the country, which leads to an approximate annual turnover of 25-30% of students.

Vietnam

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

Ho Chi Minh City (HCMC)

According to the Market Report, the international and bilingual K-12 market is £300 million in revenue and enrolls 45,000 students and has grown at approximate 13% average growth rate between academic year 2015 and academic year 2018. Within this broader market, our addressable market comprises of the High-End Expatriate International, Vietnamese International and Premium Bilingual segments, which enrolls approximately 24,000 students and expects to generate revenues of £240 million in academic year 2018. According to the Market Report, the student mix within both of these segments is evolving and has been driven by Vietnamese student growth (approximately 11% CAGR) and Asian expatriate student growth (approximately 5% CAGR), while Western expatriate student growth has been more modest (approximately 1% CAGR). The Market Report estimates that enrollment in the addressable market is expected to grow approximately 7% annually between academic years 2018 and 2023, expanding from approximately 24,000 to 32,000 pupils.

Thailand

K-12 schools in Thailand enroll approximately 8.8 million students of which roughly 2.2 million are enrolled in private local and international schools. The private-pay K-12 education market in Thailand is comprised of local and international schools with local schools accounting for the largest portion. Our schools in this market operate as international schools catering to a combination of local and expatriate families by offering British and IB curricula.

[18] Nine campuses with tuition revenue greater than £40 million each

[19] Annual tuition fees above £16,500(SGD 30,000).

Bangkok

The private-pay K-12 market accounts for approximately £450 million in revenue and enrollments of approximately 36,000 students in academic year 2018 according to the Market Report. Within this broader market, we compete in the premium international segment, which is the fastest growing segment in terms of revenue (annual average growth of 10% compared from academic year 2015 to 2018). The Market Report estimates 55% of the broader market enrollment is comprised of local Thai students and both local and expat students have driven market growth over the past 3 years. The overall market in Bangkok has a capacity utilization of approximately 75%, with capacity growing approximately 3% annually between 2015 and 2018. The Market Report indicates that current regulations are favourable for schools in Bangkok as they allow local student enrollment and do not limit International schools to curricula mandated by Thailand's education regulatory body.

Eastern Seaboard

Eastern Seaboard is the region covering three eastern provinces (Chonburi, Chachogengsao and Rayong) which are export oriented manufacturing hubs in close proximity to Bangkok. The Eastern Seaboard international K-12 market accounted for £35-40 million in revenue and enrollments of approximately 3,000 students according to the Market Report. We compete in the premium segment[20] of the market, which accounts for approximately 2,000 students of the 3,000 students. Expatriate students account for two-thirds of total enrollments according to the Market Report estimates. The Thai Government has planned £35 billion of investments in the region to develop infrastructure and promote industries which is expected to support future demand for international education.

Brazil

Brazil is one of the largest markets for private-pay K-12 schools in Latin America. The total private K-12 enrollment in Brazil is approximately 8 million. Sao Paulo and Rio de Janeiro are largest K-12 markets in Brazil, representing 35% of Brazil's total private K-12 enrollment. Demand for private-pay K-12 education in Brazil is supported by a growing emphasis on English language proficiency. The market in Brazil is comprised of local, international and bilingual schools, with local schools accounting for the largest proportion. Our schools in this market operate as bilingual schools, catering primarily to local families by offering the Brazilian curriculum in both Portuguese and bilingual formats.

Rio de Janeiro

Private K-12 enrollment in Rio de Janeiro was approximately 1.1 million students as of 2018 according to the Market Report. From this broader market, our catchment within the Niteroi region accounts for approximately 10,000 students which consists primarily of local students, striving to attend schools with average student ENEM[21] scores above 620. The Market Report estimates that this focus segment is expected to generate revenues of approximately £55 million in academic year 2018. It is estimated to grow to approximately 11,000 pupils by academic year 2023, representing an average annual growth rate of 2%. According to the Market Report, growth in this segment is driven by macro factors such as disposable income per household and by overall GDP. Capacity utilization in this segment for academic year 2018 is expected to be approximately 87%.

Sao Paulo

According to the Market Report, Sao Paulo's private K-12 market enrolled approximately 2.1 million pupils in 2017. Our focus segment in Sao Paulo, defined by international, bilingual, and Brazilian national curriculum-focused schools, generated revenues of approximately £350 million and enrolled approximately 30,000 students in academic year 2017. In Sao Paulo, there are 42 schools across 50 campuses operating in the relevant price segment and similar catchment area[22]. The Market Report estimates enrollment in this segment will grow at an annual rate of approximately 2% between academic years 2017 and 2023, expanding to approximately 35,000 students by the end of the period. This expansion is expected to be driven by strong growth in disposable income per household and steady real GDP growth during the time period.

Chile

K-12 schools in Chile enroll approximately 3.6 million students. According to the Market Report, the private non-subsidized segment accounts for roughly 9% of total K-12 enrollments (approximately 317,000 students) in

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20 Annual fees between £10,000 and £15,000 (THB 450,000 – 650, 000).

21 Brazilian National High School Exam.

22 45 minute driving distance from Cognita campus.

academic year 2018 and includes Spanish, Bilingual and International schools that are full fee charging. This segment has demonstrated annual enrollment growth rate of approximately 5% from academic year 2015 to 2018. Our schools in this market operate as fully private schools, catering to local families and offering the Chilean (bilingual) curriculum.

Santiago

According to the Market Report estimates, the private non-subsidized private-pay K-12 education market in Santiago enrolled approximately 189,000 students in academic year. Our relevant catchment[23] in Santiago enrolls approximately 52,000 students and generated approximately £185 million of revenue in academic year 2018. The Market Report indicates that the premium[24] and mid-priced[25] segments accounts for approximately 50% of the total revenue. During the period from academic year 2015 to 2018, revenues in the premium- and mid-priced segments grew at approximately 10% and 12% annually, respectively. The Market Report estimates that enrollment in these segments will grow from 52,000 to 61,000 students between academic years 2018 and 2023, representing approximately 3.2% average annual growth rate and the revenue growth is expected to be 7.4% over the same period.

[23] Refers to private not subsidized schools in communes where Cognita schools are located and annual tuition fee above CLP 1.5 million.

[24] Defined by annual tuition of approximately £2,700-3,600 (CLP 2.3-3 million).

[25] Defined by annual tuition of approximately £1,800-2,700 (CLP1.5-2.3 million).

BUSINESS

Overview

We are a leading global operator of private-pay K-12 schools currently comprising 71 schools in 8 countries across Asia, Europe and Latin America with a total Average Student Capacity of 50,659 places and a total Average FTE Student Enrollment of 38,379 FTE students for the fiscal year ended August 31, 2018. Total Average Student Capacity and total average enrollment increased by 17.4% and 14.2%, respectively, between the fiscal years ended August 31, 2016 and August 31, 2018. For the fiscal year ended August 31, 2018, our revenue and Adjusted EBITDA were £430.5 million and £80.3 million, respectively.

Each Cognita school has its own unique ethos, with curricula and programs tailored to the needs of the students and parents in the market it serves. Our distinctive offerings are underpinned by our commitment to deliver on the three primary aspects of a Cognita education: high academic standards, strong character development and a global perspective. We offer a wide and diverse range of curricula across regions to appeal to both local and expatriate populations, including: the British curriculum, which is based on the standardized national curriculum for England and which, with respect to our Spain segment, is supplemented with the Spanish national curriculum; the International Baccalaureate ("IB"), a prestigious and rigorous internationally recognized diploma program; the American curriculum (American Education Reaches Out standard, Massachusetts state standards, the New York state standards and the Texas state standards); the Australian national curriculum; the Brazilian national curriculum and the Brazilian (bilingual) curriculum, which is based on the Brazilian national curriculum; and the Chilean national curriculum and the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum. We believe that this multi-curriculum approach allows us to better serve a variety of attractive market segments while still preserving our academic and institutional standards. All of our schools have an English language offering. In addition, we believe that, throughout our organization, we benefit from our established reputation for providing academic excellence, high quality teachers and appealing school facilities.

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

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

We operate in developed and developing markets and our success in increasing enrollment reflects the underlying strength and favorable dynamics of these markets. The developed and many of the developing markets in which we operate (such as Vietnam and Thailand) are characterized by stable market fundamentals, including a large middle class and a strong and established private school presence. Our success in the developing markets in which we operate is based, in part, on the sizeable pools of expatriate families in these markets, the increasing wealth among local families, each of whom value and demand high quality education for their children and the increasing demand for English language or bilingual schools such as ours.

Substantially all of our revenues are from private-pay sources without exposure to changes in government funding.

Our operations are backed by a large and attractive portfolio of well-invested and well-maintained campuses and facilities. Our real estate portfolio comprises of 126 sites, of which 36 are owned on a freehold basis and the remaining 90 are leasehold properties on lease terms that we believe are favorable for our operations. The average remaining tenure with respect to our leasehold school properties is 23 years. The book value of our real estate portfolio at cost as at August 31, 2018 was £559.6 million. See "*Business—Properties*" for more information on our properties.

Our Strengths

Structurally growing market

We operate in the large and growing global private-pay K-12 education market. Although we operate globally, our operations have a strategic focus on high value, growing, gateway markets such as: Singapore, Ho Chi Minh

City (“HCMC”), Hong Kong, Bangkok, Madrid, Barcelona and London. According to the Market Report, between academic years 2015-2018 (except for Hong Kong, which is measured from academic year 2014-2018), Pre-K-12 revenue in these attractive segments grew at an annual CAGR as follows: Singapore (6%); HCMC (14%); Hong Kong (10%); Bangkok (includes the Eastern Seaboard region) (8%); Madrid (7%); Barcelona (11%) and London (6%). With existing facilities and experience in each of these gateway cities, we consider ourselves well positioned to capture some of this market growth.

Revenue growth in the market is underpinned by high growth in private school enrollments compared to public enrollments. According to UNESCO, in Europe there were approximately 16 million private K-12 students in 2016 and their numbers grew at a CAGR of 8% from 2011 to 2017, in Latin America (including the Caribbean) there were approximately 25 million private K-12 students in 2017 and their numbers grew at a CAGR of 1% from 2011 to 2017 and in Asia (including Central, Southern, Eastern and Southeast regions) there were approximately 198 million private K-12 students in 2017 and their numbers grew at a CAGR of 3% from 2011 to 2017. Research by Euromonitor and Oxford Economics suggests that the relevant school going population for the private K-12 market (aged 3-17 year olds) grew by a CAGR of 0.9% across our key European and Asian markets from 10.6 million in 2015 to 10.9 million in 2018 and is expected to continue to grow at a CAGR of 0.9%, reaching 11.4 million by 2023.

Demand for our schools is driven by both local and expatriate demand. For the fiscal year ended August 31, 2018, we had approximately 75% of local students and 25% of expatriate students. The exact percentage of expatriate students varies significantly country-by-country. Our schools in Hong Kong and Vietnam rely on approximately 49% and 58% expatriate students, respectively, whereas our schools in Chile and Brazil entirely rely on local demand.

Local Demand

The developing markets, in which our schools target local families, have seen both strong parental aspirations not met by public education and an increase in household disposable income in recent years, which has made private education both more affordable and more desirable for an increasing number of families. Furthermore, we believe that demand for private education in these regions is supported by the importance that parents and students living in non-English speaking countries place on English language fluency, which, in turn, supports demand for English language or bilingual schools such as ours, most of which have an English-language offering. Additionally, there is an increasing desire among parents for their children to study abroad at foreign universities. This in turn drives demand for private-pay K-12 schools, such as ours, that are perceived to have a strong record of student placements to reputed higher education institutions. Many of our schools offer college counseling and pre-university programs. We believe that these increases in disposable income, combined with the demand for high quality education, are key drivers of growth in student enrollment in private-pay K-12 schools in these markets.

Expatriate Demand

The international markets in which we serve expatriate families, including Singapore, HCMC, Hong Kong, Bangkok, London, Barcelona and Madrid are located in countries that have experienced strong GDP growth, with an associated increase in expatriate populations who, we believe, prioritize quality and continuity of education for their children and seek schools that provide a similar curriculum and academic standards as schools in their home countries.

The following table shows the annual growth in GDP between 2015 and 2018 and the estimated annual growth in GDP between 2018 and 2023 in our key regions, according to the IMF:

	2015-2018	2018-2023
Singapore	3%	3%
Vietnam	7%	7%
Hong Kong	3%	3%
Thailand	4%	4%
UK	2%	2%
Spain	3%	2%

The following table shows enrollment growth between the academic year 2015 and 2018 (except for Hong Kong, which is measured from academic year 2014-2018) and the estimated enrollment between 2018 and 2023 in our key expatriate cities, according to the Market Report:

	2015-2018	2018-2023
Singapore	3%	3%
HCMC	9%	7%
Hong Kong	5%	4%
Bangkok[1]	4%	3%
London	2%	2%
Barcelona	6%	5%
Madrid	4%	2%

Note:

(10) Includes the Eastern Seaboard region.

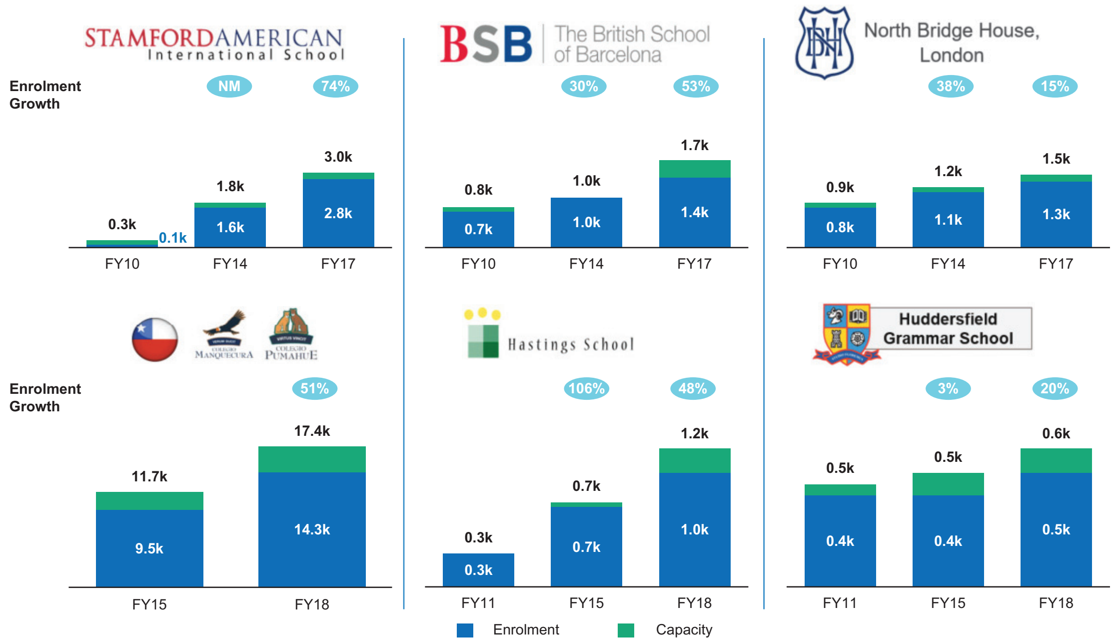
We expect this continued growth in GDP to result in growing expatriate populations in these countries and to lead to increased enrollments.

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

Leading global K-12 operator

We are a leading global operator of private-pay K-12 schools, with a strong presence in the most attractive private-pay education markets and gateway cities. With 71 schools and more than 42,000 students across 8 countries as of the date of this Offering Memorandum, we operate as a platform of scale and have a leading position in our chosen markets, which enables us to provide multiple programs world-wide at differentiated price points that are appropriate for the relevant local markets. Of the leading private-pay K-12 global operators, we are the only global schools group with a platform spanning multiple curricula, geographies and price points. This platform yields strategic flexibility to continue our growth trajectory at different price points.

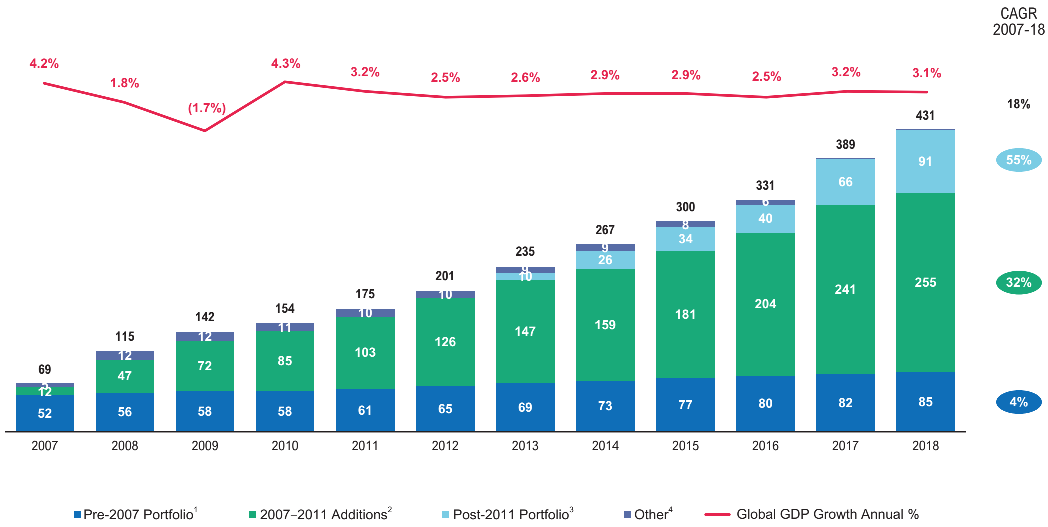
We have a historical presence and strong positioning in the UK and Spanish markets (where we currently have 46 schools and more than 14,000 students), which are supported by favorable regulations in these markets as well as strategic growth investments. In Latin America, we have recently undertaken strategic expansions in Brazil and Chile (where we currently have 14 schools and more than 17,000 students), the countries in the region with the highest enrollment growth in private international and bilingual schools. In Asia (where we currently have 11 campuses and more than 10,000 students), we have a leading presence in the largest premium K-12 markets, where price, enrollment growth and government-controlled supply dynamics are strong. In markets where we have undertaken expansions, we have proved successful at filling new additional capacity. The charts below include select examples of enrollment growth to meet expanded capacity at our schools:



We continue to build on this platform of scale and to increase our capacity through targeted expansions in our existing markets and deliberate entry into key strategic markets (including in new regions such as the Middle East), including dense, high-growth emerging markets, to sustain our trajectory. This is underpinned by a data-driven approach analyzing catchment area dynamics, the supply/demand imbalance and country level macro factors. We utilize a multi-faceted growth strategy which includes capacity expansion, acquisitions and greenfield developments and focus on gateway cities within specific markets.

The following chart shows our historical revenue growth compared to global GDP growth (according to the World Bank), including on a like-for-like basis for our Pre-2007 Portfolio, our 2007-2011 Additions, our Post-2011 Portfolio and Other for the period indicated below:

Historical Revenue Growth (£m)



(1) A school is included in the Pre-2007 Portfolio if it has been owned by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2018. This excludes schools that were acquired or disposed of at any time after August 31, 2006.

(2) A school is included in 2007-2011 Additions if it has been acquired by us from the first day of the fiscal year ended August 31, 2007 to August 31, 2011 and owned by us until August 31, 2018.

(3) A school is included in the Post-2011 Portfolio if it has been acquired by us from the first day of the fiscal year ended August 31, 2011 and owned by us until August 31, 2018.

(4) Other comprises all other elements of our offerings, that we commenced operating after August 31, 2011 and schools that we formerly owned but which we disposed of prior to August 31, 2018. For historical revenue growth, Other also includes adjustments for currency exchange rate differences and adjustments between our management accounts and our audited financial statements.

High quality education

In keeping with our philosophy of providing an "Inspiring World of Education," we deliver a consistent, principles-led framework for education which instils academic excellence, develops character and nurtures a global perspective. In February 2017, we established an Education Advisory Board ("EAB") to drive outstanding educational practices across the Group and focus on evidence to improve academic outcomes. The EAB chaired by Sir Kevan Collins, who is currently the Chief Executive of the Education Endowment Foundation (an independent charity organization dedicated to the improvement of the educational attainment of underprivileged students in English schools). The EAB's mission is to accelerate academic improvement, build teacher capacity, share effective best practices and establish external partnerships.

We have developed the "Cognita Way," which is a framework we use to drive improvements at our schools and maintain the high level of education valued by Parents through:

- *Energized Leadership*: We believe that a key to driving improvement and academic success for our students is the academic vision of our Head Teachers. As such, we have a careful recruitment process for our school Head Teachers. Once Head Teachers are hired, we endeavor to ensure stability over time by investing in our leaders to inspire and share best practices they develop.

- *Personalized Learning*: We focus on high quality learning in each classroom and on providing the right level of challenge and support for each student and we underpin this approach with data and predictive tools to track student progress, benchmark individual student attainment and allow us to make informed decisions based on the student's particular situation.

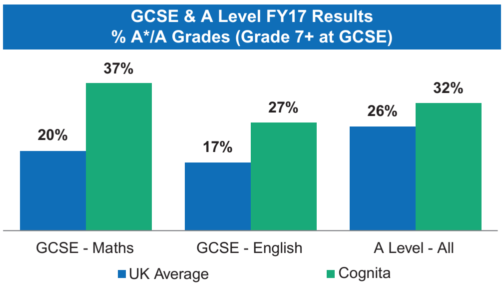
- *People Growth*: We view employing skilled and well-educated teachers at all of our schools as an important driver of the success of our product offering, and we have a professional and diligent approach to recruitment and selection, with tailored practices specific to each region. We also invest in the professional development of our teachers to help them to enhance their skills as well as to maintain high motivation levels, for example, by providing career advancement prospects and the opportunity for teachers with high potential to complete Masters programs in education. By operating as a global group, we also provide internal opportunities to our teachers such as workplace shadowing and secondments, which may not be available with single school operators. In addition, our global platform and Group central and regional management teams free up school management and teachers from dealing with commercial and administrative matters so that they have more time to focus on high quality teaching and learning.

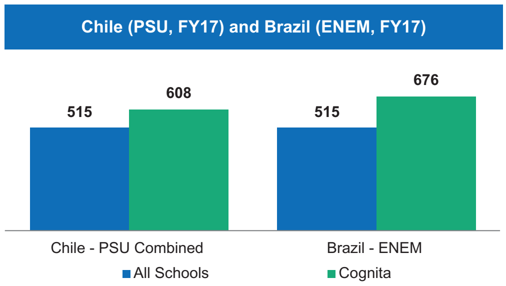
- *Community*: We actively seek to listen to and engage with the key people in each school community. We run a consistent system for gathering feedback across all regions through engagement with students (Voice of Students, VoS), parents (Voice of Parents, VoP) and employees (Voice of Employees, VoE) and utilization of CSAT tools such as Confirmit. Additionally, we work with a range of associations and accreditation bodies and school inspectorates and engage with the global education sector through participation in debates and conferences and partnerships with leading independent schools.
- *Innovation*: We strive to maintain innovative curricula at our schools and constantly seek to implement new learning solutions and programs, both in the classroom, such as our full bilingual and English as an Additional Language (EAL) programs, and outside of the classroom, such as our outdoor learning and leadership development programs through our ALG division.
- *Brilliant Basics*: We have developed systems and best-practices that are applied across our network to ensure that all of our schools are run according to the highest standards of safeguarding and health and safety, allowing us to maintain accreditation and comply with local regulatory frameworks to help streamline the operation of our schools. We have also implemented a global finance system and we are in the process of implementing global solutions for HR, admissions and marketing.
- *International accreditations*: We have received accreditations from the leading international educational organizations, such as Cambridge Assessment International Education, Council of International Schools, COBIS, IB World School and NEASC. We are an outward looking organization, looking to learn from best practices globally.

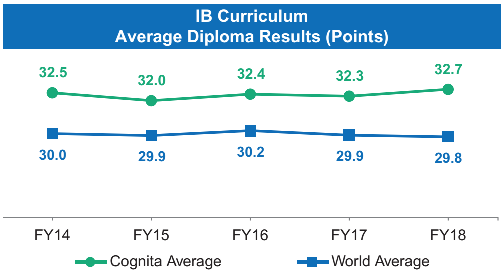
Our continued focus on high quality education has enabled our schools to achieve examination outcomes which are generally well above the relevant national, regional or global averages for each curriculum despite the fact that the majority of our schools are non-selective, for example:

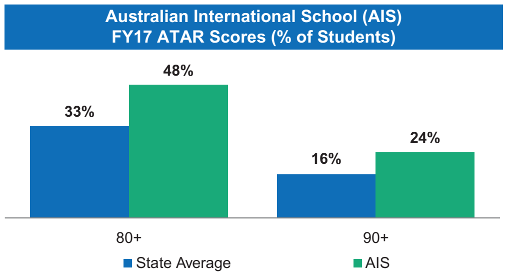
- Over the past three years, our British curriculum schools in the United Kingdom and Spain consistently achieved GCSE outcomes (in Math and English) significantly above the United Kingdom national average.
- Over the past five years, students at our IB curriculum schools achieved outcomes ahead of the “world average” despite being non-selective schools, whilst the IB curriculum is, in many cases, offered by selective schools.
- The Australian International School consistently achieves well on the Australian Tertiary Admission Rank (“ATAR”) when compared to New South Wales. In 2017, the school had a mean ATAR score of 75.3 compared to a mean ATAR score of 70.0 for New South Wales. Additionally, 48% of AIS students gained an ATAR score over 80 points.
- Over the past 10 years, our schools in Chile and Brazil have achieved PSU results (the standardized university examination used in Chile) and ENEM results (the standardized university examination used in Brazil) well above the respective national averages.

The following charts highlight our schools' superior academic performance as compared to national and world averages for the fiscal year ended August 31, 2017 with respect to the UK, Chile, Brazil and Australia and for the last five fiscal years with respect to our IB program:









The high quality academics and student care delivered by our schools are also recognized by external school inspections. As of August 31, 2018, every school inspected by the Independent School Inspectorate in the UK was deemed fully compliant with regulations. In the period 2011-2017, inspections outcomes in the UK improved significantly. In 2011, 20% of grades were outstanding, 76% good and 4% requiring improvement. In 2017, 87% of grades were outstanding and 13% good. Data following this date is not ranked in the same way as current inspections are judging regulatory compliance. Every school inspection has been deemed fully compliant.

Resilient market and company performance through economic cycles

The private-pay K-12 education market has been resilient through the recent global economic downturn, primarily due to the continuing demand from parents who view expenditure on their children's education as largely non-discretionary.

Benefiting from these market fundamentals, Cognita grew revenue consistently through and after the global recession. Revenue increased in each in each year from £69 million in 2007 to £267 million in 2014, representing a CAGR of 21%, with our pre-2007 portfolio (comprised of schools owned by us from the first day of the fiscal year ended August 31, 2007 through the last day of the fiscal year ended August 31, 2014) demonstrating consistent organic annual growth with a CAGR of 5% over the period.

Our performance through downturns and negative macroeconomic events is further supported by a flexible operating cost structure. A majority of our costs are variable and semi-variable (including staff costs) and can be adjusted in the medium-term in the event of a downturn to preserve free cash flow and service debt. Teacher salaries, the largest component of our cost base, typically grow in line with inflation but at a discount to fee growth. In each of our markets our fees have grown at a premium to inflation during the last three fiscal years.

Significant requirements before a competitor can achieve our scale and experience

Our existing scale, financial resources, operational experience and deep institutional knowledge allows us to better address certain structural hurdles in expanding in existing markets and entering new markets compared to other operators. For instance, significant financial resources are required in order to invest in new school facilities or to acquire existing schools. Our broad experience coupled with our strong understanding of the local markets facilitates our ability to meet legal, financial and other requirements in securing government licenses and regulatory approvals in multiple jurisdictions. Additionally, centralized expertise and local knowledge helps us address the issue of the scarcity of real estate in key markets and the tendency of property developers and landlords to prefer operators with a strong track record and financial resources. Our long and positive track record and established reputation underpins our ability to recruit and retain high quality teachers, particularly in expatriate markets. Finally, student retention driven by the preference of students to stay at the same school for the tenure of their education is another important factor enhancing our leading position in this market as it discourages existing students from switching to other schools.

Attractive financial profile with high revenue visibility and strong cash conversion/cash flow generation

Our business model offers exceptional near and medium-term visibility on revenues and cash flows as a result of long admissions lead time, high retention, long average student tenure, consistent net positive churn and high visibility on the competitive landscape. Tuition fees are prepaid and we have minimum notice periods for students to withdraw without penalty, and we offer only limited refunds of tuition and other fees. The average year-on-year Student Retention Rates for the last three fiscal years ended August 31, 2018, have been approximately 74% in Asia, 85% in Europe and 90% in Latin America (84% average across our segments). During the last three fiscal years, approximately 81% of our net tuition fee revenues were generated from retained students. Additionally, we maintain good forward visibility on the revenue attributable to new joiners through close monitoring of early confirmations and pipeline. Our revenue visibility enables us to make operational adjustments, balance utilization, expand capacity and manage costs more effectively, which facilitates an efficient use of resources.

Our revenue growth across all regions coupled with our disciplined approach to cost management has enabled us to achieve consistent Regional Adjusted EBITDA growth from fiscal year ended August 31, 2016 to the fiscal year ended August 31, 2018. Over this period, Regional Adjusted EBITDA grew at a CAGR of 14%. This was achieved despite investment in regional resources to position the Group for future growth.

We had an operating cash conversion rate of 63.6% for the fiscal year ended August 31, 2018 (97.3% before operating capital expenditure), which was driven by structurally negative working capital due to the advance collection of tuition fees (and low levels of bad debt), which becomes increasingly favorable as enrollments grow, and efficiently managed capital expenditure (operating capital expenditure has averaged 5.9% of Group turnover for the three fiscal years ended August 31, 2018).

Strong Management Team

We have a highly experienced, dynamic and operationally focused management team, through the Group at both the Group and regional level. Our management combines educational leadership with a proven track record managing global development and expansions and integrating new acquisitions. Our senior management team has significant experience in the education sector, and collectively, bring with them strong backgrounds in management, marketing, human resources, real estate and finance. Our management team is supported by the EAB in pursuing outstanding educational practices across the Group.

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

Our Strategy

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

Continue to deliver high quality education to maintain and increase demand for our offering

Our aim is to become the best and most admired global schools group and to drive enrollments across our portfolio by focusing on high quality educational outcomes and student and parent satisfaction. Academic rigor and excellence are at the core of our value proposition to parents and students and influence all of our strategic decisions. We intend to maintain our systematic and data-driven approach, using our global platform, systems and experience to closely track student progress, develop individualized approaches to help students meet and surpass expectations and ultimately obtain superior educational outcomes and improve the quality of the provision of education in all of our schools. We continue to invest in our people who are integral to this mission of delivering academic excellence and to develop processes that allow us to bring the benefits of our global scale to the individual student.

We will also continue to develop a tailored educational offering, which appeals to the specific parent and student demographic of each of our schools and focuses on personalized learning and will continue to implement innovative approaches to education, including language development programs (such as daily Mandarin in our Singapore schools), bilingual and English as second language curricula, unique educational experiences (such as outdoor leadership programs and summer camps through our Active Learning Group ("ALG") and direct university partnerships offering college credits), high quality athletic programs and extensive co-curricular clubs and activities.

Leveraging our global platform and reputation

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

In addition, we intend to continue our strategy of attracting, retaining and investing in high-quality teaching professionals by offering professional development opportunities and prospects of global mobility through our network of schools. We will continue to support this through an active appraisal program and frequent conversations with our teachers regarding career progression, skills, aspirations, delivery and impact. We believe that maintaining our existing high levels of support staff, which allow our teachers to focus on the educational needs of individual students, will enable us to maintain a high level of job satisfaction of our teachers and enable us to recruit and retain "best-in-class" teachers.

Maximizing operating and financial performance

We continuously monitor and evaluate the operational performance of our schools and staff across our global platform to identify opportunities for enhancement and to capitalize on embedded growth. An ongoing focus on optimizing our marketing and admissions processes is a key feature of our strategy to increase student enrollments and improve utilization of our platform. At the same time, we aim to place a strong emphasis on student retention through processes designed to measure and understand churn at our schools and intervene to ensure high levels of student and parent satisfaction.

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

Continue to look for expansion and acquisition opportunities in existing and selected attractive and scalable markets

Having successfully completed over 40 acquisitions since 2004, we are a natural consolidator and growth leader in the sector. We added nearly 5,000 seats in premium markets over the past year. Our growth has been thoughtful and has been driven by targeted development (through acquisitions, greenfields and expansions), based on data and insights, which has complemented embedded growth stemming from our ability to drive enrollments and fill available capacity at our existing schools. Our track-record of acquisitions, greenfield projects and expansions has demonstrated our ability to create and fill new additional capacity. For example, enrollments grew at the Stamford American International School in Singapore (our first greenfield development) from approximately 109 students in fiscal year 2010 to approximately 2,900 students in fiscal year 2017. Likewise, following our acquisition of the British School of Barcelona, enrollments grew by 84% during the same period. Successfully implemented transactions such as these, where we preserve and enhance the quality of the acquired school in addition to growing enrollment, have further demonstrated our ability to transact in many markets and have made us a buyer-of-choice for family and trusts.

Our data driven approach has resulted in us developing a proprietary pipeline of opportunities curated over more than 10 years. We intend to continue to evaluate both strategic expansion, acquisition and greenfield opportunities to develop capacity in markets in which we have experience or which we have identified as attractive based on rigorous analysis of the relevant market dynamics. We have identified a number of additional capacity expansion opportunities in certain regions. For example, we are in the process of developing the ELIS school in Murcia, Spain and we are embarking on the second phase of expansion at the Stamford American school in Hong Kong. In addition, we continue to evaluate opportunities to enter new regions such as the Middle East and expanding into new markets in Asia and Latin America.

History

We commenced our operations through the acquisition of our frst school, Quinton House, in the United Kingdom in 2004 followed by the acquisition of the Asquith Court Group which comprised of 17 schools in the United Kingdom.

By the end of the 2008 fiscal year, we had expanded and diversified our operations to a total of 46 schools, including the acquisition of four international curriculum schools, including Southbank International School in

London and the Australian International School in Singapore. In addition, during this year we also embarked on our first greenfield project to build the Stamford American International School in Singapore.

In October 2009, we expanded our portfolio into Thailand through the acquisition of an 80% interest in BEMS, through which we operate three St. Andrews schools. In May 2011, we acquired an 80% interest in International Education Corporation Joint Stock Company (Vietnam), which operates ISHCMC and AAVN and which is controlled by a third-party nominee who has assigned his rights to us under a deed of assignment. In September 2011, we acquired the Royal School Hampstead in the United Kingdom which we later incorporated into the North Bridge House group of schools.

In October 2012, we expanded into Latin America with the acquisition of Playpen in Sao Paulo, Brazil, and in June 2013 we acquired a majority interest in a Chilean school group consisting of nine schools in Santiago, Colina, Valparaiso, Puerto Montt and Temuco (the “Chile Schools Business”).

In August 2013, our third-party nominee acquired the remaining 20% minority interest in International Education Corporation Joint Stock Company (Vietnam), such that we effectively control 100% of our Vietnam schools through the nominee structure.

We acquired a 75% interest in the International School Saigon Pearl in Ho Chi Minh City, Vietnam in January 2014 and we acquired the remaining 25% interest in August 2014. In December 2014, we acquired the GayLussac School in Niteroi, Brazil. In addition to the new acquisitions, in September 2014 we opened the North Bridge House Senior School and Sixth Form—Canonbury in London, enhancing the offering provided by the North Bridge House group of schools. In February 2015, we acquired the remaining 20% minority interest in BEMS.

In 2016, we acquired three additional schools: the International School of Barcelona in Sitges, Spain, which was merged into our British School of Barcelona, The English Montessori School in Madrid, Spain and Dusit, our fourth school in Bangkok, Thailand. In addition to the new acquisitions, we also opened Chicauma, a new school in Santiago, Chile, which teaches a Chilean national curriculum.

In 2017, we acquired the Avondale Grammar School in Singapore, which later merged into our Australian International School. We also opened the Stamford American School, our first school in Hong Kong, and a new Early Learning Village (for students up to 6 years old) which provides separately branded facilities for the Australian International School and Stamford American International school in Singapore.

In May 2017, we acquired the Bushcraft Company, which provides outdoor adventure trips for students aged 7 to 18 into woodland environments for practical and teambuilding experiences. We subsequently merged the Bushcraft business into our Super Camps business to form the Active Learning Group (“ALG”).

In 2018, we acquired the American British School in Santiago, our eleventh school in Chile, and Woodland Pre-Schools in Hong Kong. On August 31, 2018 we acquired Santo Tomas adding a further school in Santiago, Chile. Finally, on November 6, 2018, we acquired Colegio Europeo de Madrid (“CEM”) in Madrid, Spain.

In addition, we may acquire additional schools in the future which would impact our results of operations going forward.

Between 2011 and 2012, we merged two of our schools with other existing schools and sold the freehold properties left vacant following these mergers. Furthermore, we transferred Ffynone House School in April 2012 and Ferndale Preparatory School in April 2014 to parent groups. In 2016, we closed our Chilton Cantelo and Cranbrook schools and in 2017, we sold Sackville school to another school operator.

Our Operations

We own and operate a diverse range of schools that include nursery, preparatory/junior schools (for K-6), senior schools (for 7-12) and schools for juniors through to seniors (K-12). The majority of our schools are operated under an individual brand name, with some schools operating a number of campuses under the same brand name. We also operate a mix of local and international schools covering various curricula. As of August 31, 2018, we operated 54 predominantly local curriculum schools and 17 predominantly international curriculum schools, however, some of our schools offer dual curricula. Our students include local and expatriate students and tuition fees are typically paid by local and expatriate parents and, to a lesser extent, by employers of expatriate parents.

We believe that our ability to deliver quality education is supported by operational excellence underpinned by our global platform. Day to day operations in our schools are supervised by an academic leader of the school (the “Head”) and a senior leadership team. Each local school management team oversees the provision of education and is responsible for delivering education in line with our mission of providing an “Inspiring World of Education.” In order to enable local school management teams to focus on educational quality, we have centralized certain core functions, such as property and facilities management, information technology systems and finance functions. Each centralized team oversees these functions on a regional and/or global basis. This centralized approach also enables us to deploy our resources and capital to achieve the best outcomes for our business by making operational and investment decisions based on areas where we are mostly likely to derive benefits and maximize our returns. See "—*Centralized Functions*."

In addition to our schools, we also operate holiday activity camps for children and other extra-curricular and outdoor activities through our ALG and Camp Asia divisions. We operate holiday activity camps in the United Kingdom, and in various other locations. Our camps are primarily intended for children aged four to 15 and include students from within our own schools as well as the wider community. We provide a range of sports and other activities as well as supervision for children attending our camps during the summer holiday vacation period. For the purposes of carrying out its activities, ALG uses both existing Cognita schools as well as other schools' sites. Following the acquisition of the Bushcraft Company in 2017, we also provide outdoor adventure trips for students aged 7 to 18 into woodland environments for practical and teambuilding experiences through our ALG division. In Singapore, we established Camp Asia in the summer of 2012 at Stamford American International School and it has now grown to operate from both of our schools in Singapore and is the largest camps provider in Singapore.

We use our holiday activity camps and outdoor adventure trips to attract prospective students to our schools. Furthermore, the operation of these holiday activity camps on school premises during school vacation periods enables us to optimize the use of our facilities. In addition to our camps, we operate exchange programs across certain of our schools, strengthening our value proposition through academic, cultural and sports exchange programs that are tailored to each school.

Academic Design and Delivery

We place a significant emphasis on delivering academic excellence and exceptional student outcomes. The majority of our schools follow a non-selective admissions policy and our schools seek to support each student in achieving outcomes to the best of his or her ability. The key elements that we focus on to promote a high level of academic quality are:

Curricula Offerings

We offer a wide range of internationally recognized curricula to appeal to both local and expatriate populations and to facilitate the entry into a broad range of international tertiary educational institutions. We offer more than one curriculum in certain of our schools. We currently offer the following curricula:

- the British curriculum, which is based on the standardized national curriculum for England and which with respect to our Spain segment is supplemented with the Spanish national curriculum;
- the International Baccalaureate ("IB"), incorporating the Primary Years Program, Middle Years Program and culminating in the prestigious and rigorous internationally recognized diploma program;
- the American curriculum (American Education Reaches Out standard, Massachusetts state standards, New York state standards and Texas state standards);
- the Australian national curriculum;
- the Brazilian curriculum and the Brazilian (bilingual) curriculum, which is based on the Brazilian national curriculum; and
- the Chilean curriculum and the Chilean (bilingual) curriculum, which is based on the Chilean national curriculum.

Academic Assessment

Our approach to academic achievement is based on monitoring measurable outcomes for each student over time. We measure examination results by the examination grade achieved and we focus on the value added for each student, through initiatives such as measuring the difference between a student's actual grade and their predicted grade based on progress achieved over the course of the academic year.

We use a number of innovative, nationally recognized and accredited testing systems (such as MAP, GL and CEM Durham) for various age groups to establish a baseline for anticipated performance. This baseline is then benchmarked against data from other schools with students in an equivalent grade and serves as a basis for measuring value added progress. We apply similar methodologies across all of our schools globally.

Academic Outcomes and Parental Satisfaction

Our academic approach is designed to deliver consistently high quality education to ensure strong student outcomes. Strong academic performance contributes to improved parent satisfaction, student retention and builds school reputation, which in turn supports continued enrollment and fee generation. In particular, we assess and track multiple aspects of parent satisfaction, the results of which inform our decision-making process. For example, we measure and track parent satisfaction with respect to teaching and learning, extra-curricular activities, communication, services and amenities and management of the school. We use professionally designed and administered surveys in order to gather comprehensive feedback from parents. This data is then used to guide school improvements and to provide quantitative data to support school governance and allocation of resources.

Our continued focus on excellence has enabled our schools to achieve examination outcomes which are generally well above the relevant national, regional or global averages for each curriculum, even though we operate non-selective schools, for example:

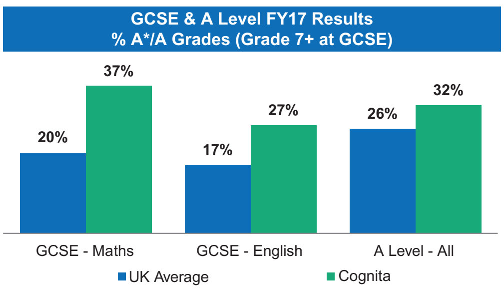
- Over the past three years, our British curriculum schools in our Europe segment consistently achieved GCSE (math and English) outcomes significantly above the United Kingdom national average. In 2018, 94% of all graded awarded at GCSE were G4+ compared to 69% nationally. The newly reformed qualification introduced Grade 9 as even higher than the previous A*. In 2018, we had 10% of students awarded at this level compared to 4% nationally.

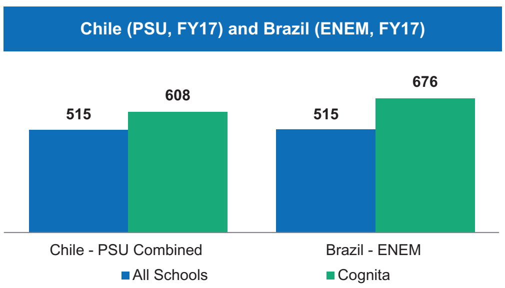
- Over the past five years, students at our IB curriculum schools achieved outcomes ahead of the "world points average" despite being non-selective schools (whilst the IB curriculum is, in many cases, offered by selective schools). In 2018, Southbank International School, St. Andrews International School, ISHCMC and Stamford American School had average points scores of 37.6, 34.7, 33.5 and 32.3, respectively, compared to the world points average of 29.8.

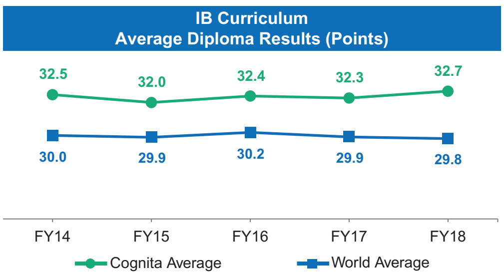
- The Australian International School consistently achieves well on the ATAR when compared to New South Wales. In 2017, the school had a mean ATAR score of 75.3 compared to a mean ATAR score of 70.0 for New South Wales. Additionally, 46% of AIS students gained an ATAR score over 80 points.

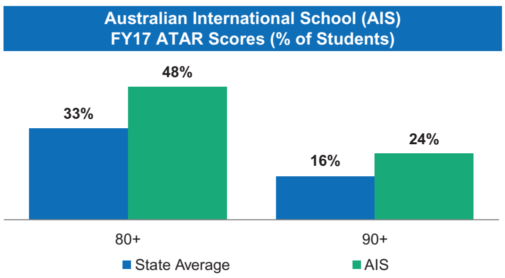
- Over the past three years, our schools in Chile and Brazil have achieved PSU results (the standardized university examination used in Chile) and ENEM results (the standardized university examination used in Brazil) well above the respective national averages.

The following charts highlight our schools' superior academic performance as compared to national and world averages for the fiscal year ended August 31, 2017 with respect to the UK, Chile, Brazil and Australia and for the last five fiscal years with respect to our IB program:









Academic Oversight and School Inspections

We believe that the key to academic success for our students is the academic vision of our Head Teachers, supported by the quality of our teachers. We have established a disciplined approach to raising educational and academic standards in our schools, both through rigorous governance by an experienced educational team as well as through standardized performance management processes. We are also subject to mandatory school inspections by external regulators and accredited bodies in certain regions. We devote considerable attention to such school inspections, as favorable ratings enhance our school's reputation and local demand and we have generally been successful in improving the academic performance and regulatory ratings from the time we acquire a new school.

We have a Group Director of Education who works collaboratively with the leadership in each of our regions. In the United Kingdom, where we have the largest number of schools, we have four Assistant Directors of Education who are responsible for the educational performance of our schools and for ensuring a culture of teaching excellence and high quality of standards in our schools. The Assistant Directors of Education work directly with the Group Director of Education, each of whom provides leadership and school governance support to the Head Teachers. We also have an Education Adviser in Spain who is part of the European team and who is responsible for overseeing educational performance in that market. Furthermore, in the United Kingdom and Spain, a quality assurance officer leads the internal school review process and works with the Head Teachers to continually raise school standards and a compliance officer provides support and guidance on compliance matters. In Asia, we have a Director of Education who was previously the Deputy Superintendent at Stamford American School. In Chile, education standards and quality assurance is overseen by a Director of Education and a team of education coordinators, who, as a group, have extensive experience with respect to Chilean curriculum, bilingual education and teaching English as a foreign language. In Brazil, our two schools are overseen by a Director of Education.

To further support academic quality, we regularly assess the quality of teaching within the classroom according to standardized performance management methods. We have put in place a performance management system, which we use to conduct a comprehensive review of our teachers including appraisals every four to six months, lesson observations every four to six months and external assessment processes to track student progress and teacher impact.

In 2017, we launched the Education Advisory Board ("EAB"), whose mission is to utilize evidence to support outstanding educational practice across all of our schools. The EAB is chaired by Sir Kevan Collins, who is currently chief executive officer of the Education Endowment Foundation. Among the EAB's objectives are to accelerate improvement at our schools, build teacher capacity, help prioritize and share effective practices and establish external academic partnerships.

Student Experience and Extra-curricular Activities

We strive to enhance overall student experience by providing an environment with high quality facilities and a broad range of extra-curricular activities. Facilities at our individual schools vary depending on the type of school and fee range. We offer state-of-the-art facilities in certain of our schools, such as Stamford American International School, which has iLearn centers (an online learning system), media center, climbing wall, golf facilities, swimming pools, theatre, tennis courts and athletics facilities. Some of our schools, such as Quinton House, offer over 100 different activities each week, ranging from sports to creative and performing arts to foreign languages and community services. Many of our schools also offer before and after school care, sport, music and arts and challenge programs, such as the Duke of Edinburgh Award, which promotes personal development through a range of community service initiatives and fitness activities.

We believe that our global platform differentiates our schools through offerings, such as inter-school sports and musical events, as well as academic student exchange programs. For example, we operate an exchange program that enables students from our schools in Chile and Brazil to study for short periods of time at our schools in the United Kingdom. As part of this program visiting students are fully integrated in both classroom study and boarding accommodation, which allows them to improve their command of the English language and experience British culture.

Our schools also provide activities and services that seek to encourage greater parental involvement, with teachers placing a strong emphasis on positive interactions with parents. For example, our schools in Spain offer a "Saturday Family Club," which provides a range of activities for parents and students together.

Furthermore, we use technology to enhance student learning and support pedagogical innovations. For example, Stamford American International School provides tablets to every student in its primary grades and laptops for every student in its secondary grades. In addition to being a powerful educational tool to deliver digital content for unique learning methodologies, this program also enhances the overall quality of the student experience.

Summary of Our Schools

In the fiscal year ended August 31, 2018 we operated 70 schools in 8 countries. For the fiscal year ended August 31, 2018, our top ten schools by EBITDA contribution generated 56% of our EBITDA. During the same period, our two schools in Singapore generated 36% of our EBITDA globally and 49% of our EBITDA generated in Asia.

The table below sets out an overview of our schools as of the date of this Offering Memorandum:

	Name of School	Calendar Year Established	Calendar Year Acquired/ Opened	City	Grades Offered	Curriculum
Singapore						
1	Australian International School (AIS)	1993	2007	Singapore	Pre-K to Grade 12	Australian, IB
2	Stamford American International School (SAIS)	2009	2009	Singapore	Nursery to Grade 12	American, IB
Vietnam						
3	International School Ho Chi Minh City (ISHCMC)	1993	2011	Ho Chi Minh City, Vietnam	Pre-K to Grade 12	IB
4	International School Ho Chi Minh City, American Academy (AAVN)	2007	2011	Ho Chi Minh City, Vietnam	Grade 6 to Grade 12	American
5	International School Saigon Pearl	2010	2014	Ho Chi Minh City, Vietnam	Nursery to Grade 5	American
Thailand						
6	St Andrews International School Sathorn	2003	2009	Bangkok, Thailand	Nursery to Grade 6	British
7	St Andrews International School Green Valley	1996	2009	Rayong, Thailand	Nursery to Grade 12	British, IB
8	St Andrews International School Sukhumvit 107	1996	2009	Bangkok, Thailand	Nursery to Grade 12	British, IB
9	St Andrews International School Dusit	2010	2016	Bangkok, Thailand	Nursery to Grade 5	British
Hong Kong						
10	Stamford American School	2017	2017	Hong Kong	Nursery to Grade 12	American, IB
11	Woodland Pre-Schools	1978	2018	Hong Kong	Pre-K	British
Brazil						
12	Escola Cidade Jardim/ PlayPen	1981	2012	Sao Paulo, Brazil	Pre-K to Grade 9	Brazilian
13	Instituto GayLussac	1954	2014	Niteroi, Brazil	Pre-K to Grade 12	Brazilian
Chile						
14	Colegio Manquecura, Ciudad de los Valles	2005	2013	Santiago, Chile	Pre-K to Grade 12	Chilean
15	Colegio Manquecura, Ciudad del Este	2002	2013	Santiago, Chile	Pre-K to Grade 12	Chilean
16	Colegio Manquecura, Valle Lo Campino	2001	2013	Santiago, Chile	Pre-K to Grade 12	Chilean
17	Colegio Pumahue, Chicureo	2008	2013	Chicureo, Colina, Chile	Pre-K to Grade 12	Chilean Bilingual

	Name of School	Calendar Year Established	Calendar Year Acquired/ Opened	City	Grades Offered	Curriculum
18	Colegio Pumahue, Curauma	2008	2013	Valparaiso, Chile	Pre-K to Grade 12	Chilean Bilingual
19	Colegio Pumahue, Huechuraba	1999	2013	Santiago, Chile	Pre-K to Grade 12	Chilean Bilingual
20	Colegio Pumahue, Penalolen	1999	2013	Puerto Montt, Chile	Pre-K to Grade 12	Chilean Bilingual
21	Colegio Pumahue, Puerto Montt	2004	2013	Temuco, Chile	Pre-K to Grade 12	Chilean Bilingual
22	Colegio Pumahue, Temuco	2001	2013	Santiago, Chile	Pre-K to Grade 12	Chilean Bilingual
23	Colegio Pumahue Chicauma	2016	2016	Santiago, Chile	Pre-K to Grade 12	Chilean
24	American British School	1987	2018	Santiago, Chile	Pre-K to Grade 12	Chilean
25	Santo Tomas	2005	2018	Santiago, Chile	Pre-K to Grade 12	Chilean
Spain						
26	British School of Barcelona (BSB)	1958	2007	Barcelona, Spain	Nursery to Year 13	British, IB
27	Hastings School, Madrid	1971	2010	Madrid, Spain	Pre-Nursery to Year 13	British
28	El Limonar International School Murcia	1990	2008	Murcia, Spain	Nursery to Year 13	British
29	El Limonar International School Villamartin	2004	2008	Alicante, Spain	Nursery to Year 13	British
30	The English Montessori School	1973	2016	Madrid, Spain	Pre-Nursery to Year 13	British, Spanish
31	Colegio Europeo de Madrid (CEM)	1991	2018	Madrid, Spain	Pre-Nursery to Year 13	Spanish
United Kingdom						
32-33	Akeley Wood Schools (2)	1946	2004	Wicken, Akeley Wood, Lillingstone Dayrell, Buckingham	Nursery to Year 13	British
34	Breaside Preparatory School	1950	2004	Bromley, Kent	Kindergarten to Year 6	British
35	Charterhouse Square School	1985	2008	Barbican, London	Nursery to Year 6	British
36	Clifton Lodge School	1979	2008	Ealing, London	Kindergarten to Year 8	British
37	Colchester High School	1882	2005	Colchester, Essex	Nursery to Year 13	British
38	Cumnor House School for Boys	1931	2008	Croydon, Surrey	Nursery to Year 8	British
39	Cumnor House School for Girls	2010	2010	Purley, Surrey	Nursery to Year 6	British

	Name of School	Calendar Year Established	Calendar Year Acquired/ Opened	City	Grades Offered	Curriculum
40-43	Downsend Schools (4)	1891	2004	Leatherhead, Ashtead, Epsom, Surrey	Nursery to Year 8	British
44	Duncombe School	1939	2005	Hertford, Hertfordshire	Nursery to Year 6	British
45	Glenesk School	1925	2005	East Horsley, Surrey	Nursery to Year 2	British
46	Hendon Preparatory School	1873	2004	Hendon, London	Nursery to Year 8	British
47	Huddersfield Grammar School	1995	2007	Huddersfield, Yorkshire	Nursery to Year 11	British
48	Hydesville Tower School	1952	2004	Walsall, West Midlands	Nursery to Year 11	British
49	King's School and Nursery, Plymouth	1989	2008	Plymouth, Devon	Nursery to Year 6	British
50	Kingscourt School	1995	2006	Catherington, Hampshire	Kindergarten – Year 6	British
51	Long Close School	1940	2004	Slough, Berkshire	Nursery to Year 11	British
52	Meoncross School	1953	2004	Fareham, Hampshire	Nursery to Year 13	British
53	Milbourne Lodge Preparatory School	1912	2007	Esher, Surrey	Reception to Year 8	British
54-58	North Bridge House Schools (5)	1939	2004	Hampstead, Camden and Islington, London	Nursery to Year 13	British
59	Oakfields Montessori School	1988	2007	Upminster, Essex	Kindergarten to Year 6	British
60	Oakleigh House School	1919	2007	Swansea, Wales	Nursery to Year 6	British
61	Oxford House School	1959	2006	Colchester, Essex	Nursery to Year 6	British
62	Polam School	1923	2004	Bedford, Bedfordshire	Nursery to Year 4	British
63	Quinton House School	1946	2004	Northampton, Northamptonshire	Nursery to Year 13	British
64	Salcombe Preparatory School	1916	2004	Southgate, London	Nursery to Year 6	British
65-67	Southbank International School (3)	1979	2006	London	Pre-K to Grade 12	IB
68	St Clare's School	1938	2006	Porthcawl, Wales	Nursery to Year 13	British
69	St Margaret's Preparatory School	1946	2008	Halstead, Essex	Nursery to Year 6	British
70	St Mary's School	1926	2006	Henley on Thames, Oxfordshire	Nursery to Year 6	British
71	St. Nicholas Preparatory School	1946	2004	Kensington, London	Nursery to Year 6	British

Recruitment of Teachers and Human Resources

A large part of our ability to deliver high quality education is dependent on the caliber of our teachers. Given the importance of academic results to our mission to create "An Inspiring World of Education", recruiting and retaining high quality teachers and Heads is a priority for us. We believe that our global platform offers attractive professional development and career opportunities for our staff. In addition, we believe that we offer appropriate compensation packages, which are based on the local markets in which we operate. Depending on the local market, such packages may include housing allowances and other benefits, such as healthcare and pensions. Our teachers and other staff are appropriately trained and qualified for their relevant positions.

We invest substantial resources into the professional development of our teachers to continually enhance their skills. Our teachers are required to comply with the relevant continuing education requirements in each local market. For example, teachers in certain jurisdictions are required to complete on-going professional training programs in the form of classroom based training and other development activities to help them to keep abreast of curriculum changes. We offer a program to enable selected teachers to complete a post graduate certificate in education as well as a master of education program in the United Kingdom, Spain and certain countries in Asia for current and aspiring leaders. We also host professional development conferences for leaders, business managers and admissions personnel regularly throughout the academic year.

We have developed our own policy for safer recruitment. This policy applies to the recruitment and selection of all of our staff, including non-employees. The policy provides guidelines regarding background checks on prospective teachers and other staff in their country of origin and any country in which they have lived or worked for at least three months since the age of 16.

In the United Kingdom, we follow the U.K. Guidance from the Department for Education safer recruitment guidelines, the Independent Schools Inspectorate Handbook for the Inspection of Schools (2014), which ensures consistent and compliant recruitment in the United Kingdom education sector. In Asia, we apply the United Kingdom standards and also conduct additional non-mandatory compliance procedures, such as background checks on new teachers where possible. Additionally, in Asia, we use Control Risks, an external risk consultancy firm, to perform international integrity and background checks on prospective Heads and candidates for key executive roles where such persons have worked in two or more countries. In Latin America, we conduct background checks on new teachers and are in the process of expanding these to overseas checks as part of our own policy for safer recruitment.

Investment Opportunities

Historically, we have pursued a combination of acquisitions, capacity expansions, investments in existing operations, and greenfield projects to deliver growth. When considering an investment opportunity, we employ an analytical, research and data-driven strategy to carefully evaluate both the market and catchment dynamics in connection with the proposed acquisition, expansion or greenfield project. Our investment strategy has allowed us to build an extensive global operating platform, as demonstrated below.

Market Selection

We target markets that exhibit favorable characteristics using a number of specific criteria, including (i) underlying demand dynamics that support sustainable growth, (ii) increasing economic activity, which drives affordability among local parents and expatriates, (iii) a limited supply of alternative private school operators in the local catchment and (iv) a favorable regulatory environment. We further evaluate shortlisted markets to ensure that other considerations such as cost structure, macroeconomic conditions and related risks are reflected in our risk-return analysis.

Once we have identified an attractive market, we undertake a detailed analysis of catchment dynamics to evaluate market potential. Analysis of a catchment involves estimating affordability and concentration of the customer base, which is an important factor in determining if there are a sufficient number of parents within driving distance of a potential school who have the requisite income levels to support our desired pricing models. In addition, we analyze competitors within the catchment and frequently conduct parent surveys to understand the optimum market positioning and educational offering for the area. While the nature of the analysis varies based upon the type of opportunity being evaluated, we apply our selection process rigorously across all opportunities.

Capacity Expansion at Existing Schools

We consider schools for expansion only if there is strong underlying unmet demand, if our existing school has high current utilization rates and the school has an established reputation in the catchment area. Investments in expansions at existing schools often yield strong returns within a shorter period than greenfield developments or new acquisitions since much of the necessary academic and central resources are already in place.

Expansions of capacity in our existing schools are only possible where we have land available to undertake an expansion of the existing facility. Therefore, the potential for future expansions are often considered at the time of acquiring or developing a new school. When acquiring or building a school, we undertake a detailed and rigorous assessment that includes market analysis to ascertain existing and projected supply and demand trends at a catchment level and options to obtain land that is optimally located and allows flexibility for expansion over time. The planning regulatory framework is also taken into consideration. The costs involved in expanding the capacity of an existing school primarily relate to development costs.

We have continued to expand in Singapore to meet high demand. In 2017, we opened a dedicated Early Learning Village in Singapore, focused on infant care and Pre-K education. This expansion of the existing facilities shared by the Stamford American International School and the Australian International School includes state of the art facilities and provides over 2,100 additional places (increasing existing combined capacity at the two schools to over 8,600). We believe this is an attractive expansion opportunity where we can leverage our local market knowledge and experience, development expertise and the reputation of our current Singapore schools, in a market where the supply of private-pay education for expatriate families is limited by land constraints and the need for regulatory approvals.

In January 2018, we opened a new secondary campus (grades 6-12) for the International School of Ho Chi Minh City ("ISHCMC") in Vietnam. This added 900 additional seats (bringing total capacity to 1,950) in one of our most high growth markets at one of the most prestigious schools in Ho Chi Minh City, which had been capacity constrained for some years (104% Utilization in the fiscal year ended August 31, 2017).

Strong demand in our Latin America segment has also driven expansions in the region. In 2018, we completed the expansion of the GayLussac school in Niteroi, Brazil. The project provided enhanced facilities and created incremental capacity of approximately 260 students (bringing total capacity to 1,700).

In the United Kingdom, we recently opened a new site for our Southbank International School, the most reputed IB school in London, which has increased capacity by approximately 280 students (to 1,090) and includes a new pre-university program, new facilities for the music department and specialist teaching and tutorial rooms.

Finally, in Spain, in April 2018, we completed a new pre-university center for the British School of Barcelona which operates from nursery to year 13 and offers the British and IB curriculum, further increasing capacity by approximately 400 students (to 2,200).

Acquisition and Integration of Newly Acquired Schools

We have both Group and regional in-house acquisition teams that evaluate and execute strategic acquisitions and integrate acquired schools. Our acquisition teams work with the regional management teams who bring a deep understanding of their local market and provide insight into cultural or regional variations.

During the closing stages of an acquisition, we set up an integration team to begin the process of early engagement with the target school across all key functions. The level of engagement and timelines in connection with integration activity vary according to the size and complexity of the acquired schools. Our integration processes are structured to minimize operational disruptions at the acquired school.

Upon acquiring a new school, we implement our operational and strategic programs to improve educational outcomes, student and parent satisfaction and operational and financial efficiency. For example, certain management responsibilities with respect to IT, finance, facilities management and real estate may be transferred to our regional and group teams, while the Heads and their senior management team will continue to retain responsibility for the day-to-day operations of the school.

Following an acquisition of a new school, we seek to maximize student retention during the integration process as well as desired retention of the Head Teacher and teachers. A key part of the integration process involves acquiring an in-depth understanding of parental preferences and current levels of parent satisfaction. We also engage in new marketing activities aimed at increasing student enrollment and parental satisfaction. As part of our integration process, we also review existing teaching practices and implement any required changes to drive academic excellence and we may recruit new teachers and train existing teachers to ensure a high quality of teachers and support staff. We also seek to improve teacher and class utilization levels to optimize our operational and financial performance.

Greenfield Projects

From time to time, we may participate in tender processes operated by governments, regulators or residential developers to build new schools. Such tender processes are customary in certain countries in Asia to meet the increasing demand for education. As part of our strategy to optimize our operations by participating in markets which meet our selection criteria, we evaluate these greenfield investments on an opportunistic basis. If successful, we would be required to develop and operate such new schools within a specified timeframe.

Greenfield investments may be an attractive option to enter a market where there is very substantial unmet demand and likely future demand growth.

To date, we have completed two greenfield projects. In 2009, we opened the Stamford American International School in Singapore, which was initially built as a foundation campus on a temporary site. The school subsequently moved to a "state-of-the-art" campus in 2012, which currently has a capacity of 3,300 students, excluding the Early Learning Village. The number of FTE students enrolled at Stamford American International School increased by 230 FTE students or 8.8% to 2,846 FTE students as of August 31, 2018 from 2,616 FTE students as of August 31, 2016.

In September 2017, we opened the Stamford American School located in Kowloon, Hong Kong with 350 FTE students in its first full academic year and which has capacity for over 800 FTE students (not including a planned annex, which would bring total capacity up to 1,100 FTE students). The school began its second year with an enrollment of approximately 600 students and has demonstrated strong re-enrollment rates reflecting the quality of education.

In addition, in December 2014 we entered into an agreement with a real estate developer in Chile for the construction of a school in Lampa, a suburb located to the northwest of Santiago. The school opened in February 2016 as Colegio Pamahue Chicauma. As of August 31, 2018, it had capacity for 474 students and an enrollment of 360 students. We are required to purchase the school and pay for the construction costs only when we achieve enrollment of 650 students. If we have not reached enrollment of 650 students by December 2025, we have the option to terminate this agreement without any further obligations to operate or purchase the school or to pay the construction costs. If we reach enrollment of 650 students at any time prior to December 2025, we will be required to pay the developer the purchase price of the school and construction costs in an amount representing a fixed sum for the land plus a variable component for the construction, the aggregate of which we currently estimate to be approximately of £9.9 million.

Student Recruitment

To facilitate effective student recruitment and retention, each school has a team of marketing and admissions professionals who are responsible for implementing activities to stimulate inquiries and to maximize conversions of inquiries into enrollments. We place strong emphasis on admissions management and each school follows a structured admissions process which reflects our best practices framework. Within this framework, particular emphasis is placed on standardized and comprehensive customer data gathering and proactive inquiry management through customer relationship management systems, including Salesforce in Singapore, interaction with school academic staff and a personalized service, in order to create a positive experience for each individual family.

While our student recruitment process consists of several stages, the key metrics in relation to our admissions processes are the number of inquiries received by the school and the conversion of these inquiries into enrollments. We have tools to monitor admissions KPIs. Through these tools, we monitor and analyze the source of inquiries, demand for places and conversion of inquiries into enrollments by enrollment year and grade, current and expected enrollments versus available capacity, current admissions pipeline and the status of each inquiry. Schools maintain their own database to record relevant information about prospective parents, which allows the school's team to manage and progress each inquiry as well as provide management reporting.

- *Inquiries/Applications:* parents considering enrolling their child at one of our schools register their child's details and request further information from the relevant school. Once the information is received, parents will likely visit the school for a tour or admissions event and then will choose whether to apply for a place at the school by completing an application form and paying an application fee.
- *Admissions/Enrollments:* if offered a place at one of our schools, parents are required to confirm the acceptance of the place by signing a contract. For certain segments, we charge a one-off facility fee or upfront tuition fee for the first semester at the time of enrollment.

Generating Inquiries

Our marketing strategy is designed to develop awareness among prospective parents and students and loyalty and advocacy among existing parents and students. While we standardize best practice across all of our schools, our local personnel retain the flexibility to vary marketing tactics according to local requirements.

The majority of our inquiries are generated through the following methods:

Website and Digital Marketing

We recognize that online marketing is a critical means of communication with prospective parents and students, as well as families of our existing students. Each school has its own website which is designed to serve both current and prospective parents, with information organized separately for each group. For prospective parents, our websites are designed to convey our mission of providing an "Inspiring World of Education," in a user-friendly manner to inform decision making and to enable ease of navigation through the use of online application forms. We also use video content to highlight the school experience.

In addition to developing attractive, well-structured school websites that support our marketing and admissions process, we utilize online advertising campaigns, effective search engine optimization and integration with social media to enhance our communications with parents. We regularly monitor our websites and online inquiry generation programs to enable adjustments to be made to campaigns and websites in order to optimize responsiveness. Our digital efforts are supported by digital marketing agencies, whose expertise further complements that of our internal staff.

Parent Referrals

We understand that some prospective parents may seek out parents of current and former students to solicit their opinions on our schools. We encourage the parents of current and former students to speak positively about our schools, and we believe we achieve this by providing high quality education, communicating with and involving parents in our schools and seeking to place each of our schools at the center of its community through initiatives including:

- ***Inclusive Events for Parents.*** Each school holds regular events, which parents are encouraged to attend and at which they are able to interact with other parents. For example, some of our schools provide weekend family days for students and their parents, parent engagement groups, which brings small groups of parents together to provide feedback to the school and to discuss ideas for further development, and parent coffee mornings, which offer a relaxed environment for parents to meet informally with staff of the school and to socialize with each other.
- ***Community Relationship Building.*** Each school strives to develop strong relationships with local organizations in the catchment. Partner organizations can include play groups, nurseries, and junior schools that serve as feeder institutions to our schools, and sports leisure and social clubs for families that match the profile of the schools' parent body.
- ***Charitable Activities.*** All our schools participate in philanthropic initiatives that raise funds for local and national charities. Many school fundraising activities include parents, staff and students.

Relocation Agents

In expatriate markets, relocation agents are an important source of inquiries. We develop close relationships with these relocation agents through a variety of initiatives, such as hosting school visits, providing quality information on our schools and producing user-friendly materials they can share with their clients.

Employers

Within our expatriate markets, we have established relationships with certain major employers, including multi-national corporations and embassies. We understand that parents consult their employers for school recommendations and information and we invite key personnel from leading corporations to participate in community events that we organize in order to foster good relationships with these employers and to showcase our schools.

Other Marketing Activities

We support our marketing program with targeted communications, including:

- ***Promotional Materials.*** We use promotional materials such as school brochures, educational magazines and other publications to enhance our schools' reputation as high quality and leading academic institutions.
- ***Public Relations.*** We create and distribute positive news stories, including news about our academic results and quality of our school facilities to promote our schools' profiles in the media.

Converting Inquiries into Enrollments

Typically, parents draw up a shortlist of schools for their child, review the schools' website, request brochures and then, to the extent possible, visit the school campuses. Based on our experience, parents generally visit two or three schools before selecting the schools to which they will apply. As a result, our management of school visits is important to convert inquiries into enrollments, and we have designed our systems to help maximize the conversion of inquiries into enrollments. For example, as part of our typical school visits, we provide an opportunity for prospective parents and students to interact with the teachers who will educate the child, as in our experience, a parent's perception of a school's academic quality is a key factor in school selection. We also seek to ensure that promotional materials are provided to prospective parents and that such materials provide appropriate information to convey each school's academic credentials, such as standardized tests, examination outcomes, scholarships achieved and university admissions.

Within each school, a dedicated admissions officer is responsible for handling parent inquiries, which includes coordinating the school visit, ensuring that appropriate information is provided to the prospective parent and maintaining close contact with the family throughout the entire process. Admissions officers work closely with our Heads and teachers to ensure that individual school tours are tailored to the needs of the family and that the most relevant teachers are available to meet with the families during their visit. In order to enhance our conversion rates, our admissions officers participate in regional training programs which provide them with the necessary skills to maximize their effectiveness.

Maximizing Student Retention

We are focused on retaining our students and we take a systematic approach to retention, including by monitoring the average number of FTE students for any given year in a particular Cohort and generating churn reports to understand student departures at a granular level. The most important aspect in maximizing student retention is to ensure that the school understands and meets the developing needs of both its students and its parents, and that any issues or concerns that may arise are addressed promptly. Our schools employ a number of methods to encourage parent feedback, which include regular parent engagement groups and parent surveys. In addition, we ensure that our teachers are accessible to parents. We use the data obtained through these processes to develop proactive retention strategies and we seek to take prompt corrective action with respect to any weaknesses identified in a particular school. For the fiscal year ended August 31, 2018, the percentage of students retained within our schools was 85.2% of the total number of students.

Centralized Functions

In order to optimize our global operations, we have centralized certain core functions relating to finance, facilities, IT, human resources and marketing on a regional and/or global basis. By centralizing these functions, we are able to provide more professional management and expertise in these areas and utilize tailored systems across the Group. In addition, by minimizing these functions at each individual school, we enable local school management to focus solely on educational quality and the day-to-day operations of our schools.

Our centralized functions include:

- ***Education.*** Each region has a Director of Education. Because of the number of schools in Europe, there are also four Assistant Directors of Education. There is a Group Director of Education who leads the work of the regional teams, linked to identified group priorities. Group systems that support the Education function include the learning management system, Cornerstone.
- ***Information Technology Systems.*** We determine our IT systems needs by considering both global and local requirements, implementing where appropriate, Group or region-wide solutions that ensure consistency and cost effectiveness in the IT procurement process. Additionally, local school management systems (such as SIMs in the UK and PowerSchool for U.S. curriculum schools) are implemented to address specific local market needs, ensuring that schools retain flexibility to address local or regional needs whilst leveraging Group procurement wherever appropriate. Regional IT teams are overseen by the Group CIO who reports to the Group CFO.
- ***Finance.*** Each school has a finance team that reports to country or regional finance, who in turn report through to the Group finance team led by the Group CFO. Our finance teams are responsible for accounting and reporting, risk management, compliance, business planning, forecasting, preparation of budgets, management information, financial policy and procedures, treasury activities and allocation of financial resources. Group systems that support the Finance function include NetSuite, which has been implemented in all of our schools globally.
- ***Real Estate.*** Our regional real estate management teams have strategic and day-to-day oversight of all aspects of our real estate portfolio, including estate management, maintenance, facilities management, expansion or development projects and are also responsible for the real estate planning and execution relating to major developments or potential acquisitions. Our real estate team is also responsible for the procurement of certain goods and services, and ensuring compliance with legal, health and safety guidance.

- ***Human Resources.*** Each region has a director of HR and a team responsible for overseeing our staff related activities including recruitment, performance management, compensation and benefits, talent management and the related policy and compliance routines. Group systems that support the HR function include Cornerstone.
- ***Marketing and Admissions.*** Regional marketing and admissions directors support strategy development for each region, provide centralized marketing support for key channels such as digital marketing and provide management oversight of school marketing and admissions personnel in their day-to-day activities.
- ***Safeguarding.*** The Chief Executive has strategic and operational responsibility for safeguarding. Operational accountability is delegated to the Regional CEO's. Our Group Head of Safeguarding Governance, who ultimately reports to the CEO, oversees safeguarding standards for the Group and we undergo an annual review process in respect of each of our schools, following which recommendations are implemented at the regional level by Regional Safeguarding Advisors that provide support and guidance to the schools.

Accreditation

We require a license or permit from the relevant regulatory authority to operate each of our schools. In addition, in certain jurisdictions we also require licenses to offer curricula from certain accrediting organizations. Our teachers are also subject to the relevant regulatory requirements in each jurisdiction in which we operate. In addition, our schools are required to comply with industry operating standards and may be subject to inspection by the relevant accreditation body. Such inspections generally relate to educational requirements and to health and safety standards. We have the requisite licenses and permits to operate. See "*Regulation.*"

Employees

For the Fiscal Year ended August 31, 2018, we had an average of 5,858 FTE employees consisting of:

	FTE employees
Teachers	4,156
Non-teaching staff	1,451
Other[(1)]	251
Total	**5,858**

Note:
(1) Other comprises of all administrative staff based in our regional and corporate central offices.

Our teachers and other staff in Brazil, Chile, Spain and Vietnam are subject to collective bargaining agreements. In Chile we have had strikes or threats of strikes in relation to the Penalolen union. In addition, in Brazil, there was a one-day teacher strike in 2018, which came amid a wave of strikes in other industries in the country. We otherwise do not believe we face the threats of strikes or other action from our teachers in those countries that could reasonably be expected to have a material and adverse effect on our business, prospects, results of operations or financial condition. See "*Risk Factors— Amendments to the collective bargaining agreements for our teachers and staff and other employee relation issues may adversely affect our financial results*."

Intellectual Property

We are the applicant or registrant of trademarks relating primarily to our logos, names of our individual schools and "Cognita" which is registered in the EU, China, Singapore, Thailand, Vietnam, Chile, Mexico, India, Indonesia, Malaysia, South Korea and pending registration in Hong Kong.

Insurance

We maintain insurance cover in respect of various insurable risks under a range of insurance policies. These include property, fire and consequential loss, business interruption, public liability, professional indemnity and personal injury. Assets are covered on a replacement cost basis. We also have insurance cover for our teachers and staff such as life insurance and travel insurance.

Properties

Our Group headquarters are located in Milton Keynes in the United Kingdom where we lease approximately 10,700 square feet. As of August 31, 2018, we had 36 freehold and 90 leasehold school properties (including playing fields, car parks and administrative buildings). The average remaining tenure with respect to our leasehold school properties is 23 years. Approximately 30% of the Group's leases are due to expire over the next five years. Of these, two properties pose a risk of not being renewed in the future and management are in the process of securing arrangements to ensure suitable properties for these schools' operations.

The table below summarizes our school properties by region as of the date of this Offering Circular:

No.	Name of School	Address	Freehold/ Leasehold
United Kingdom			
1	Breaside Preparatory School	41/43 Orchard Road, Bromley BR1 2PR	Leasehold
2	Colchester High School	19 Wellesley Road, Colchester CO3 3HD	Freehold
3	Colchester High School	19A Wellesley Road, Colchester CO3 3HD	Freehold
4	Colchester High School	13/15 Wellesley Road, Colchester CO3 3HD	Leasehold
5	Colchester High School	21 Oxford Road, Colchester CO3 3HN	Leasehold
6	Downsend Preparatory School	Main – 1 Leatherhead Road, Leatherhead KT22 8TJ	Freehold
7	Downsend Pre-Prep School	Ashstead Lodge – 22 Oakfield Road, Ashtead KT21 2RE	Freehold
8	Downsend Pre-Prep School	Epsom Lodge – 6 Norman Avenue, Epsom KT17 3AB	Freehold
9	Downsend Pre-Prep School	Leatherhead Lodge – 13 Epsom Road, Leatherhead KT22 8ST	Freehold
10	Duncombe School	4 Warren Park Road, Bengeo SG14 3JA	Leasehold
11	Glenesk School	Ockham Road North, East Horsely FT24 6NS	Freehold
12	Hendon Preparatory School	20 Tenterden Grove, Hendon NW4 1TD	Leasehold
13	Huddersfield Grammar School	Luck Lane, Marsh, Huddersfield HD1 4QX	Leasehold
14	Hydesville Tower School	25 Broadway North, Walsall, WS1 2QG	Freehold
15	Kings School	Hartley Road, Mannamead, Plymouth PL3 5LW	Freehold
16	Long Close School	Upton Court Road, Slough SL3 7LU	Leasehold
17	Meoncross School	Burnt House Lane, Stubbington, Fareham PO14 2EF	Freehold
18	North Bridge House Nursery School	33 Fitzjohns Avenue, London NW3 5JY	Freehold
19	North Bridge House Preparatory School	1 Gloucester Avenue, London NW1 7AB	Freehold
20	North Bridge House Senior School	65 Rosslyn Hill, Hampstead, London NW3 5UD	Leasehold
21	North Bridge House Pre-Preparatory School	8 Netherhall Gardens, London NW3 5RR	Leasehold
22	North Bridge House Senior & Sixth Form	7/9 Canonbury Place, London N1 2NQ	Leasehold
23	Oxford House School	4 Lexden Road, Colchester CO3 3NE	Leasehold
24	Polam School	45 Landsdowne Road, Bedford MK40 2BU	Freehold
25	Salcombe Preparatory School	Campus 1 – 224/226 Chaseside, Southgate N14 4PL	Leasehold
26	Salcombe Preparatory School	Campus 2 – Green Road, Southgate N14 4AD	Leasehold
27	St Mary's School	13 St Andrews Road, Henley on Thames RG9 1HS	Freehold
28	St Margaret's Preparatory School	Gosfield Hall Park, Gosfield CO9 1SE	Leasehold
29	Clifton Lodge Preparatory	8 Mattock Lane, Ealing W5 5BG	Leasehold
30	Cumnor House School for Girls	13 Woodcote Lane, Purley, Surrey CR8 3HB	Freehold .
31	Cumnor House School for Girls	1 Woodcote Lane, Purley, Surrey CR8 3HB	Leasehold

No.	Name of School	Address	Freehold/ Leasehold
32	Cumnor House School for Boys	91 & 168 Pampisford Road, South Croydon, Surrey CR2 6DA	Freehold .
33	Akeley Wood Senior School	Akeley Wood, Bycell Road, Buckingham MK18 5AE	Leasehold
34	Playing Fields	Akeley Wood, Buckingham MK18 5AE	Leasehold
35	Akeley Wood Junior School	Wicken Park, Wicken, Milton Keynes MK19 6DA	Leasehold
36	Akeley Wood Senior School (lower grades)	Tile House Mansion, Lillingstone Dayrell, Buckingham MK18 5AN	Leasehold
37	St. Nicholas Preparatory School	23/24 Princes Gate, London SW7 1PT	Leasehold
38	St. Nicholas Preparatory School	10-13 Princes Gardens, Knightsbridge, London SW7 1ND	Leasehold
39	Quinton House School	Upton Hall, Upton NN5 4UX	Leasehold
40	St Clare's School	Newton, Porthcawl CF36 5NR	Leasehold
41	Kingscourt School	Catherington Lane, Catherington PO8 9NJ	Leasehold
42	Charterhouse Square School	38/39/40 Charterhouse Square, London EC1M 6EA	Leasehold
43	Milbourne Lodge Preparatory School	Arbrook Lane, Esher, Surrey KT10 9EG	Leasehold
44	Playing Fields	Arbrook Lane, Esher, Surrey KT10 9EG	Leasehold
45	Oakfields Montessori School	Harwood Hall, Harwood Hall Lane, Corbetts Tey, Upminster RM14 2YG	Leasehold
46	Oakleigh House School	38 Penlan Crescent, Swansea SA2 0RL	Leasehold
47	Southbank International School (Kensington campus)	Kensington – 36/38 Kensington Park Road, London W11 3BU	Leasehold
48	Southbank International School (Kensington campus)	Kensington – 40/42 Kensington Park Road, London W11 3BU	Leasehold
49	Southbank International School (Kensington campus)	Portobello – Admissions Office – 18 Portobello Road, London	Leasehold
50	Southbank International School (Hampstead campus)	Netherhall – 16 Netherhall Gardens, London NW3 5TH	Leasehold
51	Southbank International School (Hampstead campus)	Netherhall – The Hall at Netherhall Gardens	Leasehold
52	Southbank International School (Hampstead campus)	Netherhall – Block C Netherhall Gardens	Leasehold
53	Southbank International School (Westminster Campus)	63/65 Portland Place, London W1B 1QR	Leasehold
54	Southbank International School (Westminster Campus)	Conway – 17 Conway Street, London W1T 6BN	Leasehold
55	Southbank International School	Charteris Sports Centre, 24/30 Charteris Road, London NW6 7ET	Leasehold
56	Southbank International School	Grafton House, 379-381 Euston Road, London NW1 3AU	Leasehold
Spain			
57	Hastings School, Madrid	Azulinas, 8. 28036 Madrid	Leasehold
58	Hastings School, Madrid	Paseo de la Habana, 204. 28036 Madrid	Leasehold
59	Hastings School, Madrid	Bendicion de Campos, 5. 28036 Madrid	Freehold .
60	Hastings School, Madrid	Calle de Lorenzo Solano Tendero 11-13, 28043, Madrid	Leasehold

No.	Name of School	Address	Freehold/ Leasehold
61	Hastings School, Madrid	Ronda de Sobradiel, 31, 28043, Madrid	Leasehold
62	Hastings School, Madrid	Calle Julian Hernandez n. 8, 28043, Madrid	Leasehold
63	Hastings School, Madrid	Manuel Maranon, 8, 28043, Madrid	Leasehold
64	British School of Barcelona	Passeig del Pitort 196, Castelldefels, Barcelona	Freehold
65	British School of Barcelona	Carrer Ginesta 26, Castelldefels, Barcelona	Freehold
66	British School of Barcelona	Carrer Ginesta, 2-10, 08860 Castelldefels, Barcelona	Leasehold
67	British School of Barcelona	Passeig Isaac Albéniz, 08870 Sitges, Barcelona	Leasehold
68	El Limonar International School Murcia	ELIS El Palmar, Colonia Buenavista s/n, 30120, El Palmar, Murcia	Leasehold
69	El Limonar International School Villamartin	Las Filipinas IS, Urb Blue Lagoon, 03193 San Miguel de Salinas, Alicante	Leasehold
70	The English Montessori School	Calle de la Salle s/n (Aravaca), 28023, Madrid	Leasehold
71	The English Montessori School	Calle Ganimedes, 7, Madrid	Freehold
72	Colegio Europeo de Madrid (CEM)	Calle Cólquide, 12, 28231 Las Rozas, Madrid	Leasehold
73	Colegio Europeo de Madrid (CEM)	Calle Cólquide, 14, 28231 Las Rozas, Madrid	Leasehold
Singapore			
74	Stamford American International School (SAIS)	1 Woodleigh Lane, Singapore 357684	Leasehold
75	Australian International School (AIS)	1 Lorong Chuan, Singapore 556818	Leasehold
76	Early Learning Village (AIS & SAIS)	3 Chuan Lane, Singapore 554350	Leasehold
Hong Kong			
77	Stamford American School	25 Man Fuk Rd, Ho Man Tin, Hong Kong	Leasehold
78	Woodland Montessori Academy	1/F-3/F, On Fung Building, Nos.110-118 Caine Road, Hong Kong	Leasehold
79	Woodland Montessori Academy	Shop A, G/F, On Fung Building, Nos.110-118 Caine Road, Hong Kong	Leasehold
80	Woodland Montessori Academy	Shops B, C & D, G/F, On Fung Building, Nos.110-118 Caine Road, Hong Kong	Leasehold
81	Woodland Junior Academy	Flats D,E, F and Shop 2 on G/F, K.K. Mansion, Nos.119, 121 & 125 Caine Road, Hong Kong	Leasehold
82	Woodland Peak Pre-School	Flat 20, 1/F, Stewart Terrace, Nos. 81-95 Peak Road, Hong Kong	Leasehold
83	Woodland Harbourside Pre-School	Shops 1 & 2 on G/F, Ocean Court, No.3 Aberdeen Praya Road, Hong Kong	Leasehold
84	The Woodland Pre-School (Pokfulam)	Shop No. 29, G/F, Commercial Complex, Wah Fu (II) Estate, Pokfulam, Hong Kong	Leasehold
85	The Woodland Pre-School (Pokfulam)	Shop No. 28, 7/F, Commercial Complex, Wah Fu (II) Estate, Pokfulam, Hong Kong	Leasehold
86	Woodland Sai Kung Pre-School	Shop No. D, G/F, Commercial Development, Marina Cove	Leasehold
87	Woodland Repulse Bay Montessori Pre-School	Shop G204, The Repulse Bay, 109 Repulse Bay Road, Hong Kong	Leasehold
88	Woodland Repulse Bay Montessori Pre-School	Signage Licence, Lightbox No.4, B/F of Commercial Carpark	Leasehold

No.	Name of School	Address	Freehold/ Leasehold
89	Woodland Repulse Bay Montessori Pre-School	G118-119, G/F, The Repulse Bay, 109 Repulse Bay Road, Hong Kong	Leasehold
90	Woodland Repulse Bay Montessori Pre-School	G120, G/F, The Repulse Bay 109 Repulse Bay Road, Hong Kong	Leasehold
91	Woodland Happy Valley Pre-School	G/F, No. 2 Hawthorn Road, Happy Valley, Hong Kong	Leasehold
92	Woodland Happy Valley Pre-School	Shops 1-6, 1/F, Happy Court, No.39E Sing Woo Road, Hong Kong	Leasehold
93	Woodland Kennedy Town Pre-School	Shop No. 7 and Shop No. 8, G/F, Hau Wo Building	Leasehold
94	Woodland Kennedy Town Pre-School	Shop No. 1, G/F, Hau Wo Building	Leasehold
95	Woodland Kennedy Town Pre-School	1/F including Flat Roof and 2/F, Hau Wo Building	Leasehold
96	Woodland Beachside Pre-School Repulse Bay	Shops Nos. A1 – H, 2/F, 35 Beach Road, Repulse Bay, Hong Kong	Leasehold
97	Woodland Beachside Pre-School Repulse Bay	Carport, G/F, 35 Beach Road, Repulse Bay, Hong Kong	Leasehold
Thailand			
98	St Andrews International School Sathorn	9 Sathorn Soi 4, North Sathorn, Bangrak, Bangkok 10500	Leasehold
99	St Andrews International School Green Valley	Moo 7, Banchang-Makham Koo Road, Banchang, Rayong 21130	Freehold
100	St Andrews International School Sukhumvit 107	7 Sukhumvit 107 Road, Bangna, Bangkok 10260	Leasehold
101	St Andrews International School Dusit	253/1 Sawankhaloke Rd., Suan Chittralada, Dusit, Bangkok 10300	Leasehold
Vietnam			
102	International School Ho Chi Minh City (ISHCMC)	Building 28 Vo Truong Tuan, An Phu Ward, District 2, Ho Chi Minh City	Leasehold
103	ISHCMC	Building 18 Vo Truong Tuan, An Phu Ward, District 2, Ho Chi Minh City	Leasehold
104	ISHCMC (Admission Villa)	26 Vo Truong Toan, An Phu Ward, District 2, Ho Chi Minh City	Leasehold
105	ISHCMC (Car park 1)	53 Vo Truong Toan, Thao Dien Ward, District 2, Ho Chi Minh	Leasehold
106	ISHCMC (Car park 2)	Street 10, Thao Dien Ward, District 2, Ho Chi Minh City	Leasehold
107	International School Ho Chi Minh City, American Academy (AAVN)	16 Vo Truong Tuan, An Phu Ward, District 2, Ho Chi Minh City	Leasehold
108	International School Ho Chi Minh City Secondary Campus	01 Xuan Thuy Street, Thao Dien Ward, District 2, Ho Chi Minh City	Leasehold
109	International School Saigon Pearl	92 Nguyen Huu Canh Street,Ward 22, Binh Thanh District, Ho Chi Minh City	Leasehold

No.	Name of School	Address	Freehold/ Leasehold
Brazil			
110	Escola Cidade Jardim (Playpen)	Praca Prof Americo de Moura, 101, Cidade Jardim, Sao Paulo	Freehold
111	Playpen	Terreno a Avenida Sao Valerio, Lote 2 da quadra 64, bloco 7, Sao Paulo	Freehold
112	GayLussac	Rua Maria Caldas, 35 / 81, Sao Francisco, CEP 24365-050, Niteroi, RJ, Brasil	Freehold
113	GayLussac	Rua Coronel Joao Brandao, 95, Sao Francisco, CEP 24365-060, Niteroi, RJ, Brasil	Freehold
114	GayLussac (bus garage)	Rua President Roosevelt #1068 Terreno 7, Quadra 9, Sao Paulo	Leasehold
Chile			
115	Colegio Manquecura, Ciudad de los Valles	Avda. El Canal 19877, Ruta 68, Pudahuel, RM	Freehold
116	Colegio Manquecura, Ciudad del Este	Avda. Diego Portales 07045, Puente Alto, RM	Freehold
117	Colegio Manquecura, Valle Lo Campino	Camino El Cerro 2700, Quilicura, RM	Freehold
118	Colegio Pumahue, Chicureo	Camino Santa Elena 215, Chicureo, RM	Freehold
119	Colegio Pumahue, Curauma		Freehold
120	Colegio Pumahue, Huechuraba	Nudo Curauma 495, Curauma, V Region Avda. Santa Rosa de Huechuraba 7201, Santiago, RM	Freehold
121	Colegio Pumahue, Penalolen	Avda. Quilin 8200, Penalolen, Region Metropolitana	Freehold
122	Colegio Pumahue, Puerto Montt	Volcan Puntiagudo 1700, Puerto Montt, X Region	Freehold
123	Colegio Pumahue, Temuco	Avda. Martin Lutero 01200, Temuco, IX Region	Freehold
124	Collegio Pumahue, Chicauma	Av. El Parque, Lampa, Metropolitan Region	Leasehold
125	American British School	Avenida Walker Martinez 2972, La Florida, Santiago, Region Metropolitana	Freehold
126	Santo Tomas	Irarrazaval 5310, Nunoa, Region Metropolitana	Freehold

Litigation

We may be subject to legal or administrative proceedings or claims arising in the ordinary course of our business. Other than as described below, we are not currently subject to any such claims that we believe could reasonably be expected to have a material and adverse effect on our business, prospects, results of operations or financial condition.

A former teacher at the Southbank International School was engaged in criminal conduct with respect to a number of students during the course of his career, including between 2009 and 2013, during which time he taught at Southbank International School. Investigations associated with the case have now ended. Our insurers have agreed to cover current and future claims. To date, only a small number of claims have been made, though we may face further civil claims by such persons or by other affected students or their parents. See "*Risk Factors—Risks Relating to Our Business—Further developments relating to the widely reported inappropriate conduct by a former teacher at the Southbank International School could result in damage to our reputation, a decrease in enrollments, civil liabilities and regulatory or other legal action, all of which could have a material adverse effect on our business, prospects, results of operations, cash flow and financial condition.*"

REGULATION

Our schools are subject to regulation by national and local authorities under applicable law. Compliance is built into the regular routines operated by our schools. Our schools are inspected regularly by the relevant accreditation body. Below is a summary of the principle regulatory framework in each of the countries we operate in.

Europe

England and Wales

Section 463 of the Education Act 1996 (as amended) defines an independent school in England and Wales as any school at which full time education is provided for five or more students of compulsory school age (i.e., five to 16 years old), or one or more such students with an Education Health and Care Plan or a statement of special educational needs or who is "looked after" by a local authority, and is not a school maintained by U.K. local authority or a non-maintained special school. In England, such independent school must register with the Secretary of State for Education (the "SSE"), that is responsible for the work of the Department for Education (the "DfE"). In Wales, an independent school must register with the Welsh Ministers ("WM"), who form part of the Welsh Government. Independent schools must be registered before they start to operate and failure to do so is an offence punishable by a fine and/or imprisonment. Establishments that cater to children under the age of five are required to register as an independent school if they meet the definition of an independent school. If an establishment caters for children solely under the age of five, in England they must register with the Ofsted Early Years Directorate and in Wales with the Wales Care & Social Services Inspectorate ("CSSIW"). Establishments offering education solely for 16 to 19 year olds do not need to register as independent schools.

The SSE and the WM must be satisfied that the Independent School Standards are likely to be met before a school can be registered. These standards are set out in the Education (Independent School Standards) Regulations 2014 and the Independent School Standards (Wales) Regulations 2003, respectively (collectively the "*Regulations*"). Once a complete application is made in England, the SSE will ask the Office for Standards in Education, Children's Services and Skills ("Ofsted") (which oversees various aspects of state and independent schools in England) to inspect the school and provide a report as to whether the school is likely to meet these standards upon registration. The SSE will consider the report from Ofsted and any other evidence available in coming to a decision. The process in Wales is similar with Her Majesty's Inspectorate for Education and Training in Wales ("Estyn") (which oversees various aspects of state and independent schools in Wales) providing the report to WM. If the school is a boarding school it will also be inspected by CSSIW. The application process generally takes around six months from receipt of a complete application. If the registration is not granted within the timescales proposed it will not be deemed to have been granted. Pupils must not be admitted to the school until such school has received confirmation that it has been included in the Register of Independent Schools.

The Regulations require the SSE or the WM to make checks on any individual responsible for the day to day management of an independent school. The individual must not be barred under section 3(2) of the Safeguarding Vulnerable Groups Act 2006 and checks must be undertaken in respect of the person's identity and right to work in the United Kingdom. An enhanced criminal record check must also be undertaken. In England, this record check must be countersigned by the SSE and in Wales, by a Welsh Government official. If the proprietor has lived overseas, checks must also be made with the relevant overseas authorities and/or such other checks as the SSE or WM, as applicable, directs. If the proprietor is a formally constituted board of governors, directors or trustees, a trust or a limited company, only the chair will be required to undergo such checks. When inspected, a school will be required to provide evidence that these checks have been carried out and recorded on a 'single central register. Proprietors must ensure that staff also meet all the above requirements and, in addition, if staff care for, train or are in charge of boarders, the National Minimum Standards for boarding schools must be met or for boarding schools which cater wholly or mainly for pupils with special educational needs, the National Minimum Standards for Residential Special Schools must be met.

The DfE guidance states that all new independent schools are required to have an Ofsted inspection in their first year of operation, and provided that all Independent School Standards are met, schools will be inspected on a regular basis thereafter. Schools that belong to an Independent Schools Association, such as our schools in England, will have inspections carried out by an independent inspectorate rather than Ofsted. The Welsh Government guidance states that Estyn will carry out an inspection between three and six months after the date the school is registered (and, if it is a boarding school, will also be inspected again by CCSIW), and at least every six years thereafter to judge compliance with the Independent School Standards. Independent schools can be inspected at any time and inspections will be more frequent where there is a cause for concern. If there is evidence that a school is failing to meet the required Independent School Standards, and the SSE or the WM, as applicable, considers that there is a risk of serious harm to the welfare of the students, the school can be removed from the Register of Independent Schools, subject to appeal. In all other circumstances where the results of an inspection or other evidence reveals that the school does not meet one or more of the standards, the standards that are not being met will be identified and the SSE or the WM, as applicable, will require the proprietor to submit an action plan on how the issue will be remedied within a specified period of time. If the plan is rejected, or the issue is not remedied in line with an agreed action plan, then the SSE or the WM, as applicable, can remove the independent school from the register (after the conclusion of an appeal), require the proprietor to cease using any part of the school's premises, close any part of the school's operation or order the school to cease to admit new students or students of a certain description. Decisions made by the SSE or the WM, as applicable, are subject to appeal within 28 days.

All independent schools must gain approval from the SSE or the WM, as applicable, before making material changes, including, for example, a change of proprietor or a change to admit, or cease to admit, children with special educational needs. Whilst the majority of changes will be approved quickly, some can take up to six months, and if approval is not forthcoming within six months, it will not be deemed to have been granted. Where a material change is made without seeking approval, the SSE or the WM, as applicable, may remove the school from the register of independent school.

Education providers in England and Wales are prohibited under the Equality Act 2010 from discriminating in relation to admissions, exclusions, provision of education and access to any benefit, facility or service on the grounds of any of the relevant "protected characteristics." Such protected characteristics are disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Schools in England and Wales must also comply with a range of other legislation that includes, among others, child welfare and protection, health and safety, data protection and food safety. Schools are required to have relevant policies in place that address such issues.

Spain

Spanish privately-owned foreign schools are mainly regulated under the Royal Decree 806/1993, May 28 (the "*Spanish Royal Decree 806/1993*"), which specifically regulates the regime applicable to foreign schools in Spain, and more generally by the Organic Law 8/1985, July 3, which regulates the right to education; the Organic Law 2/2006, May 3, which regulates education; and the Royal Decree 332/1992, April 3, which regulates authorizations of private schools to teach under the non-university education general regime (the "*Spanish Royal Decree 332/1992*"). Under the scope of the Spanish Constitution, all these regulations are guided by the general principle of freedom to found public or private educational establishments (article 27.6).

Pursuant to the Spanish Royal Decree 806/1993 and the Organic Law 8/1985, all natural or legal persons can be a holder of a privately-owned foreign school in Spain, regardless of their nationality, with the exception of:

- persons that already provide services to the Spanish national, regional (Autonomous Community) or local education administrations;
- persons who have any criminal record for intentional crimes; and
- persons expressly deprived of this right by judgment.

For legal persons, the above mentioned restrictions will apply when the person affected by the restriction holds a governing position or 20% or more of the issued share capital.

In order to operate in Spain, schools must obtain authorization from the Spanish Ministry of Education.

The Spanish Royal Decree 332/1992 governs the general administrative procedure for the granting of authorizations of private schools to teach under the non-university education general regime. According to this regulation, the authorizations to operate privately-owned foreign schools in Spain will be granted provided the applying education centers meet the minimum administrative requirements. Where such centers do not meet or, subsequently fall below, the minimum requirements, the authorizations shall not be awarded or may subsequently be revoked.

Once granted, as a general rule the authorization does not need to be renewed and the schools are registered with the Public Registry of Schools and subject to inspection. In order to obtain the required authorization to operate in Spain, foreign privately-owned schools must satisfy: (i) both basic requirements applicable to all Spanish schools (such as adequate hygiene, safety, acoustic, and habitability conditions at the school premises, and architectural characteristics to guarantee the mobility of disabled students); as well as (ii) the relevant requirements of the applicable education authorities for the specific curricula taught in every school.

Where modifications to the education centers and/or authorized teaching programmes (amongst others, as foreseen in article 13 of Spanish Royal Decree 332/1992) are implemented, such modifications would require additional administrative approval.

Foreign educational curricula is required to include certain Spanish-specific contents. In the case of international schools that do not follow the Spanish curricula, schools are required to seek an international accreditation and ratification from the relevant foreign embassy, a copy of which is provided to the Ministry of Education before the local Spanish authorization is granted.

All of our schools in Spain are accredited by the National Association of British Schools in Spain and have been accredited and ratified by the British Council. Schools in Spain must comply with a range of legislation and other directives that include child welfare and protection, criminal records checks, health and safety, data protection, racial equality, disability discrimination, food allergy and school trips.

Asia

Singapore

The primary regulator for private education providers in Singapore, is the Committee for Private Education (the "*CPE*"), which was appointed by SkillsFuture Singapore Agency ("*SSG*") to carry out SSG's functions and powers under the Private Education Act (Cap. 247A) of Singapore ("*PE Act*"). Asides from being tasked with regulating the private education sector, the CPE also provides student services, consumer education and facilitates capability development efforts to uplift standards in the local private education industry. Notably, a private education institution must be deemed suitable for the delivery of private education by relevant land planning and fire safety authorities, therefore a private education institution must seek the CPE's permission before operating in and making any changes to its premises. The managers of the private education institution, which in relation to a corporate body means any director, partner or member of its board or committee of management, or other similar officer of the corporate body, and includes any person in accordance with whose directions, instructions or wishes such directors, partners or other members (as the case may be) are accustomed or under an obligation to, to abide (whether formally or informally), must also meet the fit and proper criteria based on the guidelines issued by the CPE.

Under Section 34 of the PE Act, no person in Singapore may offer to provide or provide private education, or award any degree, diploma or certificate (including any honorary degree or other distinctions) in respect of private education, whether in Singapore or elsewhere, unless the person is registered as a private education institution. The registration periods granted by the CPE are 2 years, 4 years or 6 years and the registration of a private education institution is subject to renewal. Every renewed period of registration will be determined by the CPE based on a set of criteria. Application for renewal of such registration should be submitted to the CPE at least 3 months prior to the date of expiry of the existing term of registration. In this respect, the Australian International School has been granted a four year registration from 6 July 2015 to 5 July 2019. The Stamford American International School has been granted a four year registration from 10 August 2018 to 9 August 2022.

The Private Education Regulations 2009 also provides, *inter alia*, that every private education institution shall establish an academic board and an examination board. In addition, every registered private education institution is required to prepare and submit an annual report of its activities and affairs to the CPE by 31st December (or by any other stipulated date as advised by the CPE) of every year.

In addition to being registered with the CPE, the Australian International School and the Stamford American International School have also been awarded the EduTrust Award under the EduTrust Certification scheme, which is a voluntary quality assurance scheme that helps to distinguish higher quality educational institutions in Singapore's private education industry. There are three EduTrust certification awards under the EduTrust Certification Scheme. In particular, the EduTrust award (which was given to the Australian International School and the Stamford American International School) is awarded to private education institutions for sustaining an excellent level of performance in managing their institutions and providing high quality education standards and welfare for their students. The EduTrust certification has a validity of up to four years. Certification is done through an assessment of how well the private education institution's systems and processes address and align with the seven criteria required under the EduTrust framework and produce the desired outcomes through effective implementation. The seven criteria are: (i) management commitment and responsibilities, (ii) corporate governance and administration, (iii) management of external recruitment agents, (iv) student protection and support services, (v) academic processes and assessment of students, (vi) the achievement of student and graduate outcomes, and (vii) quality assurance, monitoring and results.

Singapore citizens who reside in Singapore are required to attend national schools and are not permitted to attend foreign system schools or private education institutions unless approval has been granted by the Ministry of

Education. Such applications are assessed and granted on a case-by-case basis by the Ministry of Education and may be subject to terms and conditions.

In respect of the fee collection restrictions, save for the exception of imposing charges for late payment of course fees, a private education institution is not allowed to collect deposits or penalties from any student for any purpose regardless of whether such deposit or penalty is refundable or not. In addition, a registered private education institution that is not specified in the Third Schedule of the Private Education Regulations 2009 of Singapore is required to comply with the statutorily prescribed fee collection schedule for courses that last more than two months.

Thailand

The key regulations in regards to education in Thailand are the National Education Act and the Private Schools Act. The National Education Act outlines the fundamental rights and duties regarding the education of Thai people and provides for the establishment of the Office of the National Education Standards and Quality Assessment ("*NESQA*"). The NESQA is a public organization that ensures that education is properly provided and assesses whether the provision of education complies with the national education policy and serves the needs of the people. The Private Schools Act regulates the private school business in Thailand. It establishes the Office of the Private Education Commission ("*OPEC*"), which, under the supervision of the Office of the Permanent Secretary for Education, provides general oversight for K-12 education in Thailand and promotes and supports private education data and registration, as well as monitors and evaluates the provision of private education.

The Private Schools Act requires that, in order to establish a private school (formally or informally), a license must first be obtained from the Secretary-General of OPEC located in Bangkok, so long as the private school is to be located in Bangkok. If the private school is to be located outside Bangkok, the license must be applied for at the Provincial Primary Educational Service Area Office located in the respective province where such school is located unless the District Office of Private Education is established in such province. The application for a private school license must include evidence demonstrating that upon being granted a license, a school will have ownership or a possessory right of land for a period of no less than 10 years. The license holder can be either an individual or a corporate entity possessing qualifications as established in the Private Schools Act and the notification promulgated thereunder. In the event that there is an individual license holder, such individual must be of Thai nationality. In cases where the license holder is a corporate entity, no less than half of the total number of shares of such entity is required to be held by Thai persons (individual or entity) and no less than half of the total number of shareholders is required to be of Thai nationality (individual or entity). Our license is owned by an entity which is owned by a Thai person for purposes of these rules, but that person has assigned all of his ownership rights to us, which we believe is not unusual in various sectors which have foreign ownership restrictions in Thailand. While such nominee structures in the international school education sector have not been challenged by regulators, the position is uncertain. See "*Risk Factors—Risks Relating to Our Business—We are subject to rules arising from our ownership structures in Thailand and Vietnam."* Private school licenses are transferable provided that certain statutory requirements are met.

The school entity is a separate entity from the license holder for the school, and the license holder shall act as representative of such school entity. The school charter forms the relationship between the license holder and the school. The school is governed under the school charter and operated by the executive board consisting of the license holder, the manager of the school, the director of the school, teacher representatives, representatives of the students' parents, and other qualified members (the "*Executive Board*"). Changes to the school charter and details relating to the school's business, including operating plan or tuition fees, after obtaining a private school license, shall require prior approval from the Executive Board and the corresponding authority.

In order to maintain the required authorization from the Ministry of Education, schools are required to comply with the Private Schools Act and other rules and regulations promulgated thereunder. Schools in Thailand must also comply with a range of applicable legislation and other directives that include without limitation legislation and directives related to child welfare and protection, health and safety, data protection, racial equality, and disability and religion discrimination.

Tuition fees and other fees are fixed by the Executive Board and shall be publicly announced within the school area. If the Ministry of Education or OPEC determines that the school charges tuition fees that create an excessive burden on the public or seeks exorbitant profits and the school fails to justify such exorbitant profits, the Ministry of Education or OPEC has the power to order the reduction of tuition fees as they deem appropriate.

Vietnam

In Vietnam, the primary regulatory authorities are the Ministry of Education and Training and the Department of Education and Training. The Ministry of Education and Training is the primary governmental authority for education in Vietnam while the Department of Education and Training is the organization responsible for issuing the "Education Operation Decision" that allow schools to operate in Vietnam. Foreign operators are also required to register and obtain a requisite approval from the Department of Planning and Investment with respect to its investment or acquisition of any existing enterprise owning and operating schools in Vietnam. Where a new enterprise is to be incorporated to implement an investment project in the education sector, the foreign investors are required to first obtain an Investment Registration Certificate and an Enterprise Registration Certificate for such project from the Department of Planning and Investment.

Vietnam laws allow up to 100% foreign ownership of an educational establishment; however, foreign operators must meet minimum requirements in terms of, amongst other things, investment per capita, student intake and teaching staff in order to obtain an "Education Operation Decision."

Also, subsequent to the passage of a new decree in 2018, Vietnamese students are entitled to study foreign curriculum at general education schools (including at the primary, secondary and high school level) and also at kindergartens/pre-schools although the enrollment rate of Vietnamese students at such schools is limited. In particular, pursuant to this decree, the number of Vietnamese students studying foreign curriculum in foreign-invested schools must be less than 50% of the total number of students studying foreign curriculum at such school. Such enrollment rate under the new decree however is much more favourable than the rate under the former decree, and appears to evidence a push towards encouraging foreign investment in the education sector in Vietnam.

Under the new decree, foreign-invested schools which received permission for establishment or for their educational operations prior to the effective date of such decree, are not required to apply for recommencement of operations. Further, the investment law of Vietnam also offers a principle that, where a new legal instrument which is introduced provides lower investment incentives than those which the investor has previously enjoyed, the investor shall continue to be entitled to the investment incentives in accordance with the previous regulations for the remaining duration to which the project is entitled to incentives. Therefore, schools operated pursuant to operational licenses granted prior to the adoption of the new decree, are not required to amend their current license to limit enrollment of Vietnamese students as prescribed by the decree. Do however note the "*Risk Factors—Risks Relating to Our Business—We are subject to rules arising from our ownership structures in Thailand and Vietnam.*"

There are no restrictions for foreign-invested tertiary and vocational/short-term training establishments (i.e., up to 100% of student recruits can be Vietnamese). Furthermore, schools that admit Vietnamese national students are required to maintain provision of certain local subjects, as prescribed by the Minister of Education and Training. We hold licenses at both International School Ho Chi Minh City and International School Ho Chi Minh City, American Academy to teach an international curriculum to Vietnamese national students.

Schools in Vietnam must comply with a range of legislation and other directives that include child welfare and protection, criminal records checks, health and safety, data protection, racial equality, disability discrimination, food allergy and school trips.

Hong Kong

Section 3 of the Education Ordinance (Cap. 279) ("*EO*") defines a "school" as "*an institution, organization or establishment which provides for 20 or more persons during any one day or 8 or more persons at any one time, any nursery, kindergarten, primary, secondary or post-secondary education or any other educational course by any means, including correspondence delivered by hand or through the postal services*." Each category of institution is classified by age e.g. a nursery provides a one year course of education that normally begins when a child turns 3, whereas a primary school provides a 6 year course of education normally commencing when a child turns 6.

Generally, schools are regulated by the Education Bureau ("EDB"), in coordination with the following government departments which make recommendations and issue requirements for school premises: Planning Department ("PD"), Land Department ("LD"), Fire Services Department ("FSD"), Buildings Department ("BD")/ Independent Checking Unit, Office of the Permanent Secretary for Transport and Housing (Housing) ("ICU") and the Department of Health ("DH").

Kindergarten falls within the definition of a "school", but some kindergartens also provide child care services *i.e.* as kindergarten-cum-child care centers. These are jointly regulated by the Social Welfare Department ("SWD") and the EDB (in collaboration with the above-mentioned government departments issuing premises requirements) through the Joint Office for Kindergartens and Child Care Centers of the EDB ("Joint Office"). Under section 2 of the Child Care Services Ordinance (Cap. 243) ("CCSO"), a "child care center" is defined as, *inter alia*, "*any premises which habitually receive at any one time more than 5 children who are under the age of*

3 years for the purposes of care and supervision." In this regard, kindergartens and/ or institutions which provide such services fall under the CCSO regime.

The majority of the Woodland schools operated by the Group are classified as playgroups and do not fall within the remit of the EO or the CCSO and are therefore not required to be registered as long as the attending children are accompanied by an adult parent or helper.

To operate a school in Hong Kong, an application must be submitted to the Permanent Secretary for Education (the "Permanent Secretary"). Upon compliance and/or clearance with:

- PD on whether the proposed premise is permitted for school use under the Town Planning Ordinance (Cap. 131);
- LD on confirmation that school use does not contravene the lease condition of the proposed premises;
- FSD and BD/ICU on (fire) safety of the proposed premises; and
- EDB on the overall suitability of the school, taking into account, among other factors, school layout plans, fees to be charged, syllabus, curriculum planning, meal plans for students, registration of the school manager (on management and quality assurance of the school), employment expenditure of teaching staff,

the Permanent Secretary will grant a provisional registration to the school, as the Permanent Secretary thinks fit, with a validity period of one year (the "Validity Period"). The Permanent Secretary may extend the period of provisional registration of a school for a further period not exceeding 12 months at a time as he thinks fit. A school that can demonstrate full compliance with further requirements of:

- EDB on school management (e.g. number of students enrolled, registration of teachers, *etc.*);
- DH on health-related requirements (e.g. sanitary facilities, water supply, school space, meals, *etc.*); and
- requirements set by FSD and BD/ICU (if any),

will be granted a full registration. A provisionally-registered school that fails to demonstrate full compliance and has not been granted an extension on its Validity Period from the Permanent Secretary will become an unregistered school upon expiry of such Validity Period and will have to cease operations.

There is no validity period once a school is fully registered, but such school is expected to remain compliant with the application requirements throughout the registration period. A school registration may be cancelled in accordance with section 22 of the EO, for example, for contravention of the EO, unsatisfactory school management and/or where the relevant premises has become unsuitable for use as a school. The Permanent Secretary may by order in writing close any premises of a school which is not registered or provisionally registered.

In addition to obtaining the above-mentioned registration from the Permanent Secretary for operation of a school, kindergarten-cum-child care centers should also apply for registration of a child care center within proposed/ registered kindergarten premises with the Joint Office. The requirements are similar to those of a kindergarten, such as the clearance with FSD and BD/ICU on the safety of the premises; with additional applications covering, among other things:

- registration of personal particulars of the operator of the child care center (as required under section 8 of the CCSO and is open for public inspection);
- timetable of daily activities of the child care center;
- dietary scale and menu for centers operating full day services;
- application for approval of child care center fees; and
- name of the employee who holds a valid first aid certificate.

While kindergarten-cum-child care centers are expected to remain compliant with the application requirements, there are particular on-going compliance requirements such as arrangement for regular inspection and maintenance of fixed electrical installation and gas installation. The Certificate of Registration of a kindergarten-cum-child care center will remain valid unless cancelled by the Joint Office pursuant to section 9 of the CCSO (on grounds including contravention of the CCSO) and/or section 22 of the EO.

Latin America

Chile

The key regulators for educational matters in Chile are the Ministry of Education (*Ministerio de Educacion* or "*MINEDUC*) and the Superintendence of Education (*Superintendencia de Educacion*). The MINEDUC oversees the performance of all the different agents involved in educational activities and it has a presence throughout the country by means of regional offices (*Secretaria Regional Ministerial* or "SEREMI"). The Superintendence of Education monitors recognized schools and its sponsors, ensuring that all recognized schools' operations meet the relevant regulations.

The main statute regarding schools is the General Law of Education (Law N° 20.370), which provides a series of rights and obligations regarding students, parents, teachers, sponsors and schools. In addition, Decree N° 315 enacted by the MINEDUC sets forth the process and requirements for obtaining the State's recognition for a school, how to maintain it and what may cause its cancellation or revocation. Importantly, all private schools (including those receiving state subsidies) must have a sponsor (or *sostenedor*) by law. In the case of private schools the sponsor must be a private legal entity, which sole corporate purpose must be to act as a sponsor of an educational establishment. The law does not discriminate between national and foreign sponsors, so there is no issue concerning foreign ownership of schools, whether partial or absolute. Licensing is handled by the corresponding SEREMI. The remaining regulations related to educational matters stem from the MINEDUC and focus on specific issues, such as academic content for specific levels or the minimum requirements for being able to teach in schools. Schools are subject to inspections performed by the Superintendence of Education. These inspections may be previously arranged or may be random and unscheduled. The Superintendence of Education may also impose four types of penalties to schools for legal or regulatory non-compliance: written admonishments; fines, ranging from approximately $70 to $70,000 (in private schools, the average cost of tuition is taken into consideration when determining the amount of the fine); temporary or definitive inability to act as sponsor for a school; and revocation of the State's recognition of the school. The harshness of the penalty ultimately imposed shall depend on the seriousness of the school's non-compliance or infraction, as well as its cooperation or lack thereof in rectifying such non-compliance. In addition, the school may also be penalized with fines or temporary closing of its premises if it fails to comply with the regulation concerning hygienic and construction matters.

Admission requirements in private schools must be pursuant to objective, clear and non-arbitrary parameters and must ensure the dignity of the applicants and their families. Provided this requirement is met, private schools are free to set forth its own set of requirements, such as religious beliefs, nationality, academic performance, and family composition. There are no statutes or regulations requiring a minimum percentage of Chilean students. Private schools are also free to determine the amount, payment term and conditions of tuition and its related admission process, enrollment, parent associations' fees and any other costs of enrollment. During the academic year, the school may not suspend or expel a student due to any unpaid and outstanding tuition fee.

Schools in Chile must also comply with hygiene and construction codes, as well with a wide ranging set of laws, regulations and other directives that include child welfare and protection, criminal records checks, safety, data protection, and disability discrimination.

Brazil

Brazilian schools must comply with federal regulations and guidelines as well as any applicable state or local regulations. Brazil's federal government regulates the country's education system through the Ministry of Education (*Ministério da Educação*), provided that federal, state and local governments organize, in cooperation, the education system in the country, based on the guidelines issued by the federal government. Licensing is handled by the school's state or local government, depending upon the type of school. Specifically, state governments are responsible for the licensing of all private elementary schools and high schools located within their respective jurisdictions, while local governments are responsible for the licensing of private early childhood education programs. Local and state governments are also responsible for establishing state education programs for public schools following the guidelines and using the funding supplied by the federal government, in addition to their own financial resources.

The rendering of educational services at any level is permitted to private entities, provided that these entities (a) are in compliance with the regulations issued by the federal, state, and local governments, where applicable; (b) obtain the required authorization from the competent governmental authority; and (c) are able to finance their activities.

In order to maintain the required authorization from federal, state, and local governments, a private school must satisfy certain requirements ranging from the suitability of its physical facilities to the qualification of its teachers and the structure of its curriculum, among other specific requirements depending upon the type of school and the level of education provided. The licensing authorities have the power to check compliance with such requirements periodically and non-compliance may lead to the revocation of the school's existing permits.

Aside from certain age requirements in relation to the grade a student can be enrolled in, there are no specific rules that Brazilian schools must follow when deciding whether or not to accept or maintain any given student. However, regulators may levy sanctions against a school using discriminatory admissions or expulsion practices.

Private schools are unregulated with regards to determining tuition rates and charging any other fees to their students. Additionally, provided that all foreign investment is duly registered in the Central Bank of Brazil (*Banco Central do Brasil*), there are no restrictions in the remittance of funds (such as dividends and other distributions) to a private school's foreign investors.

MANAGEMENT

Lernen Midco 2 Limited

The Issuer is indirectly controlled by Lernen Midco 2 Limited. See "*Principal Shareholders*" below. Set forth below are the names, ages, and titles of the members of the Board of Directors of Lernen Midco 2 Limited. The business address of each of the directors of Lernen Midco 2 Limited is Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

Name	Age	Title
Chris Jansen	48	CEO and Director
Michael Uzielli	48	CFO and Director
Patrick De Maeseneire	61	Chairman and Director
Nicholas Jacobs	36	Director
Philippe Jacobs	34	Director

Summarized below is a brief description of the experience of the individuals who serve as members of the Board of Directors of Lernen Midco 2 Limited.

Chris Jansen joined the Group as Chief Executive Officer in October 2015 and was appointed Director on October 24, 2018. His previous roles including Chief Executive Officer of The AA where he led the company on its Initial Public Offering on the London Stock Exchange in June 2014. Prior to The AA, Mr. Jansen worked for six years at Centrica PLC, as the Managing Director of British Gas Services and the Group Commercial Director. Before British Gas, he spent seven years respectively at both British Airways and Procter & Gamble in a variety of leadership and General Management roles. Mr. Jansen has an Economics Degree from Cardiff University.

Michael Uzielli joined the Group as Chief Financial Officer in June 2016 and was appointed Director on October 24, 2018. His previous roles include Chief Financial Officer of Heathrow Airport Holdings and, prior to this, he spent seven years at Centrica where he was Finance Director of British Gas. Before Centrica, Mr. Uzielli worked for six years at British Airways as a Senior Manager in the Investment & Alliances division and then as Finance Director of Air Miles. Mr. Uzielli qualified as a Chartered Accountant (ACA) in 1996 with Touche Ross and then spent five years in investment banking at Schroders and Citigroup. He has a Modern Languages degree from Cambridge and serves as a Trustee of the Athena Schools Trust, a multi-academy trust of five school academies in Surrey, UK.

Patrick De Maeseneire joined Jacobs Holding AG in November 2015 as Chief Executive Officer and was appointed Director on August 31, 2018. Besides his function as CEO, he also serves as member of the Board of Ahold Delhaize, a Dutch-Belgian international food retailer. Prior to joining Jacobs Holding AG, Mr. De Maeseneire was CEO of Adecco S.A., the largest staffing company in the world and Barry Callebaut AG. Under his leadership, Barry Callebaut started its successful global expansion, which ultimately turned it into the global leader in chocolate and cocoa that it is today. He started his professional career at Arthur Andersen Consulting followed by executive positions at Wang, Apple Computer and Sun International. Mr. De Maeseneire holds a Master's Degree in Commercial Engineering from the Solvay Business School of Brussels University (VUB), and a special license in marketing management from Vlerick Leuven Gent Management School, Belgium. He also completed studies in Business Management at the London Business School and INSEAD.

Nicolas Jacobs was appointed Director on November 1, 2018 is a Managing Partner of a venture capital and private equity company focused on investments in the FMCG sector. He has taken several executive positions of the Jacobs Family business. Mr. Jacobs serves as a Board Member of Barry Callebaut since 2012 and was previously responsible as Managing Director for the cocoa and the chocolate operations of South America. He started his career at Goldman Sachs in 2006 and served for Burger King Corporation as a Senior Director for Global M&A and Development, with responsibilities for strategic projects and the expansion of Burger King globally. Mr. Jacobs holds a Master's degree in law from the University of Zurich, a Master of Finance of London Business School and a Master of Business Administration from INSEAD in Fontainebleau.

Philippe Jacobs was appointed Director on November 1, 2018 and is an Investment Director at Aalto Invest focusing on the firm's public equity investments. Previously, he worked at the Global Industrials Group in the Investment Banking Division of Royal Bank of Scotland and also at UBS AG in London and Zurich. Mr. Jacobs holds a M.Sc. in Finance from Imperial College Business School and Bachelor of Arts HSG in Business Administration from the University of St. Gallen. In addition, he has completed a course at the FESCO International Training Center in Shanghai in Chinese language and culture.

The Issuer

The Board of Directors of the Issuer is comprised of three members. As of the date of this Offering Memorandum, the Issuer's Board of Directors was comprised of Chris Jansen, Michael Uzielli and Jayne Pinchbeck.

Senior Management Team of the Group

The business address of each of the members of our senior management team is Cognita Schools, 3rd Floor, 41-42 Eastcastle Street, London W1W 8DY.

Name	Age	Title
Chris Jansen	48	Group CEO
Michael Uzielli	48	Group CFO
Michael Drake	55	CEO, Asia
Stuart Rolland	54	CEO, Europe
Josep Caubet	40	CEO, Latin America
Simon Camby	44	Group Director of Education

Summarized below is a brief description of the experience of the individuals who serve as members of the senior management team of the Group, other than those that have been described above.

Michael Drake joined the Cognita group as Chief Executive Officer, Asia in October 2016. Prior to joining Cognita, Mr. Drake headed one of the three divisions at global delivery giant TNT. In this role he led multiple businesses with operations in over 100 countries throughout Asia, Middle East and Africa and was a member of the global TNT Management Board. He was an active member of the Young Presidents Organisation (YPO) and previously held external positions as Vice-Chairman of the Advisory Council for Jiao Tong University in Shanghai, a member of the Board of Governors at United World College of SE Asia (Singapore), a member of the Road Safety Advisory Council in Vietnam (a World Bank initiative) and as a Fellow of Charter Institute of Logistics and Transport in Singapore. Mr. Drake holds an Executive MBA from State University of New York at Buffalo and has attended the Advanced Management Program at Harvard Business School.

Stuart Rolland joined the Cognita group as Chief Executive Officer, Europe in March 2016. Prior to joining Cognita, Mr. Rolland was a member of the British Gas executive team serving as COO British Gas and Managing Director of British Gas Business, having been promoted from the Services Division where he led the turnaround of the Central Heating Installation business and the rollout of the £4.0 billion smart meter program. Mr. Rolland held senior management positions in Caradon plc, was Managing Director of Hozelock and COO of Intelligent Engineering. At Cognita, Mr Rolland is responsible for the leadership and development of the European region. He has served as a Governor at Berkhamsted School for six years and has a BA Hons from Oxford University and an MBA from Harvard Business School.

Josep Caubet joined the Cognita Group as Director of Strategic Development, Spain in November 2007. In January 2011, Mr. Caubet became Director of Strategic Development in Southern Europe and Latin America, and in April 2013 became CEO, Latin America. Before joining Cognita, Mr. Caubet held a number of senior roles within world-leading corporate finance and banking institutions. From 2000 to 2001, Mr. Caubet was a senior analyst in Arthur Andersen’s corporate finance division. From 2001 to 2007, Mr. Caubet was at Atlas Capital Close Brothers (currently Daiwa Securities Group), where he became a vice-president of the investment banking division. Mr. Caubet has a Bachelor of Business Administration and an MBA (Major in Finance) from ESADE in Barcelona, studied the Corporate Finance Program at the London Business School and the General Management Program at Harvard Business School.

Simon Camby joined the Cognita group as Group Director of Education in January 2016. Prior to joining Cognita, Mr. Camby worked for Focus Education where he served as the founding Chief Executive of the Focus multi-academy trust. During his time as Chief Executive, Mr. Camby led the Trust to become a group of 11 schools. Prior to this, Simon worked for Focus Education leading their consultancy practice with a team of consultants delivering school improvement work in schools in the UK and internationally. A graduate of the University of Cambridge and the Open University, Mr. Camby is currently working towards a PhD at the UCL Institute of Education in London with a focus on leadership of learning.

Compensation

The aggregate compensation (fixed and variable) paid by us to the directors of the Company and our key management personnel for the fiscal year ended August 31, 2018 was £4.5 million.

Incentive Plans

We established a management incentive plan in October 2018 under which shares are issued to current members of management. The program strives to align the interests of management and the principal shareholders and contains customary leaver provisions.

PRINCIPAL SHAREHOLDERS

The Issuer's entire issued and outstanding share capital is held by Lernen Cleanco Limited, a wholly-owned subsidiary of Lernen Midco 2 Limited.

JHAG and certain members of the Jacobs Family (including Nicolas Jacobs) collectively indirectly control 75% of the voting rights attaching to Lernen Midco 2 Limited's shares (via Learnen Midco 1 Limited, a UK SPV). As of the date of this Offering Memorandum, Nicolas Jacobs, indirectly controls 7.6% of the voting rights of the Lernen Midco 2 Limited.

The following five members of our management control the remaining 25% of the voting rights attaching to Lernen Midco 2 Limited's shares (the "Management Investors"):

	Voting Rights
Chris Jansen	5%
Michael Uzielli	5%
Simon Camby	5%
Stuart Rolland	5%
Josep Caubet	5%
Total	**25%**

Investment Agreement with the Management Investors

On the Acquisition Completion Date, the Management Investors entered into an investment agreement with, among others, Lernen Midco 1 Limited (the "Investment Agreement"), relating to their respective ownership of securities in Lernen Midco 2 Limited. The Investment Agreement sets out, among other things, certain conditions relating to the transfer of the securities of Lernen Midco 2 Limited. These conditions include restrictions on the transfer of securities such as a lock-up, pre-emption rights, anti-dilution rights, tag-along rights and exit clauses.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we regularly enter into agreements with or render services to related parties. In turn, such related parties may render management or administrative services. Such agreements between subsidiaries and affiliated companies are entered into on a regular basis within the ordinary course of business.

We believe that all transactions with affiliated companies and persons with which members of our board of managers are affiliated are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third-party providers.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions, including the Offering and the use of proceeds therefrom. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements.

Senior Facilities Agreement

Overview and Structure

In connection with the Acquisition, Lernen Bidco Limited ("Bidco") entered into a new multicurrency senior facilities agreement (the "Senior Facilities Agreement") on October 24, 2018 (as amended and restated on or around November 22, 2018) with, among others, Elavon Financial Services DAC, UK Branch as facility agent, U.S. Bank Trustees Limited, as security agent, and Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Goldman Sachs Bank USA and KKR Capital Markets Limited as mandated lead arrangers. The Senior Facilities Agreement provides for committed facilities in the following amounts:

- a €255,275,698 senior secured term loan B1 facility ("Facility B1 (EUR)");
- a £200,000,000 senior secured term loan B1 facility ("Facility B1 (GBP)" and together with "Facility B1 (EUR), "Facility B1");
- a €52,551,816 senior secured term loan B2 facility ("Facility B2" and together with Facility B1, "Facility B"); and
- a £100 million senior secured revolving credit facility (the "Revolving Facility" and, together with Facility B, the "Senior Facilities").

All amounts under Facility B1 were utilized by Bidco on the Closing Date and applied towards the consideration payable for the Acquisition, payment of fees, costs and expenses in connection with the Acquisition and the refinancing, discharge and/or acquisition of existing Target Group debt and the payment of related costs or fees to which any member of the Target Group was obligated to pay.

Facility B2 was utilized on the Closing Date in an amount of EUR 2,618,278 in relation to the Specified Acquisition referred to in paragraph (a)(iii) of the definition thereof (the Santo Tomas Acquisition). Facility B2 was also utilized on 12 November 2018 in an amount of EUR 1,745,519 in relation to the Specified Acquisition referred to in paragraph (a)(iv) of the definition thereof (the CEM Acquisition). Facility B2 may be further utilized by Bidco for the financing or refinancing of the other Specified Acquisitions and any payment of fees, costs and expenses in connection with those Specified Acquisitions.

The Revolving Facility may be utilized by Bidco or certain other members of the Group who accede to the Senior Facilities Agreement as additional borrowers in pound sterling, euros, U.S. dollars, Singapore dollars, Hong Kong dollars and certain other currencies which are readily available and freely convertible into pound sterling in the relevant interbank market. The Revolving Facility may be used for the Group's working capital and/or general corporate purposes.

In addition, Bidco may elect to request additional facilities, either by way of (i) a new additional commitment or facility or (ii) additional tranches of, or increase in, an existing facility (each an "Additional Facility"). Bidco and the lenders providing an Additional Facility may agree to certain terms applicable to such Additional Facility, including the margin, the termination date and the availability period (where relevant, subject to certain parameters as set out in the Senior Facilities Agreement).

Availability

Facility B2 may be utilized until and including close of business on 31 March 2019.

The Revolving Facility may be utilized until the date falling one month prior to the termination date applicable to the Revolving Facility.

Interest and Fees

Loans under the Senior Facilities Agreement will initially bear interest at rates per annum equal to LIBOR or, for loans denominated in euro, EURIBOR, or, in relation to any Loan in SGD, SIBOR or, in relation to any Loan in in HKD, HIBOR plus a margin of:

- in relation to any Facility B1 (EUR) loan, 4.50% per annum (which is subject a decreasing margin ratchet based on the Group's Priority Leverage Ratio);

- in relation to any Facility B1 (GBP) loan, 5.00% per annum (which is subject a decreasing margin ratchet based on the Group's Priority Leverage Ratio);
- in relation to any Facility B2 loan, 4.50% per annum (which is subject a decreasing margin ratchet based on the Group's Priority Leverage Ratio); and
- in relation to any Revolving Facility loan, 4.00% per annum (which is subject a decreasing margin ratchet based on the Group's Priority Leverage Ratio).

The margin applicable to an Additional Facility will be agreed between Bidco and the lenders of that Additional Facility (subject to certain parameters set out in the Senior Facilities Agreement).

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Facility for the period commencing on the Closing Date and ending on the last day of the availability period applicable to the Revolving Facility at a rate of 35% of the margin applicable to the Revolving Facility from time to time. The commitment fee is payable quarterly in arrears, on the last day of the relevant availability period and on the date the Revolving Facility is cancelled in full or on the date on which a lender cancels its commitment thereunder. Bidco is also required to pay (or procure payment of) customary agency fees to the facility agent and the security agent in connection with the Senior Facilities.

Default interest is calculated as an additional 1% on the overdue amount.

Repayments

Facility B will be repaid in full on the date that is 84 months from the Closing Date. Amounts repaid by the borrowers in respect of loans made under Facility B may not be re-borrowed.

In respect of the Revolving Facility, each Revolving Facility loan will be repaid on the last day of its Interest Period. All amounts outstanding under the Revolving Facility will be repaid in full on the date falling 78 months after the Closing Date. Amounts repaid by the borrowers in respect of loans made under the Revolving Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

The termination date under any Additional Facility shall be the date agreed between Bidco and the relevant Additional Facility lenders, such date to be (i) in the case of a term facility, no earlier than the original termination date applicable to Facility B; and (ii) in the case of a revolving facility, no earlier than the original termination date applicable to the Revolving Facility, and there shall be no amortisation of any Additional Facility prior to the original termination date applicable to Facility B except de minimis amortisation of no greater than five per cent. per annum (unless the Lenders of Facility B are also offered the same percentage amortisation for each relevant year).

Mandatory Prepayment

The Senior Facilities Agreement allows for voluntary prepayments (subject to minimum amounts). The Senior Facilities Agreement provides for mandatory prepayment in full or in part in certain circumstances, including:

- upon the occurrence of a Change of Control or the sale of all or substantially all of the assets of the Group (whether in a single transaction or a series of related transactions);
- from certain net cash proceeds received by the Group from certain disposals of assets, to the extent that such net cash proceeds exceed certain agreed thresholds and have not been applied for other permitted purposes;
- from certain net cash proceeds received by the Group upon a Listing which does not constitute a Change of Control, subject a decreasing percentage ratchet based on the Group's Priority Leverage Ratio; and
- from each financial year (commencing with the first full financial year commencing on or after 1 September 2019) a percentage of excess cash flow, subject to certain deductions as set out in the Senior Facilities Agreement.

Guarantees

Bidco has provided a guarantee of all amounts payable to the finance parties under the Senior Facilities Agreement, subject to the limitations on such guarantees as set out in the Senior Facilities Agreement.

The Senior Facilities Agreement requires that, in addition to the grant of such guarantee by Bidco (subject to certain agreed security principles and upon request in certain cases), each subsidiary of Bidco (excluding any subsidiary of Bidco incorporated in an Excluded Jurisdiction) that is or becomes a Material Company (other than pursuant to paragraph (b) of the definition thereof) (which the definition includes (i) Bidco and any Obligor,

(ii) any wholly-owned member of the Group that has earnings before interest, tax, depreciation and amortization and calculated on the same basis as Consolidated EBITDA representing 5% or more of Consolidated EBITDA (on a standalone basis and excluding goodwill, intra-group items and investments in members of the Group), and (iii) any holding company of a company referred to in (ii) above), will be required to become a guarantor under the Senior Facilities Agreement within the time period specified therein.

Furthermore, the Senior Facilities Agreement requires that, from the period falling 120 days after the Closing Date and, thereafter, on each date on which a compliance certificate is delivered in accordance with the Senior Facilities Agreement in relation to any annual financial statements, certain subsidiaries of Bidco are required to accede to the Senior Facilities Agreement such that the guarantors represent not less than 80% of the Consolidated EBITDA of the Group (subject to certain exceptions).

Security

The Senior Facilities will be initially secured by the Notes Collateral and an English law debenture securing certain shares, bank accounts, Structural Intra-Group Loans held by Bidco and a floating charge over its assets. In addition, any member of the Group which becomes a guarantor of the Senior Facilities is required (subject to agreed security principles) to grant security over its shares held in each Borrower and Material Company (by virtue of paragraph (c) of the definition thereof), its intra-group loans, its material bank accounts and all other material assets by way of floating charge security (or equivalent) in jurisdictions where floating charge security is readily available and customarily granted in favour of the security agent under the Senior Facilities.

Representations and Warranties

The Senior Facilities Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, power and authority, binding obligations, non-conflict with laws, constitutional documents or other binding obligations, authorizations, consents and filings and no default.

Covenants

The Senior Facilities Agreement contains certain negative undertakings, subject to agreed exceptions and qualifications, including a negative pledge and other covenants restricting:

- the incurrence of indebtedness;
- disposals of assets;
- the making of loans or granting of guarantees to others;
- arm’s length transactions;
- acquisitions or investments;
- amalgamations or change of business;
- holding company activities;
- the issuance of shares, payment of dividends or the making of certain other payments to shareholders and in respect of certain subordinated indebtedness;

The Senior Facilities Agreement also requires certain members of the Group to observe certain affirmative covenants, including covenants relating to:

- authorizations and consents;
- pari passu ranking;
- insurances;
- payment of taxes;
- intellectual property;
- environmental laws;
- acquisition documents;
- provisions of guarantees, security and further assurance;
- further assurances;

- maintenance of centre of main interests;
- maintenance of credit ratings; and
- compliance with sanctions and anti-corruption laws.

The Senior Facilities Agreement contains an information covenant under which, among other things, Bidco is required to deliver to the facility agent annual financial statements, quarterly financial statements and compliance certificates, provided that delivery of accounts and/or financial statements for any period which comply with the terms of the Indenture (or documentation governing any replacement, equivalent or similar financing from time to time) shall satisfy such requirements.

Certain of the covenants under the Senior Facilities Agreement will be suspended upon (i) a Qualifying Listing or (ii) an achievement by the Group of a long-term corporate credit rating of Baa3/BBB- or better by at least one of Moody's Investor Services Limited, Standard & Poor's Rating Services and Fitch Ratings Ltd (as applicable).

Financial Covenant

In respect of the Revolving Facility only, the Senior Facilities Agreement requires that, in the event that the aggregate amount of all utilizations under the Revolving Facility (excluding amounts outstanding under letters of credit, bank guarantees or any other non-cash utilisations) exceeds 40% of the total commitments under the Revolving Facility, the Group's Priority Leverage Ratio on the relevant testing date shall not exceed 7.40:1.

Bidco is permitted to procure that the Issuer injects, in cash, any new equity or permitted subordinated debt to prevent or cure breaches of the financial covenant described above by applying all or any part of amounts received by the Issuer (such amount being a cure amount) as if Consolidated EBITDA had been increased by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Facility. No more than two cure amounts may be taken into account in any four consecutive financial quarters and no more than five cure amounts may be taken into account during the term of the Senior Facilities.

Events of Default

The Senior Facilities Agreement contains certain customary events of default, the occurrence of which would allow (subject to certain exceptions) the majority (being $66^2/_3$ %) lenders under the Senior Facilities Agreement to accelerate all outstanding loans and termination their commitments, including (subject in certain cases to agreed grace periods, financial thresholds, cure rights, clean-up periods and other qualifications):

- non-payment of the amounts due under the Senior Facilities Agreement and related finance documents;
- breach of the financial covenant, provided that, in the event of such breach, only a majority (being $66^2/_3$ %) of the lenders under Revolving Facility shall initially be entitled to take enforcement action;
- non-compliance with other obligations under the Senior Facilities Agreement and related finance documents;
- inaccuracy of a representation or statement when made;
- cross default;
- insolvency and insolvency proceedings;
- creditor's process;
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the Senior Facilities financing documentation; and
- non-compliance by a member of the Group with a material obligation under the Intercreditor Agreement.

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer (referred to as the "Parent" in this summary of the Intercreditor Agreement), and Lernen Bidco Limited (together with any other entity which accedes or otherwise becomes a party to the Intercreditor Agreement as a debtor, the "*Debtors*") are parties to the Intercreditor Agreement dated October 24, 2018, with, among others, the lenders under our Facilities Agreement, U.S. Bank Trustees Limited as security agent (the "*Security Agent*") and Elavon Financial Services DAC, UK Branch as senior facility agent.

The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the collateral providers, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

The Intercreditor Agreement additionally provides for Hedge Counterparties to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided to the finance parties under the Senior Facilities Agreement.

Capitalized terms set forth and used in this section entitled "*—Intercreditor Agreement*" have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

Definitions

"**Common Security Property**" means:

(a) the Common Transaction Security expressed to be granted in favour of the Common Security Agent as trustee and/or agent for the Common Secured Parties or as creditor under the parallel debt provisions and all proceeds of that Common Transaction Security;

(b) all obligations expressed to be undertaken by a Debtor to pay amounts in respect of the Liabilities to the Common Security Agent as trustee and/or agent for the Common Secured Parties or as creditor under the parallel debt provisions and secured by the Common Transaction Security, together with all representations and warranties expressed to be given by a Debtor or a Security Grantor in favour of the Common Security Agent as trustee and/or agent for the Common Secured Parties or as creditor under the parallel debt provisions;

(c) the Common Security Agent's interest in any trust fund in any amounts to be applied for the benefit only of the Common Secured Parties created pursuant to the turnover provisions; and

(d) any other amounts or property, whether rights, entitlements, choses in action or otherwise, actual or contingent, which the Common Security Agent is required by the terms of the Primary Creditor Documents to hold as trustee and/or agent on trust (or otherwise in accordance with the terms of the Intercreditor Agreement) for the Common Secured Parties,

but excluding, in each case, any property constituting Priority Creditor Only Security Property.

"**Common Transaction Security**" means any Senior Subordinated Common Security which, to the extent legally possible and subject to any Agreed Security Principles:

(a) is created in favour of the Common Security Agent as trustee and/or agent for the other Common Secured Parties in respect of their Liabilities; or

(b) in the case of any jurisdiction in which effective Security cannot be granted in favour of the Common Security Agent as trustee and/or agent for the Common Secured Parties is created in favour of:

  (i) all the Common Secured Parties in respect of their Liabilities; or

  (ii) the Common Security Agent under a parallel debt, joint and several creditorship or other similar or equivalent structure for the benefit of all the Common Secured Parties,

and which, in each case, ranks in the order of priority contemplated in the Intercreditor Agreement.

"**Creditors**" means the Primary Creditors, the Unsecured Creditors, the Intra-Group Lenders, any Proceeds Lender and the Affiliate Creditors.

"**Debt Document**" means each of the Intercreditor Agreement, the Hedging Agreements, the Pari Passu Debt Documents, the Second Lien Debt Documents, the Senior Subordinated Debt Documents, each Senior Subordinated Debt Proceeds Loan Agreement, the Transaction Security Documents, the Unsecured Creditor Documents or any agreement, document or instrument creating or evidencing the terms of any Affiliate Creditor Liabilities or any Intra-Group Liabilities and any other document designated as such by the Common Security Agent and the Company.

"**Debtor**" means each Original Debtor, each Holdco Issuer that is a Party and any person which becomes a Party as a Debtor in accordance with the Intercreditor Agreement.

"**Default**" means an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the applicable Debt Documents or any combination of any of the foregoing) be an Event of Default, provided that any such event or circumstance which requires the satisfaction of a condition as to materiality before it becomes an Event of Default shall not be a Default unless that condition is satisfied.

"**Distressed Disposal**" means a disposal of any Charged Property or, for the purposes of paragraphs (a) and (b) below, any other asset of a member of the Group, a Debtor or a Security Grantor (including any Charged Property or other such asset which has been the subject of an Appropriation), which is:

(a) being effected at the request of the relevant Instructing Group in circumstances where the Transaction Security has become enforceable;

(b) being effected by enforcement of any Transaction Security (including the disposal of any Property of a member of the Group, a Debtor or a Security Grantor, the shares in which have been subject to an Appropriation); or

(c) being effected, after the occurrence of a Distress Event, by or on behalf of a Debtor or a Security Grantor to a person or persons which is, or are, not a member, or members, of the Group.

"**Distress Event**" means any of:

(a) an Acceleration Event; or

(b) the enforcement of any Transaction Security.

"**Enforcement Proceeds**" means any amount paid to or otherwise realised by a Secured Party under or in connection with any Enforcement and, following the occurrence of a Distress Event, any other proceeds of, or arising from, any of the Charged Property.

"**Event of Default**" means any event or circumstance specified as such in:

(a) a Pari Passu Notes Indenture or a Pari Passu Facility Agreement;

(b) a Second Lien Notes Indenture or a Second Lien Facility Agreement;

(c) a Senior Subordinated Facility Agreement or a Senior Subordinated Notes Indenture; or

(d) an Unsecured Notes Indenture or an Unsecured Facility Agreement.

"**Holdco Issuer**" means the Parent, the Company and such other company as the Company may designate as such in accordance with the Intercreditor Agreement, provided that such other company so designated:

(a) is a (direct or indirect) Holding Company of the Company or a wholly-owned direct Subsidiary of the Parent or any such Holding Company (provided such Subsidiary is not itself a member of the Group);

(b) is at all times a special purpose vehicle which has not traded and has as its principal business acting as (and activities that are consistent with acting as) a holding company, the raising of funds and the on-lending of the proceeds thereof to the Parent (and (subject to paragraph (c) below) the holding of any Liabilities) (and related transactions, including the provision of any guarantee and/or security in connection therewith);

(c) (if a direct Subsidiary of the Parent or, as the case may be, any such Holding Company of the Parent) has at all times no Subsidiaries; and

(d) (except in respect of Senior Subordinated Debt Documents or constituting Senior Subordinated Debt Proceeds Loan Liabilities) it has no Liabilities other than Guarantee Labilities in respect of Pari Passu Debt Liabilities, Second Lien Liabilities and/or Unsecured Liabilities.

"**Insolvency Event**" means, in relation to any member of the Group, a Debtor or any Security Grantor:

(a) any resolution is passed or order made for the winding-up, dissolution, administration or reorganisation of that member of the Group, Debtor or Security Grantor, a moratorium is declared in relation to any indebtedness of that member of the Group, Debtor or Security Grantor or an administrator is appointed to that member of the Group, Debtor or Security Grantor;

(b) any composition, compromise, assignment or arrangement is made with any of its creditors;

(c) the appointment of any liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of that member of the Group, a Debtor or Security Grantor or any assets of that member of the Group, a Debtor or Security Grantor;

(d) any resolution is passed or order made for the insolvency, winding up, dissolution, administration, examination, bankruptcy or reorganisation of that Debtor, member of the Group or Security Grantor, a moratorium is declared in relation to any indebtedness of that Debtor, member of the Group or Security Grantor or an administrator or examiner is appointed to that Debtor, member of the Group or Security Grantor; or

(e) any analogous procedure or step is taken in any jurisdiction, including, without limitation, any liquidation proceeding taking place under the Bankruptcy Code,

in each case, which is an Event of Default.

"**Instructing Group**" means:

(a) prior to the Pari Passu Discharge Date, the Majority Pari Passu Creditors;

(b) on and after the Pari Passu Discharge Date but before the Priority Discharge Date, the Majority Second Lien Creditors; and

(c) on and after the Priority Discharge Date but before the Senior Subordinated Discharge Date, the Majority Senior Subordinated Creditors.

"**Intra-Group Lenders**" means:

(a) each Group Debtor; and

(b) each member of the Group which has made a loan available to, granted credit to or made any other financial arrangement having similar effect with a Group Debtor and which becomes a Party as an Intra-Group Lender in accordance with the Intercreditor Agreement.

"**Liabilities Sale**" means a Debt Disposal (as such term is defined in the Intercreditor Agreement).

"**Majority Senior Subordinated Creditors**" means, at any time:

(a) before the date on which any public debt securities which constitute Senior Subordinated Debt Liabilities are issued, those Senior Subordinated Creditors whose Senior Subordinated Credit Participations at that time aggregate more than 50 per cent. of the total Senior Subordinated Credit Participations at that time; and

(b) after that date, those Senior Subordinated Creditors whose Senior Subordinated Credit Participations at that time aggregate more than 50 per cent. of the total Senior Subordinated Credit Participations at that time.

"**Pari Passu Creditors**" means the Pari Passu Debt Creditors and the Hedge Counterparties that are owed Pari Passu Hedging Liabilities.

"**Pari Passu Debt Creditors**" means:

(a) each Senior Secured Facility Creditor;

(b) each Creditor Representative in relation to any Pari Passu Noteholder and Pari Passu Lender, each Pari Passu Arranger, each Pari Passu Noteholder and each Pari Passu Lender (in each case, not included in paragraph (a) above); and

(c) (unless the context requires otherwise) the Common Security Agent in its capacity as creditor in respect of the Parallel Debt attributable to the Pari Passu Debt Liabilities.

"**Pari Passu Debt Documents**" means:

(a) each Senior Secured Facility Document;

(b) each other Pari Passu Facility Agreement and each other "Finance Document" under and as defined therein (excluding any Hedging Agreement);

(c) each Pari Passu Notes Indenture; and

(d) each other document or instrument entered into between any member of the Group and a Pari Passu Debt Creditor setting out the terms of any credit facility, notes, indenture or debt security which creates or evidences any Pari Passu Debt Liabilities, including any guarantee, indemnity or other assurance against loss from any member of the Group or any Debtor or any Transaction Security in respect thereof.

"**Pari Passu Debt Liabilities**" means the Liabilities owed by the Debtors and any Security Grantor to the Pari Passu Debt Creditors under or in connection with the Pari Passu Debt Documents.

"**Pari Passu Discharge Date**" means the later to occur of:

(a) the Pari Passu Debt Discharge Date; and

(b) the first date on which the Pari Passu Hedging Liabilities have been fully and finally discharged to the satisfaction (acting reasonably) of each Hedge Counterparty to which Pari Passu Hedging Liabilities are owed, including as a result of an enforcement or as a result of:

   (i) such Pari Passu Hedging Liabilities becoming Second Lien Hedging Liabilities, Senior Subordinated Hedging Liabilities or Liabilities that are unsecured; or

   (ii) such Pari Passu Hedging Liabilities becoming the subject of new security and intercreditor arrangements which, in each case, benefit and bind the relevant Hedge Counterparty; and

   each Hedge Counterparty is under no further obligation to do anything that will give rise to any Pari Passu Hedging Liabilities under the Hedging Agreements.

"**Pari Passu Facility Agreements**" means:

(a) the Senior Facilities Agreement; and

(b) each other facility agreement setting out the terms of any credit facility which creates or evidences the terms applicable to any Pari Passu Debt Liabilities.

"**Pari Passu Hedging Liabilities**" means the Liabilities owed by the Debtors to the Hedge Counterparties under or in connection with the Hedging Agreements designated as such in accordance with the Intercreditor Agreement.

"**Pari Passu Liabilities**" means the Pari Passu Debt Liabilities and the Pari Passu Hedging Liabilities.

"**Pari Passu Notes Indenture**" means any notes indenture setting out the terms of any debt security which creates or evidences the terms applicable to any Pari Passu Debt Liabilities.

"**Payment**" means, in respect of any Liabilities (or any other liabilities or obligations), a payment, prepayment, repayment, redemption, defeasance or discharge of those Liabilities (or other liabilities or obligations).

"**Primary Creditor Documents**" means the Priority Creditor Documents, the Senior Subordinated Debt Documents and the Hedging Agreements pursuant to which Senior Subordinated Hedging Liabilities are incurred, the Common Transaction Security Documents and any other document designated as such by the Common Security Agent and the Company.

"**Primary Creditors**" means the Priority Creditors and the Senior Subordinated Creditors.

"**Priority Creditors**" means the Pari Passu Creditors and the Second Lien Creditors.

"**Priority Creditor Debt Documents**" means the Pari Passu Debt Documents and the Second Lien Debt Documents.

"**Priority Creditor Debt Liabilities**" means the Pari Passu Debt Liabilities and the Second Lien Debt Liabilities.

"**Priority Creditor Debt Liabilities Transfer**" means a transfer of the Priority Creditor Debt Liabilities to the Senior Subordinated Creditors to the extent permitted under the Intercreditor Agreement.

"**Priority Creditor Liabilities**" means the Pari Passu Liabilities and the Second Lien Debt Liabilities.

"**Priority Creditor Only Charged Property**" means all of the assets which from time to time are, or are expressed to be, the subject of the Priority Creditor Only Transaction Security.

"**Priority Creditor Only Transaction Security**" means any Transaction Security which to the extent legally possible and subject to any Agreed Security Principles:

(a) is created in favour of the Common Security Agent as trustee and/or agent for the other Priority Creditor Only Secured Parties in respect of their Liabilities; or

(b) in the case of any jurisdiction in which effective Security cannot be granted in favour of the Common Security Agent as trustee and/or agent for the Priority Creditor Only Secured Parties is created in favour of:

   (i) all the Priority Creditor Only Secured Parties in respect of their Liabilities; or

   (ii) the Common Security Agent under a parallel debt, joint and several creditorship or other similar or equivalent structure for the benefit of all the Priority Creditor Only Secured Parties,

and which (subject to the terms of the Intercreditor Agreement) ranks in the order of priority contemplated in the Intercreditor Agreement.

"**Priority Debt Creditors**" means the Pari Passu Debt Creditors and the Second Lien Debt Creditors.

"**Priority Discharge Date**" means the later of the Pari Passu Discharge Date and the Second Lien Discharge Date.

"**Proceeds Lender**" means (where the relevant debtor of the corresponding Senior Subordinated Debt Proceeds Loan is the Company) the Parent and (in any other case) any other Holdco Issuer other than the Company (in each case) in its capacity as lender under the relevant Senior Subordinated Debt Proceeds Loan.

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.

"**Required Pari Passu Creditors**" means each Creditor Representative acting on behalf of the Pari Passu Debt Creditors for which it is the Creditor Representative.

"**Required Priority Creditors**" means the Required Pari Passu Creditors and the Required Second Lien Creditors.

"**Required Second Lien Creditors**" means each Creditor Representative acting on behalf of the Second Lien Creditors for which it is the Creditor Representative.

"**Required Senior Subordinated Creditors**" means each Creditor Representative acting on behalf of the Senior Subordinated Creditors for which it is the Creditor Representative.

"**Secured Obligations**" means the Common Secured Obligations and the Priority Creditor Only Secured Obligations.

"**Secured Parties**" means the Priority Creditor Only Secured Parties and the Common Secured Parties.

"**Security Grantor**" means any person that is not a member of the Group that provides Transaction Security (including Senior Subordinated Shared Security) and becomes a Party as a Security Grantor in accordance with the Intercreditor Agreement, provided that no person shall constitute a Security Grantor unless it has given only limited-recourse security in respect of a Liability (and such limited-recourse security is not supported by any guarantee, indemnity or other assurance against loss).

"**Senior Subordinated Automatic Block Event**" means the occurrence under a Priority Creditor Document of a Default relating to the non-payment of:

(a) an amount constituting principal, interest or fees; or

(b) any other amounts which in aggregate equal or exceed £50,000 (or its equivalent).

"**Senior Subordinated Creditors**" means each Senior Subordinated Debt Creditor and each Hedge Counterparty that is a creditor in respect of Senior Subordinated Hedging Liabilities.

"**Senior Subordinated Debt Creditors**" means each Creditor Representative in relation to any Senior Subordinated Noteholder or Senior Subordinated Facility Lender, each Senior Subordinated Arranger, each Senior Subordinated Noteholder and each Senior Subordinated Facility Lender and (unless the context requires otherwise) the Common Security Agent in its capacity as creditor in respect of the Parallel Debt attributable to the Senior Subordinated Debt Liabilities.

"**Senior Subordinated Debt Documents**" means:

(a) each Senior Subordinated Notes Indenture;

(b) each Senior Subordinated Facility Agreement and each other "Finance Document" under and as defined therein (excluding any Hedging Agreement); and

(c) each other document, agreement or instrument entered into between any Holdco Issuer and a Senior Subordinated Debt Creditor setting out the terms of any credit facility, notes, indenture or debt security which creates or evidences any Senior Subordinated Debt Liabilities, and each Senior Subordinated Guarantee and any Common Transaction Security in respect thereof.

"**Senior Subordinated Debt Liabilities**" means the Liabilities owed by any Holdco Issuer, each Senior Subordinated Guarantor and any Security Grantor to the Senior Subordinated Debt Creditors under or in connection with the Senior Subordinated Debt Documents.

"**Senior Subordinated Debt Proceeds Loan**" means any unsecured loan made by any Holdco Issuer which is not a member of the Group to the Parent or (where the Proceeds Lender is the Parent) to the Company for the purposes of lending or on-lending directly to the Parent, or (as applicable) to the Company by the Parent, any proceeds arising under any Senior Subordinated Debt Document, together with any additional or replacement loan in respect of any such proceeds made on substantially the same terms, and which (in the case of any such Senior Subordinated Debt Proceeds Loan between the Parent and the Company) is subject to Common Transaction Security.

“**Senior Subordinated Debt Proceeds Loan Agreement**” means any loan agreement, instrument or other agreement documenting a Senior Subordinated Debt Proceeds Loan.

“**Senior Subordinated Debt Proceeds Loan Liabilities**” means the Liabilities owed by the Company to the Parent (in its capacity as a Proceeds Lender) and/or (as the context requires) owed by the Parent (in its capacity as a debtor in respect of the relevant Senior Subordinated Debt Proceeds Loan) to any Proceeds Lender (in each case) under any Senior Subordinated Debt Proceeds Loan.

“**Senior Subordinated Discharge Date**” means the later to occur of:

(a) the Senior Subordinated Debt Discharge Date; and

(b) the first date on which the Senior Subordinated Hedging Liabilities have been fully and finally discharged to the satisfaction (acting reasonably) of each Hedge Counterparty to which Senior Subordinated Hedging Liabilities are owed, including as a result of an enforcement or as a result of:

  (i) such Senior Subordinated Hedging Liabilities becoming Liabilities that are unsecured; or

  (ii) such Senior Subordinated Hedging Liabilities becoming the subject of new security and intercreditor arrangements which, in each case, benefit and bind the relevant Hedge Counterparty; and

each Hedge Counterparty is under no further obligation to do anything that will give rise to any Senior Subordinated Hedging Liabilities under the Hedging Agreements.

“**Senior Subordinated Facility Agreement**” means (i) the Bridge Facility Agreement and (ii) any facility agreement setting out the terms of any credit facility which creates or evidences the terms applicable to any Senior Subordinated Debt Liabilities.

“**Senior Subordinated Guarantees**” means:

(a) the “Note Guarantees” or “Guarantees” as defined in the relevant Senior Subordinated Notes Indenture or any guarantee provided by a Senior Subordinated Guarantor under a Senior Subordinated Notes Indenture or other Senior Subordinated Debt Document relating to a Senior Subordinated Notes Indenture;

(b) any guarantees provided by a Senior Subordinated Guarantor under a Senior Subordinated Facility Agreement or other Senior Subordinated Debt Document relating to a Senior Subordinated Facility Agreement; and

(c) any guarantees provided by a Senior Subordinated Guarantor under a Senior Subordinated Debt Document in respect of Senior Subordinated Hedging Liabilities.

“**Senior Subordinated Liabilities**” means the Senior Subordinated Debt Liabilities and the Senior Subordinated Hedging Liabilities.

“**Senior Subordinated Noteholder**” means any holder from time to time of Senior Subordinated Notes.

“**Senior Subordinated Notes**” means any notes issued or to be issued by any Holdco Issuer pursuant to a Senior Subordinated Notes Indenture.

“**Senior Subordinated Notes Indenture**” means any notes indenture setting out the terms of any debt security which creates or evidences the terms applicable to any Senior Subordinated Liabilities.

“**Senior Subordinated Payment Stop Event**” means, at any time, an Event of Default under a Priority Creditor Debt Document that has occurred and is continuing (other than an Event of Default constituting a Senior Subordinated Automatic Block Event).

“**Transaction Security**” means the Security created or evidenced or expressed to be created or evidenced under or pursuant to the Transaction Security Documents.

“**Transaction Security Documents**” means the Priority Creditor Only Transaction Security Documents and the Common Transaction Security Documents.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Debtors to the Primary Creditors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- first, the Pari Passu Hedging Liabilities, the Pari Passu Debt Liabilities and the Senior Subordinated Debt Liabilities (which are Borrowing Liabilities of a Holdco Issuer that is not a member of the Group) *pari passu* and without any preference between them;

- second, the Second Lien Hedging Liabilities and the Second Lien Debt Liabilities *pari passu* and without any preference between them; and
- third, the Senior Subordinated Hedging Liabilities, the Senior Subordinated Debt Liabilities (other than the Borrowing Liabilities of a Holdco Issuer that is not a member of the Group) and Senior Subordinated Debt Proceeds Loan Liabilities *pari passu* and without any preference between them.

Priority of Security

The Intercreditor Agreement provides that the Priority Creditor Only Transaction Security shall rank and secure the following liabilities (but only to the extent such Priority Creditor Only Transaction Security is expressed to secure those liabilities) in the following order:

- first, the Pari Passu Hedging Liabilities and the Pari Passu Debt Liabilities *pari passu* and without any preference between them; and
- second, the Second Lien Hedging Liabilities and the Second Lien Debt Liabilities *pari passu* and without any preference between them.

The Intercreditor Agreement provides that the Common Transaction Security shall rank and secure the following liabilities (but only to the extent such Common Transaction Security is expressed to secure those liabilities) in the following order:

- first, the Pari Passu Hedging Liabilities and the Pari Passu Debt Liabilities *pari passu* and without any preference between them;
- second, the Second Lien Hedging Liabilities and the Second Lien Debt Liabilities *pari passu* and without any preference between them; and
- third, the Senior Subordinated Hedging Liabilities and Senior Subordinated Debt Liabilities *pari passu* and without any preference between them.

Intra-Group Liabilities and Affiliate Creditor Liabilities

The Intercreditor Agreement provides that the Intra-Group Liabilities and the Affiliate Creditor Liabilities are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors, but does not purport to rank any of those liabilities as between themselves.

Additional and/or Refinancing Debt

The Creditors acknowledge in the Intercreditor Agreement that the Debtors, members of the Group and Holdco Issuers (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement) or incur or refinance Unsecured Liabilities, in each case, provided such Liabilities constitute Permitted Liabilities.

Restrictions Relating to Pari Passu Debt Liabilities

The Parent and the Debtors may make payments of the Pari Passu Debt Liabilities at any time.

Security: Pari Passu Debt Creditors

The Pari Passu Debt Creditors may take, accept or receive the benefit of:

- any security from any member of the Group or any Security Grantor in respect of any of the Pari Passu Debt Liabilities in addition to the Priority Creditor Only Transaction Security and the Common Transaction Security which (x) is Notes Escrow Security or (y) is permitted under the terms of the Pari Passu Debt Documents and to the extent legally possible and subject to any Agreed Security Principles is, at the same time, also offered either;
    - to the Common Security Agent for the other Priority Creditors (and, if such Transaction Security relates to the Common Charged Property, the Senior Subordinated Creditors) in respect of their Liabilities; or
    - in the case of any jurisdiction in which effective Security cannot be granted in favour of the Common Security Agent (i) to the other Priority Creditors (or Senior Subordinated Creditors (as applicable)) in respect of their Liabilities or (ii) to the Common Security Agent under parallel debt or equivalent structure for the benefit of the other Priority Creditors (or Senior Subordinated Creditors (as applicable)) in respect of their Liabilities,

provided that such security ranks in the same order of priority as that contemplated under the Intercreditor Agreement.

- any guarantee, indemnity or other assurance against loss from any member of the Group or any Debtor or Security Grantor regarding any of the Pari Passu Debt Liabilities in addition to those in:
  - the original form of the Senior Facilities Agreement or in any other Pari Passu Facility Agreement or any Pari Passu Notes Indenture where the guarantee, indemnity or other assurance against loss is an equivalent provision to that in the original form of the Senior Facilities Agreement;
  - the Intercreditor Agreement; or
  - any Common Assurance,

  which is permitted under the terms of the Pari Passu Debt Documents and to the extent legally possible and subject to the Agreed Security Principles is, at the same time, offered to the Primary Creditors and ranks in the same order of priority as that contemplated under the Intercreditor Agreement.

Restrictions Relating to Senior Subordinated Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Priority Discharge Date, no Debtors shall (and the Debtors shall ensure that no member of the Group will) make any Payments of, or exercise any rights of set-off against any, Senior Subordinated Liabilities or Senior Subordinated Debt Proceeds Loan Liabilities at any time, unless:

(a) that Payment is permitted under the terms of the Intercreditor Agreement; or

(b) the taking or receipt of that Payment is permitted under the terms of the Intercreditor Agreement.

Permitted Payments: Senior Subordinated Liabilities

Prior to the Priority Discharge Date, the Debtors may make payments with respect to the Senior Subordinated Debt Liabilities and any Senior Subordinated Debt Proceeds Loan Liabilities then due in accordance with the finance documents in relation to such liabilities (x) in respect of payments due to Creditor Representatives and (y) if the Required Priority Creditors have given consent to such payment, and/or:

(a) if no Senior Subordinated Payment Stop Notice is outstanding and no Senior Subordinated Automatic Block Event has occurred and the payment is of:

   (I) any amount of principal or capitalised interest in respect of the Senior Subordinated Debt Liabilities the payment of which is not prohibited by any of the Priority Creditor Debt Documents;

   (II) any other amount which is not an amount of principal or capitalised interest and default interest on the Senior Subordinated Debt Liabilities accrued and payable in cash in accordance with the terms of the relevant Senior Subordinated Debt Document, additional amounts payable as a result the tax gross-up provisions relating to the Senior Subordinated Debt Liabilities and amounts in respect of currency indemnities in the Senior Subordinated Debt Documents;

   (III) costs, commissions, taxes and expenses incurred in respect of (or reasonably incidental to) the Senior Subordinated Debt Documents pursuant to the terms of any upfront fee letter or syndication strategy letter relating to any Senior Subordinated Debt Document or any costs in respect of an amendment, consent and/or waiver fees and expenses, in each case subject to certain caps; and

   (IV) costs, commissions, taxes and any expenses incurred in respect of (or reasonably incidental to) any permitted refinancing of Senior Subordinated Notes, a Senior Subordinated Facility in compliance with the Priority Creditor Debt Documents or any costs in respect of an amendment, consent and/or waiver fees and expenses, in each case subject to certain caps.

(b) if a Senior Subordinated Payment Stop Notice is outstanding or a Senior Subordinated Automatic Block Event is continuing and the payment is:

   (I) of any principal amount of the Senior Subordinated Debt Liabilities pursuant to the illegality provisions of the Senior Subordinated Facility Agreement;

   (II) of any amount due under any agency fee letter relating to a Senior Subordinated Facility Agreement and entered into on customary terms (but, in any case, only with respect to on-going fees)

   (III) of an amendment, consent and/or waiver fee in respect of any consent granted under, or waiver or amendment of any provision of, a Senior Subordinated Facility Agreement subject to certain caps;

(IV) of any costs, commissions, taxes, premiums and expenses incurred in respect of (or reasonably incidental to) a Senior Subordinated Notes Indenture and its related finance documents in relation to any reporting or listing requirements under the Senior Subordinated Notes Indenture or its related finance documents;

(V) of commercially reasonable advisory fees and professional fees, costs or expenses for restructuring advice and valuations and any fees, costs or expenses of the Creditor Representative for the Senior Subordinated Debt Creditors subject to certain caps, but excluding any fees, costs or expenses incurred in connection with any current, threatened or pending litigation against any Pari Passu Debt Creditor and/or Second Lien Creditor or any Affiliate of any Pari Passu Debt Creditor and/or Second Lien Creditor;

(VI) made in connection with any debt for equity swap of all or part or the Senior Subordinated Debt Liabilities and made after the occurrence of an Event of Default under any Pari Passu Debt Documents, any of the Second Lien Debt Documents or any Senior Subordinated Debt Documents which is continuing, provided that such debt for equity swap is not prohibited by the Pari Passu Debt Documents and Second Lien Debt Documents and, unless the consent of the Required Pari Passu Creditors and/or Required Second Lien Creditors, is obtained:

1. no cash or cash equivalent payment is made in respect of any Senior Subordinated Debt Liabilities;

2. any Liabilities owed by a member of the Group to another member of the Group or the Company that arise as a result of any such debt for equity swap are subordinated to the Pari Passu Debt Liabilities and Second Lien Debt Liabilities pursuant to the Intercreditor Agreement on the same basis as Intra-Group Liabilities or Affiliate Creditor Liabilities (as applicable) and (subject to the Agreed Security Principles) the Pari Passu Debt Creditors and the Second Lien Debt Creditors are granted Transaction Security in respect of any of those Liabilities owed by a member of the Group other than to the Company;

3. none of the Holdco Issuer, Security Grantor nor any member of the Group becomes liable for or incurs any material tax liability as a result of such debt for equity swap; and

4. no Change of Control (under and as defined in the Senior Facilities Agreement and/or Second Lien Facility Agreement or Second Lien Notes Indenture) would arise as a result of such debt for equity swap;

(VII) if the Payment is of any necessary costs and expenses of any holder of any Security in respect of Senior Subordinated Liabilities in relation to the protection, preservation or enforcement of such Security;

(VIII) if the Payment is of any other amount not exceeding £2,000,000 (or its equivalent in other currencies) in aggregate in any 12 month period;

(IX) if the Payment is of the Senior Subordinated Debt Liabilities outstanding which would have been payable but for the issue of a Senior Subordinated Payment Stop Notice or, as the case may be, Senior Subordinated Automatic Block Event (which has since expired or, as applicable, is no longer continuing and no new Senior Subordinated Payment Stop Notice is outstanding or, as applicable, no new Senior Subordinated Automatic Block Event is continuing) which has been capitalised and added to the principal amount of the Senior Subordinated Debt Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Senior Subordinated Debt Liabilities provided that no such Payment may be made if an Event of Default under a Priority Creditor Debt Document is continuing or would occur as a result of making such Payment;

(X) of non-cash interest made by way of the capitalisation of interest or by the issuance of a non-cash pay financial instrument evidencing the same which is subordinated on the same terms as the Senior Subordinated Debt Liabilities or, as applicable, the Senior Subordinated Debt Proceeds Loan Liabilities;

(XI) if the Payment is funded directly or indirectly with the proceeds of Senior Subordinated Debt Liabilities; and/or

(XII) if the Payment is made by a Debtor (which is not a member of the Group) in respect of its obligations under any Senior Subordinated Debt Document and such Payment is not directly or indirectly sourced from a member of the Group unless such Debtor is a guarantor or borrower under any Priority Creditor Debt Document at such time and a Pari Passu Acceleration Event or a Second Lien Acceleration Event has occurred and is continuing or an Insolvency Event has occurred.

The Debtors may also make payments to the Senior Subordinated Debt Creditors if the Required Pari Passu Creditors and Second Lien Creditors give their consent and/or on or after the Priority Discharge Date in accordance with the Senior Subordinated Debt Documents and/or Senior Subordinated Debt Proceeds Loan Agreement.

Payment Blockage Provisions

Until the Priority Discharge Date, if a Senior Subordinated Payment Stop Event has occurred and is continuing, except with the prior consent of the Required Priority Creditors and subject to certain provisions of the Intercreditor Agreement, each Debtor shall procure that no Debtor or other member of the Group shall make, and no Senior Subordinated Creditor (or Proceeds Lender) may receive from any Debtor or member of the Group, any Payment in respect of the Senior Subordinated Liabilities (and any Senior Subordinated Debt Proceeds Loan Liabilities) from the date on which the relevant Creditor Representative under the Priority Creditor Debt Documents delivers a Senior Subordinated Payment Stop Notice in accordance with the Intercreditor Agreement until the earliest of:

- the date falling 179 days after delivery of that Senior Subordinated Payment Stop Notice;
- in relation to payments of the Senior Subordinated Liabilities (and any corresponding Senior Subordinated Debt Proceeds Loan Liabilities), if a Senior Subordinated Standstill Period is in effect at any time after delivery of that Senior Subordinated Payment Stop Notice, the date on which the Senior Subordinated Standstill Period expires;
- the date on which the relevant Senior Subordinated Payment Stop Event is no longer continuing and, if the relevant Priority Creditor Debt Liabilities have been accelerated, such acceleration has been rescinded, revoked or waived, provided that at such time no other Event of Default is continuing under any Priority Creditor Debt Document;
- the date on which the Relevant Representative which issued the Senior Subordinated Payment Stop Notice delivers a notice in accordance with the Intercreditor Agreement cancelling the Senior Subordinated Payment Stop Notice; and
- the date on which the Senior Subordinated Creditors, the relevant Holdco Issuer or a Creditor Representative in respect of any Senior Subordinated Liabilities is permitted to take Enforcement Action permitted under the Intercreditor Agreement against a Debtor, Security Grantor or member of the Group.

Unless each Creditor Representative in respect of the Senior Subordinated Debt Liabilities waives this requirement, (i) a new Senior Subordinated Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Subordinated Payment Stop Notice; and (ii) no Senior Subordinated Payment Stop Notice may be delivered in reliance on a Senior Subordinated Payment Stop Event more than 45 days after the date on which each Creditor Representative received notice of that Senior Subordinated Payment Stop Event.

A Creditor Representative may only serve one Senior Subordinated Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of any other Creditor Representative to issue a Senior Subordinated Payment Stop Notice in respect of any other event or set of circumstances.

No Senior Subordinated Payment Stop Notice may be served by a Creditor Representative in respect of a Senior Subordinated Payment Stop Event which had been notified to each of them at the time at which an earlier Senior Subordinated Payment Stop Notice was issued.

Any failure to make a payment due under the Senior Subordinated Debt Documents or any Senior Subordinated Proceeds Loan Agreement as a result of the issue of a Senior Subordinated Payment Stop Notice or the occurrence of a Senior Subordinated Automatic Block Event shall not prevent (i) the occurrence of an Event of Default (or, in the case of any Senior Subordinated Debt Proceeds Loan Agreement, any event of default thereunder (howsoever described)) as a consequence of that failure to make a payment in relation to the relevant Senior Subordinated Debt Document (or, as the case may be, Senior Subordinated Debt Proceeds Loan Agreement); or (ii) the issue of a Senior Subordinated Enforcement Notice on behalf of the Senior Subordinated Debt Creditors.

Payment Obligations and Capitalization of Interest Continue

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Subordinated Debt Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Senior Subordinated Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with any Senior Subordinated Debt Documents and/or any Senior Subordinated Debt Proceeds Loan Agreement shall continue notwithstanding the issue of a Senior Subordinated Payment Stop Notice or the occurrence of a Senior Subordinated Automatic Block Event.

Cure of Payment Stop

If:

(i) at any time following the issue of a Senior Subordinated Payment Stop Notice or the occurrence of a Senior Subordinated Automatic Block Event, that Senior Subordinated Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Subordinated Automatic Block Event ceases to be continuing; and

(ii) the relevant Debtor then promptly pays to the Senior Subordinated Debt Creditor or the relevant Proceeds Lender an amount equal to any payments which had accrued under the Senior Subordinated Debt Documents or, as applicable, the relevant Senior Subordinated Debt Proceeds Loan Agreement and which would have been Permitted Senior Subordinated Payments but for that Senior Subordinated Payment Stop Notice or Senior Subordinated Automatic Block Event,

then any Default or Event of Default (or, in the case of any Senior Subordinated Debt Proceeds Loan Agreement, any default or event of default thereunder (howsoever described)) which may have occurred as a result of that suspension of payments shall be waived and any Senior Subordinated Enforcement Notice which may have been issued as a result of that Default or Event of Default shall be waived, in each case without any further action being required on the part of the Senior Subordinated Debt Creditor or, as the case may be, the relevant Proceeds Lender.

Restrictions on Amendments and Waivers

The Intercreditor Agreement provides that the Senior Subordinated Debt Creditors, the Holdco Issuer and other Debtors and, where applicable, the relevant Proceeds Lender may amend or waive the terms of the Senior Subordinated Debt Documents and/or Senior Subordinated Debt Proceeds Loan Agreement (other than the Intercreditor Agreement or any Transaction Security Document) in accordance with their terms at any time.

Security: Senior Subordinated Liabilities

At any time prior to the Priority Discharge Date (except with consent), the Senior Subordinated Creditors may not take accept or receive the benefit of any Security from (or over the assets of or shares in) the Debtors, any Security Grantor or any member of the Group, or of any guarantee, indemnity or other assurance other than:

- as permitted under the Primary Creditor Documents and which, in the case of (i) any guarantee, indemnity or assurance against loss, is offered to the other Primary Creditors in respect of their respective liabilities, and in the case of (ii) any Security, is Senior Subordinated Common Security or (in the case of any Security Grantor or any Debtor which is not a member of the Group) is offered as Common Transaction Security to the Common Security Agent as trustee and/or agent for the other Priority Creditors in respect of their Liabilities or in the case of any jurisdiction in which effective Security cannot be granted in favour of the Common Security Agent as trustee and/or agent for the Primary Creditors:

    (1) to the other Primary Creditors in respect of their Liabilities; or

    (2) to the Common Security Agent under a parallel debt, joint and several creditorship or other similar or equivalent structure for the benefit of the other Primary Creditors in respect of their Liabilities,

and, in each case, ranks in the same order of priority as that contemplated under the Intercreditor Agreement;

- the Common Transaction Security;
- the Notes Escrow Security; and
- a Senior Subordinated Guarantee or any guarantee, indemnity or assurance against loss granted pursuant to the terms of the Senior Subordinated Debt Document, in each case, provided such Senior Subordinated Guarantee or other guarantee, indemnity or assurance against loss is from a Debtor which is a guarantor in respect of the Priority Creditor Debt Liabilities and is permitted under the Priority Creditor Debt Documents,

provided that the Proceeds Lender shall not in any event be entitled to any guarantee, indemnity Security or other assurance against loss.

Restrictions on Enforcement by Senior Subordinated Creditors

Until the Priority Discharge Date, except with the prior consent of or as required by an Instructing Group no Senior Subordinated Creditor nor Proceeds Lender or Holdco Issuer shall direct the Common Security Agent to take any Enforcement Action:

(i) in respect of the Senior Subordinated Liabilities;

(ii) in respect of any Common Transaction Security; or

(iii) in relation to the Senior Subordinated Debt Proceeds Loan Liabilities,

except as permitted under the provisions set out below under the caption "*—Permitted Senior Subordinated Creditor Enforcement*" below.

(Other than as restricted by paragraphs (ii) and (iii) above) any Senior Subordinated Debt Creditor may at any time take any Enforcement Action available against any Holdco Issuer that is not a member of the Group, the Proceeds Lender or any Senior Subordinated Guarantor which is not a member of the Group, in each case in accordance with the terms of the Senior Subordinated Debt Documents.

Enforcement Action

The term "Enforcement Action" comprises:

- in relation to any liabilities (other than Unsecured Liabilities):
  - the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);
  - the making of any declaration that any liabilities are payable on demand;
  - the making of a demand in relation to a liability that is payable on demand;
  - the making of any demand against any member of the Group or any Debtor in relation to any guarantee liabilities of that member of the Group or Debtor;
  - the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability other than in connection with an asset sale offer or a change of control offer (however defined) as set out in any Debt Document and excluding any such right which arises as a result of debt purchase provisions of the Senior Facilities Agreement or any equivalent provision of a Pari Passu Facility Agreement, a Second Lien Facility Agreement or a Senior Subordinated Facility Agreement or any open market purchases of, or any voluntary tender offer or exchange offer for, Pari Passu Notes, Second Lien Notes or Senior Subordinated Notes at a time at which no Default is continuing;
  - the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:
    - as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;
    - as payment netting by a Hedge Counterparty or by a hedging ancillary lender;
    - as inter-hedging agreement netting by a Hedge Counterparty;
    - as inter-hedging ancillary document netting by a hedging ancillary lender; and/or
    - which is otherwise permitted by the terms of any of the Primary Creditor Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and
  - the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group or a Debtor to recover any liabilities;
  - the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;
  - the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security);
  - the entry into any composition, compromise, assignment or similar arrangement with any member of the Group or a Debtor or any Security Grantor which owes any liabilities, or has given any security,

guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement at a time at which no Default is continuing); or

- the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganization of any member of the Group, a Debtor or Security Grantor which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any assets of such member of the Group, a Debtor or Security Grantor or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of certain of the actions described above where (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or
- a Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or
- bringing legal proceedings against any person in connection with any fraud, securities violation or securities or listing regulations; or
- allegations of material misstatements or omissions made in connection with the offering materials relating to any permitted notes issuance; or
- to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any security documentation.

Permitted Senior Subordinated Creditor Enforcement

The restrictions set out in the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Subordinated Creditors*" above will not apply if:

(i) an Event of Default under the relevant Senior Subordinated Debt Document (or, in the case of any Senior Subordinated Debt Proceeds Loan Agreement, any event of default thereunder (howsoever described)) (the "Relevant Senior Subordinated Event of Default") is continuing;

(ii) each other Creditor Representative has received a notice of the Relevant Senior Subordinated Event of Default specifying the event or circumstance in relation to the Relevant Senior Subordinated Event of Default from the relevant Creditor Representative in respect of the Senior Subordinated Liabilities or the relevant Proceeds Lender (as the case may be);

(iii) the relevant Senior Subordinated Standstill Period has elapsed or otherwise terminated; and

(iv) the Relevant Senior Subordinated Event of Default is continuing at the end of the relevant Senior Subordinated Standstill Period.

Senior Subordinated Standstill Period

In relation to a Relevant Senior Subordinated Event of Default, a Senior Subordinated Standstill Period shall mean the period beginning on the date (the "*Senior Subordinated Standstill Start Date*") the Creditor Representative in respect of the relevant Senior Subordinated Liabilities or a Proceeds Lender in respect of Senior Subordinated Debt Proceeds Loan Liabilities serves a Senior Subordinated Enforcement Notice on the Common Security Agent (and each Creditor Representative in respect of the Liabilities owed to Creditors ranking (in accordance with the terms of the Intercreditor Agreement) pari passu with or in priority to the relevant Senior Subordinated Liabilities) in respect of such Senior Subordinated Event of Default and ending on the earlier to occur of:

(i) the date falling 179 days after the Senior Subordinated Standstill Start Date;

(ii) the date the Common Security Agent takes any Enforcement Action, provided, however, that if a Senior Subordinated Standstill Period ends pursuant to this paragraph, the Senior Subordinated Creditors or the Proceeds Lender may only take the same Enforcement Action (other than Enforcement of Transaction Security) in relation to the relevant Senior Subordinated Liabilities or Senior Subordinated Debt Proceeds Loan Liabilities (and only against the same person) as the Enforcement Action taken by the Common Security Agent and may not take any other Enforcement Action against any other member of the Group or Security Guarantor, provided that Enforcement Action shall not include any action taken to preserve or protect any Security as opposed to realise it;

(iii) the date of an Insolvency Event (other than an Insolvency Event directly caused by any action taken by or at the request or direction of a Senior Subordinated Creditor) in relation to a particular Debtor against whom Enforcement Action is to be taken, provided that, if a Senior Subordinated Standstill Period ends pursuant to this paragraph, the Senior Subordinated Creditors may only take Enforcement Action against that Debtor;

(iv) the expiry of any other Senior Subordinated Standstill Period outstanding at the date such first- mentioned Senior Subordinated Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each of the Required Priority Creditors has been obtained; and

(vi) a failure to pay the principal amount outstanding on any Senior Subordinated Liabilities, as the case may be, at the final stated maturity of the amounts outstanding on the Subordinated Liabilities, as the case may be (provided that, such final stated maturity does not fall on a date prior to the first date of issuance of Senior Subordinated Notes or the entering into of that Senior Subordinated Facility).

Subsequent Senior Subordinated Defaults

The Senior Subordinated Creditors or relevant Proceeds Lender may take Enforcement Action under the provisions set out in caption "*—Permitted Senior Subordinated Creditor Enforcement*" above in relation to a Relevant Senior Subordinated Event of Default to the extent entitled under the relevant Senior Subordinated Debt Document or, as applicable, Senior Subordinated Debt Proceeds Loan Agreement even if, at the end of any relevant Senior Subordinated Standstill Period or at any later time, a further Senior Subordinated Standstill Period has begun as a result of any other Senior Subordinated Event of Default (or, in the case of any Senior Subordinated Debt Proceeds Loan Agreement, any event of default thereunder (howsoever described)).

Enforcement on Behalf of Senior Subordinated Creditors

If the Common Security Agent has notified the Creditor Representatives in respect of the Senior Subordinated Liabilities or Proceeds Lender in respect of the Senior Subordinated Debt Proceeds Loan Liabilities that it is taking, or has been instructed by an Instructing Group to take, any Enforcement Action in relation to any Debtor or any part of the Priority Creditor Only Charged Property or the Common Charged Property owned by it or its Subsidiaries, no Senior Subordinated Creditor or Proceeds Lender may take any action referred to under the provisions set out under the caption "*—Permitted Senior Subordinated Creditor Enforcement*" above against any Debtor while the Common Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Senior Subordinated Creditors

Subject to the following paragraphs, some or all of the Senior Subordinated Creditors may at any time after the occurrence of a Distress Event or when a Senior Subordinated Stop Notice is outstanding or a Senior Subordinated Standstill Period is in effect and, in each case, Enforcement Action has been taken in respect of any of the Priority Creditor Debt Liabilities, by giving not less than 10 days' notice to the Common Security Agent, require the transfer to the Senior Subordinated Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Priority Creditor Debt Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the relevant Priority Creditor Debt Documents;

(ii) any conditions relating to such a transfer contained in the relevant Priority Creditor Debt Documents are complied with, in each case, other than as specified in the Intercreditor Agreement (other than with respect to any requirement to obtain consent of any Debtor, Security Grantor, Affiliate Creditor or other member of the Group or Issuing Bank);

(iii) the Creditor Representative of each relevant group of Priority Creditors is paid the amounts required under the Intercreditor Agreement;

(iv) as a result of that transfer the Priority Debt Creditors have no further actual or contingent liability to any Debtor or any other person under the relevant Debt Documents;

(v) an indemnity is provided from the Purchasing Senior Subordinated Creditors (or from another third party acceptable to all the relevant Priority Debt Creditors) in a form reasonably satisfactory to each relevant Priority Debt Creditor in respect of all losses which may be sustained or incurred by such Priority Debt Creditor in consequence of any sum received or recovered by any such party from any person being required (or it being alleged that it is required) to be paid back by or clawed back from that Priority Debt Creditor for any reason; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Priority Debt Creditors, except that each of them shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorise the making by it of that transfer.

Subject to the Intercreditor Agreement, the Purchasing Senior Subordinated Creditors may only require a Priority Creditor Debt Liabilities Transfer if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Priority Creditor Debt Liabilities Transfer may be required to be made.

At the request of a Creditor Representative under any Senior Subordinated Debt Document, the relevant Creditor Representative under the Priority Creditor Debt Document shall notify the Senior Subordinated Creditors of the foregoing payable sums in connection with such transfer.

Effect of Insolvency Event

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any member of the Group, a Security Grantor or a Debtor, any party entitled to receive a distribution out of the assets of the Charged Property of that member of the Group, that Security Grantor or that Debtor (in the case of a receipt by a Priority Creditor of a Payment or distribution of assets of a member of the Group or Security Grantor, only to the extent that such amount constitutes Enforcement Proceeds) in respect of liabilities owed to that party, that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group, that Security Grantor or that Debtor to pay that distribution to the Common Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Common Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "*—Application of Proceeds*" below.

Subject to certain exceptions, to the extent that any Debtor's or any member of the Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group or Debtor, any Creditor which benefited from that set-off shall (in the case of a Priority Creditor, only to the extent that such amount constitutes Enforcement Proceeds) pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Common Security Agent for application in accordance with the provisions set out under the caption "*—Application of Proceeds'*" below.

Subject to the provisions set out under the caption "*—Application of Proceeds*" below, if the Common Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities (other than any distribution of Non-Cash Recoveries), the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any member of the Group, any Debtor or any Security Grantor, each Creditor irrevocably authorises the Common Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group, Debtor or Security Grantor;

(ii) demand, sue, prove and give receipt for any or all of the liabilities of that member of the Group, Debtor or Security Grantor;

(iii) collect and receive all distributions on, or on account of, any or all of the liabilities of that member of the Group, Debtor or Security Grantor; and

(iv) file claims, take proceedings and do all other things the Common Security Agent considers reasonably necessary to recover the liabilities of that member of the Group, Debtor or Security Grantor.

Each Creditor will (i) do all things that the Common Security Agent (acting in accordance with the terms of the Intercreditor Agreement) requests in order to give effect to the matters referred to in this "*—Effect of Insolvency*

Event" section and (ii) if the Common Security Agent is not entitled to take any of the actions contemplated by this "*—Effect of Insolvency Event*" section or if the Common Security Agent (acting in accordance with the terms of the Intercreditor Agreement) requests that a Creditor take that action, undertake that action itself in accordance with the instructions of the Common Security Agent or grant a power of attorney to the Common Security Agent (on such terms as the Common Security Agent (acting in accordance with the terms of the Intercreditor Agreement) may reasonably require) to enable the Common Security Agent to take such action.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor receives or recovers from any Security Grantor, Debtor or member of the Group:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is neither a payment permitted under the Intercreditor Agreement nor made in accordance with the provisions set out under the caption "—Application of Proceeds";

(ii) other than as referred to in the second paragraph of the caption "—Effect of Insolvency Event" any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) notwithstanding paragraphs (i) and (ii) above, other than as referred to in the second paragraph of the caption "—Effect of Insolvency Event" any amount:

 (A) on account of, or in relation to, any of the liabilities after the occurrence of a distress event (or as a result of any litigation or proceedings against a member of the Group, a Debtor or a Security Grantor other than after the occurrence of an Insolvency Event in respect of that member of the Group, Debtor or Security Grantor); or

 (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event,

 other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "—Application of Proceeds;"

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "—Application of Proceeds;" or

(v) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group or a Debtor which is not in accordance with the provisions set out in the caption "—Application of Proceeds" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group or that Debtor,

that Creditor will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Common Security Agent and promptly pay or distribute an amount to the Common Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Common Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Common Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security

Enforcement Instructions: Priority Creditor Only Transaction Security and Common Transaction Security

The Common Security Agent may refrain from enforcing the Priority Creditor Only Transaction Security or the Common Transaction Security or taking any other action as to Enforcement unless instructed otherwise by (i) an Instructing Group; or (ii) if required as set out under the third paragraph of this section, the Creditor Representative for the Second Lien Creditors; or (iii) if required as set out under the fourth paragraph of this section, the Creditor Representatives for the Senior Subordinated Creditors.

Subject to the Transaction Security having become enforceable in accordance with its terms (i) an Instructing Group may give or refrain from giving instructions to the Common Security Agent to take action as to Enforcement; or (ii) if required as set out under the third paragraph of this section, the Creditor Representative for the Second Lien Creditors may give or refrain from giving instructions to the Common Security Agent to enforce the Common Transaction Security; or (iii) if required as set out under the fourth paragraph of this section, the Creditor Representative for the Senior Subordinated Creditors, may give or refrain from giving instructions to the Common Security Agent to enforce, or refrain from enforcing, the Common Transaction Security as they see fit.

Prior to the Pari Passu Discharge Date, (i) if an Instructing Group has instructed the Common Security Agent to cease or not to proceed with Enforcement or (ii) in the absence of instructions as to Enforcement from an Instructing Group, the Common Security Agent shall give effect to any instructions to enforce the Common Transaction Security which the Creditor Representative(s) for the Second Lien Creditors (acting on the instructions of the Majority Second Lien Creditors) are then entitled to give to the Common Security Agent in accordance with the Intercreditor Agreement.

Prior to the Priority Discharge Date, (i) if the Instructing Group has instructed the Common Security Agent to cease or not to proceed with Enforcement or (ii) in the absence of instructions as to Enforcement from the Instructing Group, the Common Security Agent shall give effect to any instructions to enforce the Common Transaction Security which the Creditor Representatives for the Senior Subordinated Creditors (acting on the instructions of the Majority Senior Subordinated Creditors) are then entitled to give to the Common Security Agent as described under the provisions under the caption "*—Permitted Senior Subordinated Creditor Enforcement*" above.

Subject to certain provisions of the Intercreditor Agreement, no Secured Party shall have any independent power to enforce, or to have recourse to enforce, any Transaction Security or to exercise any rights or powers arising under the Transaction Security Documents except through the Common Security Agent.

Manner of Enforcement: Priority Creditor Only Transaction Security and Common Transaction Security

If the Priority Creditor Only Transaction Security or the Common Transaction Security is being enforced or other action as to Enforcement is being taken as set forth above under the caption "*—Enforcement of Security—Enforcement Instructions: Priority Creditor Only Transaction Security and Common Transaction Security*", the Common Security Agent shall enforce the Priority Creditor Only Transaction Security and/or the Common Transaction Security or take other action as to Enforcement in such manner (including the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Common Security Agent) as:

- an Instructing Group shall instruct; or
- if prior to the Pari Passu Discharge Date, (i) the Common Security Agent has, pursuant to the third paragraph under the caption "*—Enforcement of Security—Enforcement Instructions: Priority Creditor Only Transaction Security and Common Transaction Security*" above, received instructions given by the Creditor Representative acting for the Second Lien Creditors to enforce the Common Transaction Security; and (ii) the Instructing Group has not given instructions as to Enforcement, the Creditor Representative for the Second Lien Creditors shall instruct or, in the absence any such instructions, as the Common Security Agent considers in its discretion to be appropriate; or
- if prior to the Priority Discharge Date, (i) the Common Security Agent has, pursuant to the fourth paragraph under the caption "*—Enforcement of Security: Priority Creditor Only Transaction Security and Common Transaction Security*" received instructions given by the Majority Senior Subordinated Creditors to enforce the Common Transaction Security; and (ii) the Instructing Group has not given instructions as to the manner of enforcement, the Majority Senior Subordinated Creditors, shall instruct or, in the absence of any such instructions, as the Common Security Agent sees fit.

Exercise of Voting Rights

To the fullest extent permitted under applicable law at the relevant time, each Creditor and each Security Grantor will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre- insolvency or rehabilitation or similar proceedings relating to any Debtor, Security Grantor or member of the Group as instructed by the Common Security Agent. The Common Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other Primary Creditor under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that Primary Creditor.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties, the Debtors and the Security Grantors waive all rights it may otherwise have to require that the Transaction Security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Transaction Security or of any other Security, which is capable of being applied in or towards discharge of any of the Secured Obligations, is so applied.

Consultation Period

(a) Subject to paragraph (b) below, before giving any instructions to the Common Security Agent to enforce any Transaction Security or to take any other Enforcement Action, the Creditor Representative(s) of the creditors of the Group represented in the Instructing Group concerned shall consult with each other creditor representative (other than in respect of any Unsecured Creditors) (provided that the Creditor Representative for any Senior Subordinated Debt Creditors or Senior Subordinated Notes Trustee need only be consulted if such Enforcement Action relates to Common Transaction Security in respect of Senior Subordinated Liabilities) and the Common Security Agent in good faith about the instructions to be given by the Instructing Group for a period of up to 10 Business Days (the "Consultation Period"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Common Security Agent to enforce that Transaction Security or take any other Enforcement Action.

(b) No Creditor Representative shall be obliged to consult in accordance with paragraph (a) above and the Instructing Group shall be entitled to give any instructions to the Common Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of a Consultation Period if:

(i) the Transaction Security has become enforceable as a result of an Insolvency Event; or

(ii) the Instructing Group or any Creditor Representative of the Creditors represented in the Instructing Group determines in good faith (and notifies each other Creditor Representative and the Common Security Agent) that to enter into such consultation and thereby delay the commencement of enforcement of the Transaction Security could reasonably be expected to have a material adverse effect on:

(A) the Common Security Agent's ability to enforce any of the Transaction Security; or

(B) the realization proceeds of any enforcement of any Transaction Security;

(iii) any action or proceedings have been threatened or commenced by any Second Lien Facility Lender or any Second Lien Noteholder against any Pari Passu Creditor, any Affiliate of any Senior Secured Facility Creditor, any Debtor or any Holding Company of any Debtor;

(iv) the Common Security Agent has obtained an independent valuation showing that the enterprise value of the Group is less than the Pari Passu Liabilities; or

(v) any Second Lien Creditor:

(A) accelerates the Second Lien Liabilities or declares the Second Lien Liabilities to be prematurely due and payable (other than as a result of it becoming unlawful for a Second Lien Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the Second Lien Debt Documents);

(B) declares that any of the Second Lien Liabilities are payable on demand;

(C) makes a demand in relation to a Second Lien Liability that is payable on demand;

(D) makes a demand against any Second Lien Guarantor in relation to any of its Guarantee Liabilities;

(E) sues for or commences or joins any legal or arbitration proceedings against any member of the Group to recover the Second Lien Liabilities;

(F) takes any steps to enforce, or requires the enforcement of, any Transaction Security (including the crystallisation of any floating charge forming part of the Transaction Security); or

(G) petitions, applies or votes for, or takes any steps in relation to, the winding up, dissolution, administration or reorganisation of any member of the Group that owes any Second Lien Liabilities, or has given any Security, guarantee, indemnity or other assurance against loss in respect of any of the Second Lien Liabilities, or any of such member of the Group's assets, or any analogous procedure or step in any jurisdiction,

but excluding:

(1) the taking of any action falling within paragraph (E) or (G) above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of the relevant Second Lien Liabilities; and

(2) a Second Lien Creditor bringing legal proceedings against any person solely for the purpose of (x) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Second Lien Debt Document to which it is party, (y) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (z) requesting judicial interpretation of any provision of any Second Lien Debt Document to which it is party with no claim for damages.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties, the Debtors and the Security Grantors acknowledges that, in the event that the Common Security Agent enforces, or is instructed to enforce, any part of the Transaction Security, the duties of the Common Security Agent and of any Receiver or Delegate owed to the Secured Parties, the Debtors and the Security Grantors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that Transaction Security shall, subject to the section entitled Distressed Disposals below, be no different to or greater than the duty that is owed by the Common Security Agent, receiver or delegate to the Debtors or Security Grantors under general law.

Proceeds of Disposals

Non-Distressed Disposals

If:

(i) in respect of a disposal (to or with a person or persons outside the Group) of an asset:

(A) of a Debtor or a Security Grantor or a member of the Group or a Holding Company of a Debtor or a Security Grantor or a member of the Group; or

(B) which is, or which is purported to be, the subject of the Transaction Security, the Priority Creditor Only Transaction Security or the Common Transaction Security,

or any other transaction (other than any intra-Group transaction) not prohibited by the terms of any Primary Creditor Document or any Unsecured Creditor Document pursuant to which such asset will cease to be held or owned by a member of the Group, which (in each case) is not a Distressed Disposal and:

(1) if constituting Priority Creditor Only Charged Property:

- (prior to the Pari Passu Discharge Date) is permitted under the Pari Passu Debt Documents or consented to by the Required Pari Passu Creditors; and
- (prior to the Second Lien Discharge Date) is permitted under the Second Lien Debt Documents or consented to by the Required Second Lien Creditors,

or takes place following the later of the Pari Passu Discharge Date and the Second Lien Discharge Date; or

(2) if constituting Common Security Property:

- (prior to the Pari Passu Discharge Date) is permitted under the Pari Passu Debt Documents or consented to by the Required Pari Passu Creditors;
- (prior to the Second Lien Discharge Date) is permitted under the Second Lien Debt Documents or consented to by the Required Second Lien Creditors; and
- (prior to the Senior Subordinated Discharge Date) is permitted under the Senior Subordinated Debt Documents or consented to by the Required Senior Subordinated Creditors,

or takes place after the later of the Pari Passu Discharge Date, the Second Lien Discharge Date and the Senior Subordinated Discharge Date,

the disposal of (or, as the case may be, any other such transaction involving) that asset is a "**Non-Distressed Disposal**"; and

(ii) in respect of, and in order to effect, any merger, reorganisation or transaction in connection with which:

(A) an asset of a Debtor or a Security Grantor or a member of the Group or a Holding Company of a Debtor or a Security Grantor or a member of the Group; or

(B) an asset which is, or which is purported to be, the subject of, the Transaction Security, the Priority Creditor Only Transaction Security or the Common Transaction Security, is, or is required to be, released from the Priority Creditor Only Transaction Security, the Common Transaction Security and/or the Transaction Security and/or any other claim (relating to a Debt Document) over that asset, where that merger, reorganisation or transaction is:

(1) (prior to the Pari Passu Discharge Date) permitted under the Pari Passu Debt Documents or consented to by the Required Pari Passu Creditors;

(2) (prior to the Second Lien Discharge Date) permitted under the Second Lien Debt Documents or consented to by the Required Second Lien Creditors; and

(3) (prior to the Senior Subordinated Discharge Date) permitted under the Senior Subordinated Debt Documents or consented to by the Required Senior Subordinated Creditors,

that release of that asset shall be a "**Mandatory Release**".

Facilitation of Non-Distressed Disposals and Mandatory Releases

(a) If the disposal of an asset is a Non-Distressed Disposal or Mandatory Release, the Common Security Agent shall and is irrevocably authorised and obliged to (without any consent, sanction, authority or further confirmation) but subject to paragraph (b) below:

(i) release the Priority Creditor Only Transaction Security and/or the Common Transaction Security and/or Transaction Security and/or any other claim (under or relating to a Debt Document) over that asset;

(ii) where that asset consists of shares in the capital of a member of the Group, a Security Grantor or a Debtor, release the Priority Creditor Only Transaction Security and/or the Common Transaction Security and/or the Transaction Security and/or any other claim (relating to a Debt Document) over that persons and its Subsidiaries and any assets and Property of that person; and

(iii) execute and deliver or enter into any release of the Priority Creditor Only Transaction Security and/or the Common Transaction Security and/or the Transaction Security,

in each case, at the request of, and as directed by, the Company.

(b) If a Non-Distressed Disposal is not made, (i) each release of Priority Creditor Only Transaction Security and/or the Common Transaction Security and/or the Transaction Security and/or any claim described in paragraph (a) above shall have no effect and the Priority Creditor Only Transaction Security and/or the Common Transaction Security and/or the Transaction Security and/or claim subject to that release shall continue in such force and effect as if that release had not been effected (to the extent possible under applicable law); and (ii) the Parties agree that, to the extent required under applicable law, any Priority Creditor Only Transaction Security and/or the Common Transaction Security and/or the Transaction Security released or purported to be released shall promptly be retaken on substantially the same terms.

(c) Each release of Priority Creditor Only Transaction Security, Common Transaction Security, and/or Transaction Security and/or any claim shall become effective only on the making of the relevant Non-Distressed Disposal or time of the relevant merger, reorganisation or transaction.

(d) The Common Security Agent may in its absolute discretion, rely on a certification from the Holdco Issuer, the Company or a Debtor that the disposal of an asset is a Non-Distressed Disposal or the release of an asset is a Mandatory Release.

Distressed Disposals

Generally, a "Distressed Disposal" is a disposal of any Charged Property or an asset of a member of the Group, Debtor or Security Grantor which is (a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable, (b) being effected by enforcement of any Transaction Security or (c) being effected after the occurrence of a Distress Event by, or on behalf of, a Debtor or Security Grantor to any person or persons which is not a member of the Group.

If a Distressed Disposal or an Appropriation of any asset of a member of the Group is being effected, the Common Security Agent is irrevocably authorized (at the cost of the relevant Company, or if the Company selects, the relevant Debtor or Security Grantor, and without any consent, sanction, authority or further confirmation from any Creditor, any other Secured Party, any Debtor, any Affiliate Creditor or any Security Grantor):

(i) to release the Priority Only Transaction Security and/or the Common Transaction Security or any other claim over that asset and execute and deliver or enter into any release of that Priority Creditor Only

Transaction Security and/or the Common Transaction Security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Common Security Agent, be considered necessary or desirable;

(ii) if the asset which is subject to the Distressed Disposal or Appropriation consists of shares in the capital of a Debtor, to release:

(A) that Debtor and any Subsidiary of that Debtor from all or any part of its Borrowing Liabilities, its Guarantee Liabilities and its Other Liabilities;

(B) any Priority Creditor Only Transaction Security and/or the Common Transaction Security granted by that Debtor or any Subsidiary of that Debtor over any of its assets; and

(C) any other claim of an Affiliate Creditor, Security Grantor or Intra-Group Lender or another Debtor over that Debtor's assets or over the assets of any Subsidiary of that Debtor, including any Intra-Group Liability, Affiliate Creditor Liability and/or any Debtors' Intra-Group Receivable,

on behalf of the relevant Creditors, Debtors and Security Grantors;

(iii) if the asset subject to the Distressed Disposal or Appropriation consists of shares in the capital of any Holding Company of a Debtor, to release:

(A) that Holding Company and any Subsidiary of that Holding Company from all or any part of its Borrowing Liabilities, its Guarantee Liabilities and its Other Liabilities;

(B) any Priority Creditor Only Transaction Security and/or the Common Transaction Security granted by that Holding Company or any Subsidiary of that Holding Company, over any of their respective assets; and

(C) any other claim of an Affiliate Creditor, Security Grantor, an Intra-Group Lender or another Debtor over the assets of any Subsidiary of that Holding Company, including any Intra-Group Liability, Affiliate Creditor Liability and/or any Debtors' Intra-Group Receivable,

on behalf of the relevant Creditors, Debtors and Security Grantors;

(iv) if the asset subject to the Distressed Disposal or Appropriation consists of shares in the capital of a Debtor or the Holding Company of a Debtor and the Common Security Agent decides to dispose of all or any part of the Liabilities or the Debtors' Intra-Group Receivables owed by that Debtor or Holding Company or any Subsidiary of that Debtor or Holding Company on the basis that any transferee of those Liabilities or Debtors' Intra-Group Receivables (the "Transferee") should not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtors' Intra-Group Receivables, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement;

(v) if the asset subject to the Distressed Disposal or Appropriation consists of shares in the capital of a Debtor or the Holding Company of a Debtor and the Common Security Agent decides to dispose of all or part of the Liabilities or the Debtor's Intra-Group Receivables owed by that Debtor or Holding Company or any subsidiary of that Debtor or Holding Company on the basis that any transferee of those Liabilities or Debtor's Intra-Group Receivables will be treated as a Primary Creditor or Secured Party for the purpose of the Intercreditor Agreement to execute and deliver or enter into any agreement to dispose of:

(A) all (and not part only) of the Liabilities owed to the Primary Creditors; and

(B) all or part of any other Liabilities and the Debtors Intra-Group Receivables,

on behalf of, in each case, the relevant Creditors and Debtors.

(vi) if the asset subject to the Distressed Disposal or Appropriation consists of shares in the capital of a Debtor or the Holding Company of a Debtor (the "Disposed Entity") and the Common Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Group Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or the Debtors' Intra-Group Receivables, to execute and deliver or enter into any agreement to:

(A) transfer all or part of the obligations in respect of those Intra-Group Liabilities or Debtors' Intra-Group Receivables on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtors' Intra-Group Receivables on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtors' Intra-Group Receivables are to be transferred.

The net proceeds of each Distressed Disposal and each Debt Disposal shall be paid to the Common Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*'", as if those proceeds were the proceeds of an enforcement of Transaction Security and, to the extent that any Liabilities Sale or any Appropriation has occurred, as if that Liabilities Sale, or any reduction in the Secured Obligations resulting from that Appropriation, had not occurred.

In the case of a Distressed Disposal or a Liabilities Sale effected by, or at the request of, the Common Security Agent (acting in accordance with the Intercreditor Agreement), the Common Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Common Security Agent shall not have any obligation to postpone any such Distressed Disposal or Liabilities Sale in order to achieve a higher price).

Where Borrowing Liabilities constituted pursuant to notes issued pursuant to any Notes Indenture (other than a Senior Subordinated Notes Indenture) would otherwise be released pursuant to the Intercreditor Agreement, the Common Security Agent acting on the instructions of the Instructing Group may, by written notice to the Company and relevant Creditor Representatives cause the transfer of the whole or any part of Borrowing Liabilities. On receipt by the Company of such notice, the Borrowing Liabilities shall immediately and automatically without any consent, sanction, authority or further confirmation from any Creditor, Secured Party or Debtor by transferred by novation.

If a Distressed Disposal or Liabilities Sale is being effected by or at the request of the Common Security Agent, the Common Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions. Such obligations shall only be taken to have been discharged under the Intercreditor Agreement, the other Debt Documents and generally at law if the requirements of the applicable conditions in the Intercreditor Agreement are met, and it is a condition that:

(i) the Creditor Representative in respect of the Second Lien Debt Creditors has approved the release on the instructions of the Required Second Lien Creditors;

(ii) that Distressed Disposal or Liabilities Sale is made pursuant to a Competitive Sales Process; or

(iii) in circumstances where:

- the Common Security Agent considers that a Competitive Sales Process is not reasonably practicable or, following an attempted sale or disposal, the Pari Passu Creditors make the highest final binding offer of all of the offers received but that offer is less than the aggregate par value of the Pari Passu Liabilities, a Financial Advisor selected by the Common Security Agent has delivered a Fairness Opinion in respect of such sale or disposal; and
- at the time of completion of the sale or disposal (1) all Primary Creditor Liabilities are (to the same extent) released or unconditionally transferred to the purchaser and (2) all the Transaction Security granted in favour of the Primary Creditors over the assets sold or disposal of is released, unless either:

  (I) the Instructing Group, acting reasonably and in good faith, determine that a sale or disposal of any relevant claim will facilitate a greater recovery for the Pari Passu Creditors than if such claim was released and/or unconditionally transferred; or

  (II) in circumstances where either (1) the Pari Passu Discharge Date has occurred or (2) there has been a bona fide and fully committed cash bid in an amount equal to or exceeding the aggregate par value of the Pari Passu Liabilities (but not exceeding the aggregate par value of the Second Lien Liabilities) at a time when the Creditor Representatives for the Second Lien Creditors are entitled to give, and have given, instructions under the Intercreditor Agreement, the Creditor Representatives of the Second Lien Facility or Second Lien Notes, acting reasonably and in good faith, determine that a sale, disposal or transfer of any relevant claim will facilitate a greater recovery by the Second Lien Creditors than one they would achieve if the claim was released and/or unconditionally transferred,

  and the Instructing Group or relevant Creditor Representative gives notice of its determination to the Common Security Agent and the other Creditor Representatives in which case the Common Security Agent shall be entitled to immediately sell and transfer the relevant claim to such purchaser, or, if either paragraph (ii) or (iii) above applies and a Pari Passu Creditor or a Second Lien Creditor is the successful bidder of the relevant disposal, such Pari Passu Creditor or Second Lien Creditor shall be able to retain its relevant claim or any part thereof (which shall be valued at par).

Restrictions on Enforcement by Senior Subordinated Creditors

If a Distressed Disposal or a Liabilities Sale is being effected:

(a) the Common Security Agent is not authorised to release any Debtor, Subsidiary or Holding Company from any Borrowing Liabilities or Guarantee Liabilities owed to any Priority Creditor except in accordance with the section entitled "—Proceeds of Disposal: Distressed Disposals" above;

(b) at a time when the Creditor Representatives for the Majority Senior Subordinated Creditors, or, as the case may be, Second Lien Creditors are entitled to and have given instructions in accordance with the Intercreditor Agreement, (1) the Common Security Agent is not authorised to release any Debtor, Subsidiary or Holding Company from any Borrowing Liabilities, Guarantee Liabilities or Other Liabilities and, in each case (as applicable) any other Priority Creditor Liabilities or, as the case may be, Pari Passu Liabilities unless those liabilities will be paid (or repaid) in cash in full upon that release, and (2) no Distressed Disposal or Debt Disposal may be made for non-cash Consideration without the Instructing Group's consent.

If, before the Senior Subordinated Discharge Date, a Distressed Disposal or Liabilities Sale is being effected such that the Senior Subordinated Liabilities or Common Transaction Security or the assets of a Senior Subordinated Guarantor or the relevant Holdco Issuer will be released under the distressed disposal mechanic in the Intercreditor Agreement, it is a condition to the release that either:

(a) each Creditor Representative in respect of the Senior Subordinated Liabilities has approved the release on the instructions of the Required Senior Subordinated Creditors; or

(b) the proceeds of such sale or disposal are applied in accordance with the "*—Application of Proceeds*" section below and:

 (i) that Distressed Disposal is made pursuant to a Competitive Sales Process; or

 (ii) in circumstances where:

  (A)

   1. the Common Security Agent acting in good faith considers that a sale or disposal made pursuant to paragraph (i) above is not reasonably practicable taking into account all circumstances; or

   2. following an attempted sale or disposal under paragraph (i) above, the Priority Creditors made the highest final bidding offer but that offer is less than the aggregate par value of the Priority Creditor Liabilities,

   a Financial Advisor appointed by the Common Security Agent in accordance with the relevant provision in the Intercreditor Agreement has delivered a fairness opinion to the Common Security Agent in respect of such disposal or sale; and

  (B) the sale, disposal or transfer complies with the provisions relating to fair value in the Intercreditor Agreement.

Application of Proceeds

The Intercreditor Agreement provides that Secured Parties may only benefit from Common Recoveries (as defined below) to the extent that the liabilities of such Secured Parties has the benefit of the guarantees or security under which such Common Recoveries are received and provided that, in all cases, the rights of such secured parties shall in any event be subject to the priorities set out in this section.

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Common Security Agent pursuant to the terms of any Debt Document or in connection with the realization (including any Distressed Disposal) or enforcement of all or any part of the Priority Creditor Only Transaction Security and/or the Common Transaction Security and all Enforcement Proceeds (for the purposes of this "*—Application of Proceeds*" section, the "Common Recoveries") shall be applied by the Common Security Agent at any time as the Common Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "—*Application of Proceeds*" section), in the following order of priority:

(i) in discharging any sums owing to the Common Security Agent, any Receiver or any Delegate, and in payment to the Creditor Representatives (other than the Creditor Representative of any group of Unsecured Creditors) of the relevant Creditor Representative Amounts, on a pro rata and pari passu basis;

(ii) in payment of all costs and expenses incurred by any Primary Creditor in connection with any realization or enforcement of any Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Common Security Agent under the Intercreditor Agreement;

(iii) in payment to:

each Creditor Representative in respect of any Pari Passu Debt Creditors on its own behalf and on behalf of the Pari Passu Debt Creditors for which it is the Creditor Representative; and the Hedge Counterparties owed Pari Passu Hedging Liabilities; for application towards the discharge of:

(III) the Pari Passu Debt Liabilities on a pro rata basis between Pari Passu Debt Liabilities incurred under or in connection with separate Pari Passu Facility Agreements (in accordance with the terms of the Pari Passu Debt Documents);

(IV) the Pari Passu Debt Liabilities on a pro rata basis between Pari Passu Debt Liabilities incurred under or in connection with separate Pari Passu Notes Indentures (in accordance with the terms of the Pari Passu Debt Documents); and

(V) the Pari Passu Hedging Liabilities on a pro rata basis between the Pari Passu Hedging Liabilities of each Hedge Counterparty;

on a pro rata basis between the immediately preceding paragraphs (I) to (III) above;

(iv) in payment to:

(A) each Creditor Representative in respect of any Second Lien Debt Creditors on its own behalf and on behalf of the Second Lien Debt Creditors for which it is the Creditor Representative;

(B) those Hedge Counterparties owed Second Lien Hedging Liabilities;

for application towards the discharge of:

(I) the Second Lien Debt Liabilities on a *pro rata* basis between Second Lien Debt Liabilities incurred under or in connection with the Second Lien Facility Agreements (in accordance with the terms of the relevant Second Lien Debt Documents);

(II) the Second Lien Debt Liabilities on a *pro rata* basis between Second Lien Debt Liabilities incurred under or in connection with separate Second Lien Notes Indentures (in accordance with the terms of the relevant Second Lien Debt Documents); and

(III) the Second Lien Hedging Liabilities on a *pro rata* basis between such Second Lien Hedging Liabilities of each such Hedge Counterparty;

on a pro rata basis and pari passu between the immediately preceding paragraphs (I) to (III) above;

(v) (save for any amounts received or recovered by the Common Security Agent in connection with the realisation or enforcement of the Priority Creditor Only Transaction Security and related Enforcement Proceeds) in payment to:

(A) each Creditor Representative in respect of any Senior Subordinated Creditors on its own behalf and on behalf of Senior Subordinated Debt Creditors for which it is the Creditor Representative; and

(B) those Hedging Counterparties owed Senior Subordinated Hedging Liabilities,

for application towards the discharge of:

(I) the Senior Subordinated Debt Liabilities on a *pro rata* basis between Senior Subordinated Debt Liabilities incurred under or in connection with separate Senior Subordinated Facility Agreements) (in accordance with the terms of the Senior Subordinated Debt Documents);

(II) the Senior Subordinated Debt Liabilities on a *pro rata* basis between Senior Subordinated Debt Liabilities incurred under or in connection with separate Senior Subordinated Notes Indentures (in accordance with the terms of the Senior Subordinated Debt Documents); and

(III) the Senior Subordinated Hedging Liabilities on a *pro rata* basis between the Senior Subordinated Hedging Liabilities in respect of each such Hedge Counterparty,

on a *pro rata* basis between the immediately preceding paragraphs (I) and (III) above;

(vi) in payment or distribution to any person to whom the Common Security Agent is obliged to pay or distribute in priority to any Debtor or Security Grantor; and

(vii) the balance, if any, in payment to the relevant Debtor.

Liabilities of a Structural Subordinated Debt Issuer

Generally, all amounts from time to time received or recovered by the Common Security Agent from or in respect of a Holdco Issuer that is not a member of the Group pursuant to the terms of a Debt Document (other than in connection with the realization or enforcement of all or part of the Transaction Security) shall be held by the Common Security Agent on trust to apply them at any time as the Common Security Agent (in its discretion) sees fit, to the extent permitted by applicable law in the following order of priority:

(i) in accordance with paragraph (i) of the section captioned "—Application of Proceeds—Order of Application";

(ii) in accordance with paragraph (ii) of the section captioned "—Application of Proceeds—Order of Application";

(iii) in accordance with paragraphs (iii), (iv) and (v) of the section captioned "—Application of Proceeds—Order of Application," (in each case, only to the extent there are Liabilities due from the relevant Holdco Issuer to such Creditors) *provided* that payments will be made on a pro rata basis and *pari passu* across all Liabilities subject to such paragraphs;

(iv) if none of the Debtors is under any further actual or contingent liability under any Primary Creditor Document, in payment to any person to whom the Common Security Agent is obliged to pay in priority to any Debtor or Security Grantor; and

(v) the balance, if any, in payment to the relevant Debtor.

Equalization of the Senior Secured Creditors

The Intercreditor Agreement generally provides that if, for any reason, any Pari Passu Liabilities, any Second Lien Liabilities or any Senior Subordinated Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the Pari Passu Creditors, the Second Lien Creditors or the Senior Subordinated Creditors respectively in the proportions which their respective Exposures at the Enforcement Date bore to the aggregate Exposures of all the Pari Passu Creditors, the Second Lien Creditors or the Senior Subordinated Creditors at the Enforcement Date, the Pari Passu Creditors, the Second Lien Creditors or the Senior Subordinated Creditors (as applicable) will make such payments among themselves as the Common Security Agent shall require to put the relevant Pari Passu Creditors, the Second Lien Creditors or the Senior Subordinated Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, the Intercreditor Agreement may be amended or waived or any consent may be given under it, with only the consent of the relevant Creditor Representatives and the Company and the Common Security Agent, provided that:

(i) if the relevant action, amendment or waiver or consent is permitted or not prohibited by the relevant underlying Debt Document to which the action, amendment waiver or consent relates, the consent of the relevant Creditor Representative shall be deemed to be given for all purposes under and in connection with the Intercreditor Agreement;

(ii) no such amendment, waiver or consent shall require the consent or approval of any Hedge Counterparty, provided that an amendment or waiver of the Intercreditor Agreement that has the effect of changing certain provisions of the Intercreditor Agreement or the order and priority of subordination under the Intercreditor Agreement, in each case in a manner which would materially and adversely affect such Hedge Counterparty, shall require the consent of such Hedge Counterparty; and

(iii) no such amendment, waiver or consent shall require the consent or approval of any Unsecured Creditor unless such amendment, waiver or consent is expressed to impose additional restrictions on the rights or increases the obligations of any Unsecured Creditor under the Intercreditor Agreement in their capacity as such, in which case such amendment, waiver or consent shall also require the consent of each such Unsecured Creditor. Subject to the foregoing, any amendment, waiver or consent made without the consent of the Unsecured Creditors in accordance with the Intercreditor Agreement shall enter into full force and effect and be binding on all such Unsecured Creditors.

The Intercreditor Agreement may be amended by the Company and the Common Security Agent without the consent of any other party, to cure defects or omissions or resolve ambiguities or inconsistencies or correct manifest errors if such amendment or waiver if of a minor technical or administrative nature.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, or if authorized by an Instructing Group, and if the relevant Debtor consents, amend the terms of, waive any of the requirements of or grant consents or releases under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "—*Exceptions*" below, any amendment or waiver of, or consent under, any security document which would materially adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned "—*Required Consents.*"

Exceptions

Subject to the following paragraph of this "—*Exceptions*'" section, an amendment, waiver or consent which adversely relates to the personal rights or obligations of a Creditor Representative, an Arranger, the Common Security Agent or a Hedge Counterparty (in each case in such capacity) may not be effected without the consent of that Creditor Representative or, as the case may be, that Arranger, the Common Security Agent or that Hedge Counterparty.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption "—*Proceeds of Disposals*" above.

The first paragraph of this "—*Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

Local Facilities

Brazil

Gaylussac Empreendimentos Educacionais Ltda entered into loan facilities with Itau and HSBC Brasil (later acquired by Bradesco) in June 2014 in an aggregate amount of BRL 40 million (the "GayLussac Brazilian Local Facilities"), of which BRL 15.2 million (£2.8 million) was outstanding as of August 31, 2018. These facilities were drawn to finance the acquisition of our GayLussac school. The GayLussac Brazilian Local Facilities accrue interest at a rate of Taxa DI + 3.75%. The loans mature in June 2020. The primary security for the GayLussac Brazilian Local Facilities is a mortgage over the assets of the GayLussac school property and a pledge over the shares of certain of our Brazilian subsidiaries, the school´s receivables and certain bank accounts. Pursuant to the GayLussac Brazilian Local Facilities, Gaylussac Empreendimentos Educacionais Ltda, Cognita Brasil Locadora de Imoveis 2 Ltda and GRS2 SA may not distribute dividends to the Group in excess of 25% of the net profits generated by these entities without prior consent from the lenders.

Chile

Our Chilean subsidiaries have entered into 11 loan facilities totaling CLP 41,095 million (£45.2 million) (the "Chilean Local Facilities") as of August 31, 2018. The Chilean Local Facilities all accrue interest at fixed rates between 3.8% and 5.4%. These loans mature between 2022 and 2032. The primary securities for each of the Chilean Local Facilities are first ranking security interests over the land and buildings of the relevant borrower. Desarrolles Educacionales SA is also jointly and severably liable for each loan facility.

The Group's Chilean subsidiaries also have CLP 820 million working capital facilities and a CLP 786 million overdraft facility which we expect will remain undrawn as of the Issue Date.

Spain

English Montessori School SAU entered into two loan facilities with Banco Popular Español S.A, dated April 11, 2017 and March 23, 2018. The aggregate amount of these facilities is €2.8 million (£2.2 million). These loans mature in April 2022 and March 2023, and they are non-secured.

Finance Leases

On March 1, 2017, we completed a ground rent sale and leaseback of the freehold properties at four of our UK schools for total consideration of £12.7 million. In addition, in February 2018, we completed a ground rent sale and leaseback of freehold properties at five UK schools for total consideration of £9.9 million. The purchasers simultaneously granted the Group 150-year leases over the properties on the expiry of which, the Group will have the option to buy back the freehold interest for £1 per property. For a description of our current obligations under finance leases, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations.*"

Intercompany Loan

On or about the Acquisition Completion Date, the Issuer lent to Lernen Bidco Limited, pursuant to an intercompany loan (the "Intercompany Loan"), the amounts drawn by the Issuer under the Bridge Facility. The aggregate principal amount of the Intercompany Loan equals the Bridge Facility proceeds less certain fees and expenses. The currency of the Intercompany Loan is Pound sterling, in line with the Company's currency of account. The Intercompany Loan is subordinated in right of payment to the Notes and the Notes Guarantees pursuant to the Intercreditor Agreement. The Issuer will grant a security interest in respect of the receivables under the Intercompany Loan to secure, among other things, the Senior Facilities Agreement (on a senior basis) and the Notes (on a subordinated basis). See "*Summary—The Offering—Security*."

It is anticipated that funds received by the Issuer as payments of interest under the Intercompany Loan will be used, among other sources, to service interest payments under the Notes. The Intercompany Loan may have a variable interest rate and a rate that differs from the rate of interest payable on the Notes from time to time. The principal on the Intercompany Loan may be repaid in order to service interest payments on the Notes or otherwise. As a result the initial amount of the Intercompany Loan may be less than the aggregate principal amount of the Notes and may be reduced, potentially to zero, prior to the maturity of the Notes. Payments under the Intercompany Loan may also be restricted by the Intercreditor Agreement. In addition, subsidiaries of the Issuer may upstream further funds as needed by means of dividends or loans.

DESCRIPTION OF THE NOTES

The following is a description of the €255.3 million aggregate principal amount of per cent. Senior Notes due 2026 (the "*Notes*"). The Notes will be issued by Lernen Bondco PLC, a public limited company incorporated under the laws of England and Wales (the "*Issuer*"), and unconditionally guaranteed on a senior subordinated basis by certain subsidiaries of the Issuer (together, the "*Guarantors*"). In this "*Description of the Notes*," the "*Issuer*" refers only to Lernen Bondco PLC, and any successor obligor to Lernen Bondco PLC on the Notes, and not to any of its subsidiaries. The Issuer has been incorporated as a public limited company under the laws of England and Wales.

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer to repay amounts outstanding under the Bridge Facility and to pay fees, costs and expenses incurred in connection with the Transactions, as set forth in this Offering Memorandum under the caption "*Use of Proceeds*." The proceeds from the Bridge Facility, together with proceeds from the drawings under the Senior Facilities Agreement, were used to finance the acquisition by Lernen Bidco Limited, a direct Restricted Subsidiary of the Issuer, of all of the issued and outstanding share capital of the Target. See "*Summary — The Transactions*."

The Issuer will issue the Notes under an indenture to be dated as of the Issue Date (the "*Indenture*") among, *inter alios,* the Issuer and U.S. Bank Trustees Limited, as trustee (the "*Trustee*"). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act, see "*Transfer Restrictions.*" The terms of the Notes include those stated in the Indenture. The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act. The Notes are subject to all such terms pursuant to the provisions of the Indenture, and holders of the Notes are referred to the Indenture for a statement thereof.

The Indenture, the Notes and the Notes Guarantees will be subject to the terms of the Intercreditor Agreement (defined below) and any Additional Intercreditor Agreements (defined below) that may be entered in the future. The terms of the Intercreditor Agreement are important to understanding the terms and the ranking of the Notes Guarantees, please see "*Description of Other Indebtedness—Intercreditor Agreement*" for a summary of the material terms of the Intercreditor Agreement.

The following description is a summary of the material provisions of the Indenture and the Notes, and refers to the Intercreditor Agreement and the other Security Documents and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture and the Notes, and refers to the Intercreditor Agreement and the Security Documents, respectively. Because this is a summary, it may not contain all the information that is important to you. We urge you to read the Indenture, the Notes and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture and the Intercreditor Agreement are available as described under "*Where Prospective Investors Can Find More Information.*" You can find the definitions of certain terms used in this description under "*—Certain Definitions.*"

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes and the Notes Guarantees

The Notes:

- will be senior obligations of the Issuer;
- will be secured as described below under "*—Security—The Collateral*;"
- will be senior in right of payment to any Subordinated Indebtedness of the Issuer;
- will be effectively senior in right of payment to any existing and future unsecured indebtedness of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- will rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated to the Notes;
- will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, or that is secured on a priority basis by property or assets that secure the Notes, to the extent of the value of the property or assets securing such indebtedness;
- will be structurally subordinated to any existing or future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes, including obligations to trade creditors; and

- will be unconditionally guaranteed on a subordinated basis by the Guarantors as set out under "Notes Guarantees", subject to certain contractual and legal limitations, including as described herein and in "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*."

The Notes Guarantees:

- will be the senior subordinated obligations of the relevant Guarantor;
- will be senior in right of payment to any Subordinated Indebtedness of the relevant Guarantor;
- will be effectively *pari passu* in right of payment with any senior subordinated indebtedness of the relevant Guarantor that is not subordinated in right of payment to its Guarantee;
- will be subordinated in right of payment to any senior indebtedness of the relevant Guarantor; including, without limitation, debt outstanding under the Senior Facilities Agreement;
- will be structurally subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes, including obligations to trade creditors; and
- will be subject to certain contractual and legal limitations, including as described herein and in "Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability."

Principal and Maturity

The Issuer will issue €255,300,000 in aggregate principal amount of Notes on the Issue Date. The Notes will mature on , 2026. The redemption price at maturity will be par. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest

Interest on the Notes will accrue at the rate of per cent. per annum and will be payable, in cash, semi-annually in arrears on and of each year, commencing on , 2019 to holders of record on the Business Day immediately preceding the interest payment date.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

If the interest payment date in respect of the Notes is not a Business Day, the holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*" the Issuer is permitted to issue additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate delivered to the Trustee ("*Additional Notes*"):

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date

or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable (including any currency indemnity);

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes,*" references to "*Notes*" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may be designated to be of the same series as the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the initial Notes, and shall be deemed to form one series and references to the Notes shall be deemed to include the Notes initially issued on the Issue Date as well any such Additional Notes; provided, however, that such Additional Notes shall be issued under a separate CUSIP, ISIN and Common Code unless the Additional Notes are issued pursuant to a "qualified reopening" of the Notes, are otherwise treated as part of the same "issue" of debt instruments as the Notes or are issued with no more than a de minimis amount of original issue discount, in each case for U.S. federal income tax purposes.

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (defined below), if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Note registered in the name of or held by a nominee of the common depositary for accounts of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to Euroclear or Clearstream, which will credit the account specified by the holder or holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents (as defined below) maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by wire transfer to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes.*"

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes for so long as the Notes are held in registered form. The initial Paying Agent for the Notes will be Elavon Financial Services DAC, UK Branch.

The Issuer will also maintain one or more registrars (each, a "*Registrar*"). The Issuer will also maintain one or more transfer agents (each, a "*Transfer Agent*"). The initial Registrar will be Elavon Financial Services DAC and the initial Transfer Agent will be Elavon Financial Services DAC, UK Branch. The Registrar and the Transfer Agent will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the holders of the Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

For so long as the Notes are listed on the Official List of the Exchange, and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent.

Transfer and Exchange

The Notes will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "*144A Global Notes*").
- The 144A Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and/or Clearstream.
- The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*").
- The Regulation S Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and/or Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions.*" In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 aggregate principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions.*"

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar is not required to register the transfer or exchange of any Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Definitive Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Definitive Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Registered Notes; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will be entitled to treat the holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

On the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries.

In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary,*" the Issuer will be permitted to designate Restricted Subsidiaries (other than the Issuer) as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Notes Guarantees

The obligations of the Issuer pursuant to the Notes, will, subject to certain contractual and legal limitations and the Agreed Security Principles, be guaranteed by the Guarantors (such guarantee, a "*Notes Guarantee*").

As of the Issue Date, the Notes will be guaranteed by Lernen Bidco Limited. It is intended that as soon as practicable but in any case by no later than the date falling 120 days after the Issue Date, the Notes will be guaranteed by:

(i) Australian International School Pte Ltd (Singapore);

(ii) Stamford American International School Pte Ltd (Singapore); and

(iii) Cognita Schools Limited (UK).

It is intended that the Guarantors will grant the Notes Guarantees and will also grant senior guarantees of the Senior Facilities Agreement. In addition, as described below under "*—Certain Covenants—Additional Notes Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, it is intended that each Restricted Subsidiary of the Issuer that guarantees the Senior Facilities Agreement or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement. See "*Description of Certain Financing Arrangements – Senior Facilities Agreement*".

As of and for the fiscal year ended August 31, 2018, the Guarantors represented, based on their contribution in our consolidated financial statements, 59% of revenue, 70% of Adjusted EBITDA (as defined in the Offering Memorandum) and 52% of assets. See "*Presentation of Financial and Other Information— Target and Future Guarantor Coverage.*" As of August 31, 2018, after giving effect to the Transactions, including the Offering and the use of proceeds therefrom, on a consolidated basis, our subsidiaries that will not guarantee the Notes would have had €50.2 million in outstanding debt. Only certain subsidiaries will provide Notes Guarantees and guarantee obligations under the Notes. Our subsidiaries organized in Brazil, Chile, Spain, Vietnam, Thailand and Mainland China (excluding for the avoidance of doubt, Hong Kong) will not guarantee the obligations under the Notes. A consolidated total coverage ratio calculated on this basis does not necessarily reflect the individual asset positions of corporate entities in the event of insolvency.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Senior Facilities Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other limitations or legal or regulatory requirements or other restrictions, financial assistance, corporate benefit, liquidity protection rules, fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters.

Each Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of applicable law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure— Our subsidiaries located in Spain, Chile, Brazil, Hong Kong, Thailand and Vietnam will not guarantee the Notes, and the Notes and each of the Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries and effectively subordinated to liabilities that are secured on assets that do not secure the Notes.*"

The Notes Guarantee of a Guarantor will terminate and be released upon:

- a sale, exchange, disposition, exchange or other transfer (including by way of consolidation, merger, amalgamation or combination) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary, including for the avoidance of doubt, any liquidation or dissolution or the sale or disposition of all or substantially all the assets of the Guarantor (other than to a Restricted Subsidiary that is not a Guarantor), in each case, otherwise permitted by, and in compliance with, the Indenture;
- the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or defeasance or discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*;"
- with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Facilities Agreement and (ii) does not guarantee any other Credit Facility or Public Debt;
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*;"
- with respect to any Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction permitted by "*—Certain Covenants—Merger and Consolidation—Guarantors*;" and
- in connection with a Permitted Reorganization or solvent winding-up or liquidation (or similar) of a Restricted Subsidiary pursuant to which substantially all of the assets of such Restricted Subsidiary remain owned by the Issuer and its Restricted Subsidiaries.

Upon any occurrence giving rise to a release of a Guarantee, as specified above, or as otherwise contemplated by the Indenture, the Trustee will execute any documents delivered to it by the Issuer in order to evidence or effect such release, discharge and termination in respect of such Guarantee and any related Collateral. None of the Issuer, Trustee nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Substantially all the operations of the Issuer are conducted through its Subsidiaries. Claims of creditors of non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including holders of the Notes. The Notes and each Notes Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Issuer. Although the Indenture will limit the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness.*"

Subordination of the Guarantees

Each of the Guarantees is a senior subordinated Guarantee, which means that, pursuant to the terms of the Intercreditor Agreement, each such Guarantee ranks behind, and is expressly subordinated to, all the existing and future Senior Indebtedness of the relevant Guarantor, including any obligations owed by the relevant Guarantor under the Senior Facilities Agreement, certain hedging agreements and any other indebtedness ranking *pari passu* therewith incurred after the Issue Date. The ability to take enforcement action against the Guarantors under their Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement and the terms of the Guarantees, and potentially any Additional Intercreditor Agreement entered into after the Issue Date.

In addition, the Guarantees and the Collateral are subject to release under certain circumstances, including, but not limited to, certain enforcement actions taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness of the Guarantors would recover disproportionately more than the holders of the Notes in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes after the repayment in full of all Senior

Indebtedness. The Guarantees will also be subject to the terms of the Intercreditor Agreement, including payment blockage and standstill on enforcement upon a senior default. For a description of the restrictions imposed by the Intercreditor Agreement, see "*Description of Certain Financing Arrangements- Intercreditor Agreement*".

The Intercompany Loan

On or about the Completion Date, the Issuer lent to Lernen Bidco Limited, pursuant to an intercompany loan (the "*Intercompany Loan*"), the amounts drawn by the Issuer under the Bridge Facility. The aggregate principal amount of the Intercompany Loan equals the Bridge Facility proceeds less certain fees and expenses. The currency of the Intercompany Loan is Pound sterling, in line with the Company's currency of account. The Intercompany Loan is subordinated in right of payment to the Notes and the Notes Guarantees pursuant to the Intercreditor Agreement. The Issuer will grant a security interest in respect of the receivables under the Intercompany Loan to secure, among other things, the Senior Facilities Agreement (on a senior basis) and the Notes (on a subordinated basis). See "*—Security*."

It is anticipated that funds received by the Issuer as payments of interest under the Intercompany Loan will be used, among other sources, to service interest payments under the Notes. The Intercompany Loan may have a variable interest rate and a rate that differs from the rate of interest payable on the Notes from time to time. The principal on the Intercompany Loan may be repaid in order to service interest payments on the Notes or otherwise. As a result the initial amount of the Intercompany Loan may be less than the aggregate principal amount of the Notes and may be reduced, potentially to zero, prior to the maturity of the Notes. Payments under the Intercompany Loan may also be restricted by the Intercreditor Agreement. In addition, subsidiaries of the Issuer may upstream further funds as needed by means of dividends or loans.

Security

The Collateral

Pursuant to the Security Documents to be entered into on or prior to Issue Date, the Issuer will grant in favor of the Security Agent, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, security over:

(i) the shares held by the Issuer in Lernen Bidco Limited; and

(ii) an assignment by way of security of any existing and future intercompany loans in respect of which the Issuer is the creditor and Lernen Bidco Limited is the debtor, including the Intercompany Loan,

each on the basis and priority set out in the Intercreditor Agreement and subject to the operation of the Agreed Security Principles, the Security Documents and the Intercreditor Agreement (together, the "*Initial Collateral*," and together with any other security granted by the Issuer or its Subsidiaries for the benefit of the holders of the Notes, the "*Collateral*").

All Collateral shall be subject to the operation of the Intercreditor Agreement, the Agreed Security Principles and any Permitted Collateral Liens.

The Collateral will also secure the liabilities under the Senior Facilities Agreement and may also secure Hedging Obligations and additional Indebtedness permitted to be secured by the Collateral. Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Senior Facilities Agreement and any Hedging Obligations and certain other Indebtedness including future Indebtedness permitted to be incurred under the covenant "*—Certain Covenants— Limitation on Indebtedness*" will rank prior to and receive priority over any obligations to holders of the Notes with respect to any proceeds received upon any enforcement action over any Collateral. Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest,*" the Issuer is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture and the Intercreditor Agreement. Any proceeds received upon any enforcement over any Collateral, after all liabilities in respect of obligations secured on a senior basis to, or ranking in priority to, the Notes have been discharged from such recoveries, will be applied pro rata in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other Indebtedness of the Issuer or its Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement on an equal ranking basis with the Notes.

Administration of Security and Enforcement of Liens

The Security Documents and the Collateral will be administered by the Security Agent, in each case pursuant to the Intercreditor Agreement for the benefit of all holders of secured obligations. The enforcement of the Security Documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement*."

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's or a Guarantor's bankruptcy. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Insolvency laws and other limitations on the Guarantees and the Collateral may adversely affect their validity and enforceability*."

In addition, the enforcement of the Collateral may be limited to the maximum amount permitted under the Agreed Security Principles and applicable law to comply with corporate benefit, financial assistance and other laws. Pursuant to the Agreed Security Principles, the terms of the Security Documents themselves provide for assets to cease to become subject to security in certain circumstances without need for a formal release, such as the sale of assets which are subject to a charge, or the exclusion of certain assets if such assets may not be subject to security (such as, for example, assets that may not be validly pledged, or assets that are subject to a Permitted Lien).

As a result of these limitations, the enforceable amounts of the Issuer's obligation under the Notes and a Guarantor's obligation under its Notes Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

Subject to the terms of the Security Documents, the Issuer, the Guarantors and any other Collateral provider will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the holders of the Notes, the payment of obligations under the Senior Facilities Agreement and any hedging obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement and the Security Documents place limitations on the ability of the Security Agent to cause the sale of some of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—Intercreditor Agreement.*"

The Trustee for the Notes has, and by accepting a Note, each holder will be deemed to have:

- irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below) and each holder will also be deemed to have authorized the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Priority

The relative priority with regard to the Collateral as between (a) the lenders under the Senior Facilities Agreement and other future indebtedness that is *pari passu* with the indebtedness under the Senior Facilities Agreement; (b) the counterparties under certain hedging obligations; and (c) the Trustee and the holders under the Indenture, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Notes and the Indenture will receive proceeds of enforcement of security over the Collateral only after indebtedness, claims and obligations under and in respect of the Senior Facilities Agreement, certain Hedging Obligations and creditors under any future indebtedness that may be secured on a first ranking or priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement have been satisfied. See "*Description of Other Indebtedness— Intercreditor Agreement.*" In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. Under certain circumstances, the creditors under such Indebtedness will receive proceeds from an enforcement of the Collateral in priority to the Trustee and the holders under the Indenture. See "*—Release of Liens*" "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens.*"

Release of Liens

The Security Agent will, and to the extent required or necessary, the Trustee will, in addition to the circumstances described above, take any action reasonably required to effectuate any release of Collateral:

(1) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or discharge or defeasance thereof in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Notes Guarantee in accordance with the Indenture, the release of the property, assets and Capital Stock of such Guarantor;

(3) in connection with any disposition of Collateral, directly or indirectly, to (a) any Person other than the Issuer or any of its Restricted Subsidiaries (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation—The Issuer*") that is permitted by the Indenture (with respect to the Lien on such Collateral) or (b) the Issuer or any Restricted Subsidiary consistent with the Intercreditor Agreement;

(4) as described under "*—Amendments and Waivers*;"

(5) automatically without any action by the Trustee, if the Lien granted in favor of the Senior Facilities Agreement, Public Debt or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by another clause above;

(6) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under "*—Certain Covenants—Merger and Consolidation*;" and

(7) as otherwise provided in the Intercreditor Agreement.

Each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee without the consent of the holders.

The Issuer and its Restricted Subsidiaries and any other Collateral provider may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral, including, without limitation: (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring or otherwise disposing of current assets in the ordinary course of business; and (iii) any other action permitted by the Security Documents or the Intercreditor Agreement.

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

In connection with the Incurrence of any Indebtedness by the Issuer or any of its Restricted Subsidiaries that is permitted and ranked *pari passu* or senior or junior in right of payment to the Notes or any Guarantee and/or to share in any of the Collateral (and which the Issuer elects shall share in the Collateral), the Trustee and the Security Agent shall, at the request of the Issuer, enter into with the Issuer, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the holders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, the Issuer shall furnish to the Trustee such documentation in relation thereto as it may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however,* that such transaction would comply with the covenant described herein under "*—Certain Covenants—Limitation on Restricted Payments.*"

The Indenture will also provide that, at the written direction of the Issuer and without the consent of holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be Incurred by the Issuer or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement *(provided* that such Indebtedness is Incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries and other Persons to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) facilitate a transaction, reorganization, incurrence or other action or event permitted, or not otherwise prohibited, by the Indenture, (6) make provision to implement any Permitted Lien or Permitted Collateral Liens in accordance with the terms of the Indenture, (7) make any other change to any agreement that does not adversely affect the holders of Notes in any material respect or (8) as permitted pursuant to or contemplated by the Transaction Documents.

The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*" or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnities or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement, any amendments referenced above, and any Additional Intercreditor Agreement on each holder's behalf.

A copy of the Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available to the holders upon request and will be made available for inspection during normal business hours on any Business Day upon prior written request at the office of the Issuer.

Optional Redemption

Except as set forth herein and under "*—Redemption for Taxation Reasons,*" the Notes are not redeemable at the option of the Issuer.

At any time prior to , 2021, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 100 per cent. of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to (but excluding) the redemption date.

At any time and from time to time on or after , 2021, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to the applicable percentage of principal amount set forth below plus accrued and unpaid interest to (but excluding) the redemption date:

Twelve month period commencing	
	(%)
2021	%
2022	%
2023 and thereafter	100%

At any time and from time to time prior to , 2021, upon not less than 10 nor more than 60 days' prior notice, the Issuer may redeem up to 40 per cent. of the original aggregate principal amount of the Notes (including Additional Notes) at a redemption price equal to (i) per cent. of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds received by the Issuer from one or more Equity Offerings, plus (ii) accrued and unpaid interest thereon, if any, to (but excluding) the applicable redemption date; *provided* that:

(1) in each case the redemption takes place not later than 180 days after the closing and receipt of the net cash proceeds of the related Equity Offering; and

(2) not less than 60 per cent. of the original principal amount of the Notes being redeemed (including the principal amount of any Additional Notes of the same series) remains outstanding immediately thereafter.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

General

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

Notwithstanding anything else in the Indenture or the Notes, redemption notices may be given more than 60 days prior to a redemption date if the notice is in connection with a defeasance of Notes or a satisfaction and discharge of the Indenture.

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent the rules of the Exchange so require, notify the Exchange of such optional redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

We may repurchase Notes at any time and from time to time in the open market or otherwise.

Notwithstanding the foregoing, if holders of not less than 90% in aggregate principal amount then outstanding of a series of Notes validly tender and do not withdraw Notes of such series in a tender offer or other offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes of such series validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 day's prior notice to the holders of the relevant series of Notes, given not more than 30 days following such purchase date, to redeem all Notes of such series that remain outstanding following such purchase at a price equal to the price paid to each other holder of such series of Notes in such tender offer (other than any incentive payment for early tenders), plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but not including, the redemption date. In determining whether the holders of at least 90% of the aggregate principal amount then outstanding of a series of Notes have validly tendered and not withdrawn Notes of such series in a tender offer or other offer to purchase for all of the Notes of such series, as applicable, Notes of such series owned by an Affiliate of the Issuer or by funds controlled or managed by any Affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

Sinking Fund

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however,* that no book-entry interest of €100,000 may be redeemed in part. If the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribe no method of selection, the Notes will be selected on a *pro rata* basis or by use of a pool factor; *provided, however,* that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Redemption for Taxation Reasons

The Issuer or Successor Company may redeem, and a Guarantor may cause the Issuer or Successor Company to redeem, the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100 per cent.

of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*" (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Issuer or Successor Company under or with respect to the Notes or Guarantor is, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding or deduction as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum and must not have been publicly or formally announced in substantially the form as enacted prior to the date of this Offering Memorandum. In the case of redemption due to withholding or deduction as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction and must not have been publicly or formally announced in substantially the form as enacted prior to such date, unless the Change in Tax Law would have applied to the predecessor of a Successor Company or the predecessor of a successor of a Guarantor. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice.*" Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of any Notes pursuant to the foregoing, the Issuer or Guarantor, or a successor to either, where applicable, will deliver to the Trustee and the Paying Agent (a) an Officer's Certificate stating that the Issuer or Guarantor, or a successor to either, where applicable, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been complied with or satisfied, and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer or Guarantor, or a successor to either, where applicable, has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee and the Paying Agent will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to the Payor (as defined below) is incorporated or organized or otherwise considered to be a resident for tax purposes or in which it has a permanent establishment, or any jurisdiction from or through which a payment on the Notes or any Notes Guarantees is made by or on behalf of any successor to the Payor, and any political subdivision or taxing authority or agency thereof or therein.

Withholding Taxes

All payments made by or on behalf of the Issuer or a Guarantor (a "*Payor*") on or with respect to the Notes or the Notes Guarantees, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) England and Wales or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Notes Guarantee is made by or on behalf of the Payor or its agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is incorporated or organized, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law from any payments made by or on behalf of a Payor on or with respect to any Note or Notes Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the holders after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; *provided, however,* that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, but not limited to, being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed, withheld or deducted by reason of the failure by the holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the holder or beneficial owner, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the holder or such beneficial owner or to make any declaration or similar claim or satisfy any certification, identification, information or other reporting requirement relating to such matters, which is required by applicable law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment under or with respect to the Notes or any Notes Guarantee;

(4) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Taxes, assessment or other governmental charge, or excise Taxes on a transfer or exchange of the Notes; or

(5) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the holder (except to the extent that the beneficiary would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period).

In addition, no Additional Amounts shall be paid with respect to any payment to any holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

Notwithstanding any other provision of the Indenture, the Notes Guarantees or this "*Description of Notes*", any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "*FATCA Withholding*"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

The Payor will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor and will provide such certified copies to the Trustee.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture, the Notes Guarantees or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, issue, transfer, registration, court or documentary Taxes, or any other property or similar taxes, charges or levies (including penalties or interest related thereto) that arise in any jurisdiction from the execution, delivery, issuance, registration, enforcement of or receipt of payments with respect to any Notes, the Indenture, the Notes Guarantees, the Security Documents or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes after the consummation of this offering), and the Payor agrees to indemnify the holders for any such Taxes paid by such holders; provided, the Payor will not be obligated, except in the case of enforcement following a default (or event of default), to pay any such Taxes, charges or levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction provided further, in the case of taxes, charges or levies attributable to any payments with respect to any Notes, the Indenture, the Notes Guarantees, the Security Documents or any other document or instrument in relation thereto, the Payor's obligations under this paragraph shall be limited to any such taxes, charges or levies that are not excluded under clauses (1), (2) and (4)-(6) above. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply mutatis mutandis to any jurisdiction in which any successor to the Payor is incorporated or organized or otherwise considered to be a resident for tax purposes, or any jurisdiction from or through which a payment on the Notes or any Notes Guarantees is made by or on behalf of any successor to the Payor, and any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms hereof, each holder will have the right to require the Issuer to repurchase all or part (equal to €100,000 aggregate principal amount, and integral multiples of €1,000 in excess thereof), as the case may be, of such holder's Notes at a purchase price in cash equal to 101 per cent. of the principal amount of the Notes, plus accrued and unpaid interest to (but excluding) the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however,* that the Issuer shall not be obliged to repurchase Notes as described under this "*—Change of Control*" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will deliver a notice (the "*Change of Control Offer*") to each holder of any such Notes, with a copy to the Trustee and the Paying Agent:

(1) stating that a Change of Control has occurred or may occur and that such holder has the right to require the Issuer to purchase such holder's Notes at a purchase price in cash equal to 101 per cent. of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is delivered) (the "*Change of Control Payment Date*");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a holder must follow in order to have its Notes repurchased; and

(5) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee and the Paying Agent an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the relevant Paying Agent will promptly deliver via wire transfer to each holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate (or cause to be authenticated) and mail to each holder of Definitive Registered Notes a new Note equal in aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any Change of Control Offer.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a holder's right to require the Issuer to repurchase such holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

If holders of not less than 90% in aggregate principal amount then outstanding of a series of Notes validly tender and do not withdraw Notes of such series in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes of such series validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to a Change of Control Offer described above, to redeem all Notes of such series that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest on the Notes that remain outstanding to, but not including, the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date). In determining whether the holders of at least 90% of the aggregate principal amount then outstanding of a series of Notes have validly tendered and not withdrawn Notes of such series in a Change of Control Offer for all of the Notes of such series, as applicable, Notes of such series owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or require a repurchase of the Notes, under the Change of Control provisions of the Indenture by virtue of the conflict.

Under the Senior Facilities Agreement, the occurrence of a change of control (as described therein) would require the repayment of such debt in certain circumstances. See "*Description of Other Indebtedness—Senior Facilities*". The terms of the Senior Facilities Agreement, the Intercreditor Agreement and other indebtedness of the Issuer or its Subsidiaries may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or requires repurchase upon a Change of Control. Moreover, the exercise by the holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

Finally, the Issuer's ability to pay cash to the holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and Our Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of a change of control as required by each Indenture and the change of control provision contained in each Indenture may not necessarily afford you protection in the event of certain important corporate events*."

The definition of "*Change of Control*" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is limited case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however,* that the Issuer and any Restricted Subsidiary may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and any Refinancing Indebtedness in respect thereof, and Guarantees in respect of such Indebtedness, in a maximum aggregate principal amount of Indebtedness at any time outstanding not exceeding (i) the greater of (a) £575.0 million and (b) 575 per cent. of Consolidated EBITDA, plus (ii) the Accordion Amount, plus (iii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2)

(a) guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(b) without limiting the covenant described under "*—Limitation on Liens,*" Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary, in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however,* that:

(a) if any Guarantor or the Issuer is the obligor on any such Indebtedness and the obligee is not a Guarantor or the Issuer, it is unsecured and expressly subordinated in right of payment to prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Indenture to the extent required by the Intercreditor Agreement;

(b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any Additional Notes) and the Guarantees, (b) any Indebtedness, letters of credit and commitments in respect of Indebtedness (in each case, other than Indebtedness described in clauses (1) and (3) of this paragraph) of the Issuer or any Restricted Subsidiary outstanding on the Issue Date, and the guarantees of and security granted with respect thereto, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

(5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or another Restricted Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) of the Issuer or any Restricted Subsidiary Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; provided, however, with respect to each of clause (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Issuer would have been permitted to Incur £1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Issuer or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or Senior Management of the Issuer);

(7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (A) £25.0 million and (B) 25 per cent. of Consolidated EBITDA;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business; *provided, however,* that upon the drawing of such letters of credit or similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business; and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case,

Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10)

(a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however,* that such Indebtedness is extinguished within five Business Days of Incurrence;

(b) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;

(d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis; and

(e) Indebtedness in connection with Sale/Leaseback Transactions in the ordinary course of business.

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of £50.0 million and 50 per cent. of Consolidated EBITDA;

(12) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100 per cent. of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution or the Equity Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, an Excluded Contribution or the Equity Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however,* that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6), (10), (13) and (14) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6), (10), (13) and (14) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;

(13) Indebtedness under daylight borrowing facilities incurred in connection with Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;

(14) Indebtedness consisting of local lines of credit, bilateral facilities, working capital facilities and/or other operating facilities ("*Operating Facilities*") not exceeding the greater of £50.0 million and 50 per cent. of Consolidated EBITDA outstanding at one time; and

(15) Indebtedness Incurred pursuant to or in connection with discounting, factoring, securitizations, receivables financings, inventory financings or similar arrangements, including by a Receivables Subsidiary in a Qualified Receivables Financing, that is either (i) not recourse to the Issuer or any Restricted Subsidiary other than a Receivables Subsidiary (except to the extent customary for such type of factoring or similar arrangements and for Standard Securitization Undertakings) or (ii) does not exceed the greater of (x) £10.0 million and (y) 10 per cent. of Consolidated EBITDA.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(a) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(b) all Indebtedness under the Senior Facilities Agreement whenever Incurred shall be deemed to have been incurred under clause (1) of the second paragraph of the description of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and any such Indebtedness may not be reclassified pursuant to clause (1) of this paragraph;

(c) Guarantees of, or obligations in respect of Bank Products, letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(d) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (4), (5), (7), (11), or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(e) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(f) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(g) the amount of Indebtedness shall be calculated as described under the definition of "*Indebtedness*."

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, including a change of IFRS to UK GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date.

For purposes of determining compliance with any sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or, at the option of the Issuer, first committed or, at the option of the Issuer, in a manner consistent with that contemplated by the second paragraph of the definition of "Consolidated Leverage"; provided that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than sterling, and such refinancing would cause the applicable sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate, such sterling-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced plus any amount to pay premiums (including tender premiums), accrued and unpaid interest, costs, taxes, expenses, defeasance costs and fees in connection therewith; (b) the Sterling Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in sterling, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Layering

The Issuer will not permit any Guarantor to, and no Guarantor shall, Incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated in right of payment to any Senior Indebtedness of such Guarantor unless such Indebtedness is *pari passu* with the Guarantee of such Guarantor or is by its terms (or by the terms of any agreement governing such Indebtedness, the Intercreditor Agreement or any Additional Intercreditor Agreement) made subordinated in right of payment to the Guarantee of such Guarantor; provided that the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of (a) any Liens or guarantees arising or created in respect of some but not all such Senior Indebtedness or (b) being secured on a 'second in time' or junior priority basis; provided, further, that Indebtedness under the Credit Facilities that is Senior Indebtedness of a Guarantor may provide for an ordering of payments among the tranches of such Credit Facility.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

  (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

  (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent Holding Company held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional £1.00 of Indebtedness pursuant to the first paragraph under the "—*Limitation on Indebtedness*" covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (6), (10), (11), (12) and (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

  (i) 50 per cent. of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing on or after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer and its Restricted Subsidiaries are available (or, in the case such Consolidated Net Income is a deficit, minus 100 per cent. of such deficit;

(ii) 100 per cent. of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (v) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (w) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph; (x) Excluded Contributions; and (y) the Equity Contribution);

(iii) 100 per cent. of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange);

(iv) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary by means of:

(A) repurchases, redemptions or other acquisitions or retirements of, or other returns on Investments from, any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Issuer or a Restricted Subsidiary;

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Issuer or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Issuer; and

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (v)(B), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c);

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Board of Directors of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange for or out of the proceeds of the substantially concurrent sale of (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary), Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares, through an Excluded Contribution or Equity Contribution), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; *provided, however,* that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness, directly or indirectly:

   (a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only (i) if the Issuer shall have first complied with the provisions of the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and (ii) at a purchase price not greater than 100 per cent. of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

   (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "*change of control*", or equivalent), but only (i) if the Issuer shall have first complied with the terms of the covenant described under "*—Change of Control,*" if required, and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101 per cent. of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

   (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100 per cent. of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends or similar distributions paid within 60 days after the date of declaration if at such date of declaration such payment would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Parent Holding Company and loans, advances, dividends or distributions by the Issuer to any Parent Holding Company to permit any Parent Holding Company to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent Holding Company, or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for

value Capital Stock of any Parent Holding Company (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (i) £5.0 million plus (ii) £5.0 million multiplied by the number of calendar years that have commenced since the Issue Date plus (iii) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Holding Company) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock, Designated Preference Shares, Excluded Contributions or Equity Contribution) of the Issuer from, the issuance or sale to Management Investors of Capital Stock of any Parent Holding Company, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the preceding paragraph;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent Holding Company or other payments by the Issuer or any Restricted Subsidiary (without duplication):

(a) in respect of, or in the amounts required for any Parent Holding Company to pay, any Parent Holding Company Expenses or any Related Taxes; or

(b) of amounts constituting or to be used for purposes of making payments (i) of fees, costs, taxes and expenses in connection with the Transaction as disclosed in this Offering Memorandum; (ii) as contemplated in clauses (2), (3), (5), (7), (11) and (12) of the second paragraph under "*—Limitation on Affiliate Transactions*" and/or (iii) pursuant to any Tax Sharing Agreement or similar arrangement in each case for taxes related to the Issuer and its Restricted Subsidiaries; or

(c) in connection with the payment of interest amounts under or in respect of any indebtedness where Net Cash Proceeds of such Indebtedness of such Parent Holding Company have been on-lent or contributed to the Issuer a Restricted Subsidiary and where such indebtedness has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or a Restricted Subsidiary Incurred in compliance with the Indenture;

(10) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Holding Company to pay, dividends on the common stock or common equity interests of the Issuer or any Parent Holding Company following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6 per cent. of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or loaned as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (A) 7 per cent. of the Market Capitalization and (B) 7 per cent. of the IPO Market Capitalization; *provided* that, in the case of clause (A) or (B), after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.5 to 1.00;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the aggregate of (i) any Accrued Amount and (ii) the greater of £20.0 million and 20 per cent. of Consolidated EBITDA (provided that if a Restricted Payment or Investment is made pursuant to this clause in a Person that is not, at that time, a Restricted Subsidiary of the Issuer and such Person subsequently becomes or is designated a Restricted Subsidiary of the Issuer, such Restricted Payment or Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investment" and not this clause);

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Holding Company to make payments, to holders of Capital Stock of the Issuer or any Parent Holding Company in lieu of the issuance of fractional shares of such Capital Stock, *provided, however,* that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or

otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Issuer);

(13) any Restricted Payment or Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or to the extent made in exchange for or using as consideration any Restricted Payment or Investments previously made under this clause (13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Holding Company or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Holding Company issued after the Issue Date; *provided, however,* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or through an Excluded Contribution or, in the case of Designated Preference Shares by Parent Holding Company or an Affiliate, the issuance of Designated Preference Shares) of the Issuer or loaned as Subordinated Shareholder Funding to the Issuer, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock or other securities or assets of or Investments in Unrestricted Subsidiaries;

(16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Receivables Financing or similar arrangement (including any financing of a type permitted to be incurred pursuant to Clause (15) of the second paragraph of the covenant described under "*Limitation on Indebtedness*"); and

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment; *provided* that the Consolidated Leverage Ratio on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 4.0 to 1.0.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For purposes of determining compliance with this covenant, if any Investment or Restricted Payment (or a portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) to (17) above and/or is permitted pursuant to the first paragraph of this covenant and/or constitutes a Permitted Investment, the Issuer may divide and classify such Investment or Restricted Payment (or, in each case, a portion thereof) in any manner that complies with this covenant on the date of its payment and may later divide and reclassify any such Investment or Restricted Payment so long as the Investment or Restricted Payment (as so divided and/or reclassified) would be permitted to be made in reliance on the applicable exception under this covenant as of the date of such reclassification.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Notes Guarantee in the case of Liens of a Guarantor) are secured, subject to the Agreed Security Principles, (x) in the case of Liens securing Senior Indebtedness, on a basis junior to such Senior Indebtedness; (y) in the case of Liens securing Subordinated Indebtedness, on a basis senior to such Subordinated Indebtedness; or (z) in the case of Pari Passu Indebtedness, equally and ratably with, such Indebtedness for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens.*"

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer;

(B) make any loans or advances to the Issuer; or

(C) sell, lease or transfer any of its property or assets to the Issuer,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in this second paragraph (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in this second paragraph; *provided, however,* that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer);

(4) any encumbrance or restriction:

    (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

    (b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations, Capitalized Lease Obligations or any other lease (or similar) permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement (or similar) that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any license, permit (or similar) or any regulatory or supervisory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or landlords under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement and the Intercreditor Agreement, together with the Security Documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Issuer) or where the Issuer determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes;

(12) any encumbrance or restriction existing by reason of any Lien permitted under "*—Limitation on Liens*;" or

(13) restrictions effected in connection with a Qualified Receivables Financing or similar arrangement (including any financing of a type permitted to be incurred pursuant to Clause (15) of the second paragraph of the covenant described under "*Limitation on Indebtedness*") that, in the good faith determination of the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing or similar arrangement.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75 per cent. of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or a Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100 per cent. of the Net Available Cash from such Asset Disposition is applied (directly or indirectly) by the Issuer or such Restricted Subsidiary, as the case may be:

    (a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Senior Indebtedness of the Issuer or any Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case, other than Indebtedness owed to the Issuer or any Restricted Subsidiary) or Indebtedness under the Credit Facilities (or any Refinancing Indebtedness in respect thereof) within 475 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however,* that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving

Indebtedness including, but not limited to, the revolving credit facility made available under any Credit Facility) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or (ii) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100 per cent. of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; *provided* that the Issuer shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Issuer (at such time or subsequently in compliance with this covenant) (1) reduces obligations under the Notes through open market purchases or in privately negotiated transactions at market prices (which may be below par) and/or (2) redeems Notes as provided under "—*Optional Redemption*" and/or (3) makes an offer to the holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer and/or (4) a combination of any one or more of (1), (2) and/or (3), in an aggregate principal amount of Notes which together is at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness (and any offer made to holders of the Notes shall be deemed to be an Asset Disposition Offer made in compliance and for the purposes hereof); or

(b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or a Restricted Subsidiary) within 475 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however,* that any such investment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 475th day,

provided that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "*Excess Proceeds*" under the Indenture. On the 476th day after an Asset Disposition, or at such earlier date that the Issuer elects, if the aggregate amount of Excess Proceeds under the Indenture exceeds £20.0 million and has not been committed in accordance with clause (3)(b) of the first paragraph of this covenant (or, if so committed, has not been applied or invested within 180 days of such 475 day period), the Issuer will be required to make an offer ("*Asset Disposition Offer*") to all holders of Notes issued under the Indenture and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, at an offer price of no more than) 100 per cent. of the principal amount of the Notes and 100 per cent. of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, and, in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate principal amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in sterling, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Sterling Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than sterling, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in sterling that is actually received by the Issuer upon converting such portion into sterling.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase (or procure the purchase of) the aggregate principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the Global Note), and the Trustee (or its authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of €100,000.

Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Issuer or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of £25.0 million and 25 per cent. of Consolidated EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an "*Affiliate Transaction*") involving aggregate value in excess of £3.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of £15.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments,*" any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments described in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Holding Company restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business, and any transaction or arrangement pursuant to or in connection with any management or employee equity, compensatory or incentive scheme, deferred compensation, bonus or similar arrangement;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent Holding Company (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any Transaction Document or transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date (or, in the case of any person that becomes a Restricted Subsidiary after the Issue Date, any arrangements of that person in place at the date on which it becomes a Restricted Subsidiary), as these agreements and instruments may be amended, modified, supplemented, extended, replaced, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the holders in any material respect, and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) the execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the Senior Management of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any of their Affiliates owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Holding Company) of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed, in each 12 month period that has commenced since the Issue Date, beginning on the Issue Date, the greater of £3.0 million and 3.0 per cent. of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination, (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Holding Company) for financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Issuer in good faith and (c) payment of (or indemnification in respect of) taxes and out-of-pocket costs and expenses reasonably incurred in connection with the provision of financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities;

(12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(13) any transaction effected as part of or in connection with a Qualified Receivables Financing or similar arrangement (including any financing of a type permitted to be incurred pursuant to Clause (15) of the second paragraph of the covenant described under "Limitation on Indebtedness");

(14) any transaction or arrangement in connection with the Transactions as described in the Offering Memorandum or a Permitted Reorganization; and

(15) transactions with Affiliates solely in their capacity as holders of Indebtedness of the Issuer or any of its Restricted Subsidiaries, so long as such transaction is with all holders of such class of Indebtedness (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally.

Reports

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

(1) within 120 days after the end of the fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Issuer or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer or its predecessor for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies, with a similar scope to that included in this Offering Memorandum; (d) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 60 days following the end of the first three fiscal quarters of the Issuer beginning with the quarter ending after the Issue Date, all quarterly reports of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet of the Issuer as of the end of such quarter and unaudited condensed statements of income and cash flow of the Issuer for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period of the Issuer or its predecessor, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement

information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) a year-to-date operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Issuer, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Issuer or a change in auditors of the Issuer or any other material event that the Issuer or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statements and *pro forma* financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however,* that the reports set forth in clauses (1), (2) and (3) above may, (x) in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods and (y) to the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of Cognita Bondco Parent Limited may be provided in lieu thereof. Except as provided for in this covenant, no report need include separate financial statements for any Subsidiaries of the Issuer. The filing by the Issuer of an Annual Report on Form 20-F within the time period specified in (1) will satisfy such provision. At the Issuer's election it may also include financial statements of Lernen Bidco Limited in lieu of those for the Issuer; *provided* that in such case a reasonably detailed description of material differences between the financial statements of the Issuer, on one hand, and Lernen Bidco Limited (as the case may be), on the other, shall be included for any period after the Issue Date (including, for the avoidance of doubt, a statement of the Issuer's total debt, cash and interest expense on a consolidated basis).

Following an Initial Public Offering on the Capital Stock of the Issuer or any parent thereof and/or the listing of such Capital Stock on a recognized European stock exchange, the requirements of paragraphs (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Issuer, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Issuer and its Subsidiaries, which reconciliation shall include the following items: turnover, net sales, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports or statement specified in clauses (1), (2) and (3) of the first paragraph or the second paragraph of this covenant, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports or statement on such website as may be then maintained by the Issuer and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that it cannot make such reports or statement available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports or statement to the holders and, upon request, prospective purchasers of the Notes.

The Issuer may also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant if and for so long as the Notes are listed on the Official List of the Exchange and if and to the extent that the rules of the Exchange so require.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union or the United Kingdom or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume (in each case subject to any limitations contemplated by the Agreed Security Principles) (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer, under the Notes or the Notes Guarantee and (b) all obligations of the Issuer, under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate to the effect that such consolidation, merger or transfer comply with the Indenture and that all conditions precedent in the Indenture relating to such consolidation, merger or transfer have been satisfied and that the Indenture, the Notes, the Intercreditor Agreement and the Security Documents constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms. The Trustee shall be entitled to rely conclusively on such Officer's Certificate without independent verification.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness.*"

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, as the case may be, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The foregoing provisions (other than the requirements of clauses (1)(b) and (2) of the first paragraph of this covenant) will not apply to the creation of a new Subsidiary of the Issuer that is a Restricted Subsidiary that becomes a parent of one or more of the Issuer's Restricted Subsidiaries.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described below under "*—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence) and, other than with respect to the third preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary of the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Restricted Subsidiaries of the Issuer may undertake the Transactions and a Permitted Reorganization. Notwithstanding the preceding clauses (2), (3) and (4) (which do not apply to the transactions referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new Subsidiary as a Restricted Subsidiary of the Issuer.

Subsidiary Guarantors

No Guarantor that is a Restricted Subsidiary of the Issuer (a "*Subsidiary Guarantor*") may:

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into such Guarantor, unless

  (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor (or becomes a Guarantor concurrently with the transaction); or

  (B)

    (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes (in each case subject to any limitations contemplated by the Agreed Security Principles) all of the obligations of the Guarantor under its Notes Guarantee and the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement); and

    (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

  (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (3)(B)(2) and the provisions described above under "*—The Issuer*" (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor, (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor and (c) the Subsidiary Guarantors may undertake the Transactions and a Permitted Reorganization. Notwithstanding the preceding clause (3)(B)(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor reincorporating the Subsidiary Guarantor in another jurisdiction, or changing the legal form of the Subsidiary Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Limited Condition Transactions

When calculating the availability under any basket or ratio under the Indenture, or compliance with any provision of the Indenture, including in connection with any acquisition, disposition, merger, joint venture, investment, incurrence, issuance, payment or other similar transaction, and any action, activity or transaction related thereto where there is a time difference between commitment and closing or Incurrence (including in respect of Incurrence and repayment of Indebtedness, Liens, Restricted Payments and Permitted Investments), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements or commitments for such transaction, action or activity or arrangement are entered into and such baskets or ratios shall be calculated on a pro forma basis after giving effect to such acquisition, disposition, merger, joint venture, investment, incurrence, issuance, payment or other similar transaction and the other transactions to be entered into in connection therewith as if they occur at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in EBITDA of the Issuer or any Restricted Subsidiary or the target company or any of its subsidiaries) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions; provided, further, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: "*—Limitation on Restricted Payments*," "*—Limitation on Indebtedness*," "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," "*—Limitation on Affiliate Transactions*," "*—Limitation on Sales of Assets and Subsidiary Stock*," "*—Additional Notes Guarantees*," "*—Lines of Business*," and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*," and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. Such covenants any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants and any related default provisions will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of such Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*," or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date); *provided*, that all Indebtedness outstanding on the Reversion Date under the Senior Facilities Agreement shall be deemed Incurred pursuant to clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" (up to the maximum amount of such Indebtedness Incurred prior to a Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness (including for the avoidance of doubt Indebtedness outstanding under the Senior Facilities Agreement) would not be so permitted to be incurred under the first two paragraphs of the covenant described under "*— Limitation on Indebtedness*," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." The Issuer shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify holders of such event.

Additional Notes Guarantees

To the extent legally permissible and subject to the Intercreditor Agreement and the Agreed Security Principles, the Issuer will not cause or permit any of its Restricted Subsidiaries that are not Guarantors or the Issuer, directly or indirectly, to Guarantee any Indebtedness under the Senior Facilities Agreement (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*") or any Public Debt and any refinancing thereof or any other Indebtedness of the Issuer or a Guarantor exceeding £10.0 million in principal amount, in whole or in part, unless, in each case, such Restricted Subsidiary becomes a Guarantor on or as soon as commercially practicable after the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be subordinated to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee.

Each additional Notes Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause any Restricted Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the Incurrence of such Notes Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Notes Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or a Restricted Subsidiary; or (4) any inconsistency with the Intercreditor Agreement or the Agreed Security Principles.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens (or the confirmation, affirmation or extension of security interests in respect of the Collateral in connection with Permitted Collateral Liens) shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders and the other beneficiaries described in the Security Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled "*—Limitation on Liens*;" *provided,* that the Issuer and its Restricted Subsidiaries may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled "*—Limitation on Liens,*" including Permitted Collateral Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture, the Intercreditor Agreement or the applicable Security Documents.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture and the Intercreditor Agreement or any Additional Intercreditor Agreement or pursuant to the incurrence of any Permitted Collateral Lien or Permitted Lien or any action expressly permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that is contemplated by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement or does not adversely affect the holders in any material respect (as determined by the Issuer in good faith); *provided, however,* that, (except where permitted by the Indenture or the Intercreditor Agreement or an Additional Intercreditor Agreement or to effect or facilitate the creation of Permitted Collateral Liens), no Security Document may be amended, extended, renewed, restated, supplemented, otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Issuer delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank of international standing which confirms the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting any such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee and the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, supplemented, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Issuer and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the holders.

Limitation on Issuer Activities

The Issuer shall not trade or carry on any material business, own any material assets or Incur any material Indebtedness except for a Permitted Holding Company Activity.

Lines of Business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to such extent as would not be material to the Issuer and its Restricted Subsidiaries, taken as a whole.

Events of Default

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the holders or by the holders of 30 per cent. in aggregate principal amount of the outstanding Notes with any of the Issuer's obligations under the covenants described under "*—Change of Control*" above or under the covenants described under "*—Certain Covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the holders or by the holders of 30 per cent. in aggregate principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*");

    and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £20.0 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(7) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of £20.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and due (the "*judgment default provision*");

(8) any security interest under the Security Documents on any Collateral having a fair market value in excess of £20.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*"); and

(9) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days (the "*guarantee provisions*").

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 30 per cent. in aggregate principal amount of the outstanding Notes notify the Issuer of the default and, with respect to clauses (3), (4), (5) and (7), the Issuer does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing of which a responsible office of the Trustee has written notice, the Trustee by notice to the Issuer or the holders of at least 30 per cent. in aggregate principal amount of the outstanding Notes by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders.

The holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing of which a responsible office of the Trustee has written notice, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity and/or security (including by way of prefunding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 30 per cent. in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such holders have offered in writing the Trustee security and/or indemnity (including by way of prefunding) satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and

(5) the holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of prefunding) satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default or Event of Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default or Event of Default to the holders within 60 days after being notified by the Issuer. Except in the case of a Default or Event of Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide for the Trustee to take action on behalf of the holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of prefunding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for holders to take action directly.

holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

Amendments and Waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that, if any amendment, waiver or other modification will only amend, waive or modify or affect one series of the Notes, only the consent of a majority in aggregate principal amount of the then outstanding Notes of such series shall be required. However, without the consent of holders holding not less than 90 per cent. of the then outstanding aggregate principal amount of Notes affected, or if any amendment, waiver or other modification will only amend, waive or modify one series of the Notes, without the consent of holders holding not less than 90 per cent. of the then outstanding aggregate principal amount of Notes of such series amended, waived or modified, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting holder:

(1) reduce the principal amount of such Notes whose holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "—*Optional Redemption*;"

(5) make any such Note payable in money other than that stated in such Note;

(6) amend the contractual right of any holder to institute suit for the payment of principal or interest on or with respect to such holder's Notes on or after the due dates thereof;

(7) make any change in the provision of the Indenture described under "—*Withholding Taxes*" that adversely affects the right of any holder of such Notes in any material respect or amends the terms of such Notes in a

way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release (i) the security interest granted for the benefit of the holders over all or substantially all of the Collateral or (ii) any Notes Guarantee, in each case, other than pursuant to the terms of the Security Document or the Indenture, as applicable, except as permitted by the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(10) make any change in the amendment or waiver provisions which require the holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any holder, the Issuer, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision of any Note Documents to this "*Description of the Notes,*" or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes *(provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code);

(4) add to the covenants or provide for a Notes Guarantee for the benefit of the holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(5) make any change that does not adversely affect the rights of any holder in any material respect;

(6) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes;

(7) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the Covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Additional Notes Guarantees,*" to add Notes Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Intercreditor Agreement or the Security Documents;

(8) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Senior Facilities Agreement, in any property which is required by the Senior Facilities Agreement to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with.

In formulating its decisions on such matters, the Trustee and if applicable, the Security Agent, shall be entitled to rely on such evidence as it deems appropriate including an Officer's Certificate and Opinion of Counsel.

For purposes of determining whether holders of the requisite aggregate principal amount of Notes of a series have consented to take any action under the Indenture, the aggregate principal amount of any series of Notes will be deemed to be the Sterling Equivalent of the aggregate principal amount of such Notes as of (i) such date (if a record date has been set with respect to the taking of such action) or (ii) the date the taking of such action by holders of the requisite aggregate principal amount of such Notes has been certified to the Trustee by the Issuer (if no such record date has been set).

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender.

Acts by holders

In determining whether the holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all its and each Guarantor's obligations under Notes of a series and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes of such series, registration of Notes of such series, mutilated, destroyed, lost or stolen Notes of such series and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantor's obligations under the covenants described under "*—Certain Covenants*" (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants— Merger and Consolidation—The Issuer*" and the covenant described under "*—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*") and "*—Change of Control*" and default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and its Significant Subsidiaries (other than the Issuer), the judgment default provision, the guarantee default provision or the security default provision described under "*—Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option with respect to a series of Notes, payment of such Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to a series of Notes, payment of such Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*" and the covenant described under "*— Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*"), (4), (5), (6), (7), (8) or (9) under "*—Events of Default*" above.

In order to exercise either defeasance option with respect to a series of Notes, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose) cash in euro or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be; *provided,* that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the "*Applicable Premium Deficit*") only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption.

In addition, the Issuer must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that the beneficial owners of such Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the issuance of the Notes);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

The Issuer shall set forth the applicable currency or currencies which shall apply under this "*—Defeasance*" provision in the Officer's Certificate to be delivered to the Trustee as set forth under "*—Additional Notes*".

Satisfaction and Discharge

The Indenture and the rights of the Trustee and the holders under the Security Document will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose), cash in euro or euro-denominated European Government Obligations or a combination thereof (or, in the case of a series of Notes issued in a currency other than euro, cash or government obligations in such other currency), as applicable in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions under the Indenture to apply the deposited money towards payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*—Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

The Issuer shall set forth the applicable currency or currencies which shall apply under this "*—Satisfaction and Discharge*" provision in the Officer's Certificate to be delivered to the Trustee as set forth under "*—Additional Notes*".

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any of its Subsidiaries under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

U.S. Bank Trustees Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has written notice, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the holders of a majority in aggregate principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated within 60 days (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any holder who has been a *bona fide* holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to holders of Notes will be validly given if mailed to them at their respective addresses in the register of the holders of the Notes, if any, maintained by the Registrar. In addition, for so long as any Notes are represented by Global Notes, all notices to holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. For the Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. Any notice or communication mailed to a holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such holder if so mailed within the time prescribed. Failure to mail, cause to be delivered or send a notice or communication to a holder or any defect in it shall not affect its sufficiency with respect to other holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed three years after the applicable due date for payment of interest.

Currency Indemnity

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the relevant Notes Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the sterling amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Notes Guarantee or to the Trustee.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Exchange for so long as such Notes are outstanding; or if at any time the Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another "recognized stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Enforceability of Judgments

Since, as of the Issue Date, substantially all the assets of the Issuer and the Guarantors are held by Subsidiaries located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Notes Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Notes Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, including any Notes Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

"*Accordion Amount*" means Indebtedness and other obligations incurred under a Credit Facility; *provided* that the principal amount of Indebtedness so Incurred does not exceed the aggregate of (A)(1) in the case of Indebtedness incurred under the Senior Facilities Agreement (or any replacement thereof) or which ranks pari passu in right of payment, security and enforcement proceeds with Indebtedness under the Senior Facilities Agreement pursuant to the Intercreditor Agreement ("*First Lien Debt*"), the maximum amount such that the Priority Leverage Ratio is not greater than 4.80 to 1.0, or (2) in the case of other Indebtedness that is not First Lien Debt ("*Non-First Lien Debt*"), the maximum amount such that the Consolidated Leverage Ratio (calculated for Lernen Bidco Limited and its Restricted Subsidiaries) is not greater than 7.00 to 1.0 (or, with respect to clauses (1) or (2), if greater, in the case of such Indebtedness used to fund (directly or indirectly) a transaction or constituting Acquired Indebtedness, the maximum amount such that the Priority Leverage Ratio or Consolidated Leverage Ratio (as applicable) is not increased) and (B) the greater of (a) €104,700,000 and (b) 100% of Consolidated EBITDA; *provided that* for the purposes of this definition "Non-First Lien Debt" shall not include (i) Indebtedness that ranks senior to First Lien Debt in right of payment, security or enforcement proceeds to Indebtedness under the Senior Facilities Agreement pursuant to the Intercreditor Agreement or (ii) Indebtedness (other than Indebtedness incurred or assumed pursuant to an acquisition or investment and which is incurred under arrangements in existence at the date of the acquisition but not incurred or increased (other than by capitalisation of interest) in contemplation of or since that acquisition) that benefits from security granted by Lernen Bidco Limited and its Restricted Subsidiaries over assets of Lernen Bidco Limited and its Restricted Subsidiaries that are not subject to security granted in respect of Indebtedness under the Senior Facilities Agreement or related Finance Documents (as defined therein).

"*Accrued Amount*" means an amount equal to 100 per cent. of any amount offered to holders of the Notes (including pursuant to an Asset Disposition Offer, Change of Control Offer, tender offer or otherwise) or to holders of any Senior Indebtedness or Pari Passu Indebtedness (including in connection with any mandatory or voluntary offer or prepayment requirement in respect thereof), or which is required to be applied in (or offered to be applied in) repayment, prepayment, redemption, satisfaction or discharge of Indebtedness, which (in each case) is waived or is declined by the applicable holders (or in respect of which rights to receive such repayment, prepayment, redemption, satisfaction, discharge or offer are declined or waived, or (as applicable) not exercised, by the relevant creditor(s)).

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such

Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the direct or indirect acquisition of the Target by the Issuer (or a Restricted Subsidiary) pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the acquisition agreement (including all exhibits and schedules thereto) entered into between, amongst others, the sellers named therein and Lernen Bidco Limited relating to the Acquisition and all side letters and other agreements and arrangements related thereto, in each case, as amended from time to time.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the Agreed Security Principles as set out in a schedule to the Senior Facilities Agreement, as in effect on the Issue Date (and included as an exhibit to the Indenture) as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer, and attached to the Indenture.

"*Applicable Premium*" means, with respect to any Note, the greater of:

(A) 1 per cent. of the principal amount of such Note; and

(B) on any redemption date, the excess (to the extent positive) of:

  (a) the present value at such redemption date of (i) the redemption price of such Note at 2021 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "*—Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest payments due on such Note to and including such date set forth in clause (i) (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

  (b) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. Calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Registrar, the Transfer Agent or any Paying Agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory or other assets in the ordinary course of business;

(4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(5) transactions permitted under "—*Certain Covenants—Merger and Consolidation—The Issuer*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) of less than £10.0 million or, if greater, 10 per cent. of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "— *Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock,*" asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sub-licensing, leasing or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases or assignments of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) any disposition of Capital Stock, Indebtedness or other securities or assets of or Investments in an Unrestricted Subsidiary;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person;

(18) any disposition with respect to assets or property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture;

(19) sales or dispositions of receivables to or in connection with any Qualified Receivables Financing or similar arrangement (including any financing of a type permitted to be incurred pursuant to Clause (15) of the second paragraph of the covenant described under "*Limitation on Indebtedness*") or any factoring, sale or discounting transaction or other receivables based financing or similar arrangement in the ordinary course of business;

(20) in the case of any person which becomes a Restricted Subsidiary after the Issue Date, any disposition to which that person is contractually committed as at the date on which it becomes a Restricted Subsidiary, in each case as any such contractual commitment may be replaced, renewed or extended from time to time;

(21) any disposition made in order to comply with an order of any agency of state, authority or other regulatory body or any applicable law or regulation in circumstances where the Issuer does not receive cash consideration at Fair Market Value in respect of such disposition (or series of related dispositions) (as determined in good faith by an Officer or the Board of Directors of the Issuer); and

(22) any disposition in connection with any Permitted Asset Swap.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20 per cent. and 50 per cent. of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary of the Issuer.

"*Bank Products*" means (i) any facilities or services related to cash management, cash pooling, treasury, depository, overdraft, credit or debit card, purchase card, payments lines, electronic funds transfer, netting or set-off arrangement contingent obligation lines, letters of credit, or other foreign exchange, current account, cash and cash management and cash pooling arrangements (ii) exposures in respect of banking and treasury arrangements entered into in the ordinary course of business and (iii) any obligations under any BACS, CHAPS, SWIFT or similar facility, financial accommodation or arrangement or any intra-day exposure.

"*Board of Directors*" means (1) with respect to the Issuer (or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function.

Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date is published (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to   , 2021; provided, however, that if the period from the redemption date to the applicable date set forth above is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to the applicable date set forth above is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used; provided further that if such yield would otherwise be less than zero, it shall be assumed to be zero.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom or New York, New York, United States are authorized or required by law, regulation or executive order to close; *provided, however,* that for any payments to be made under the Indenture, such day shall also be a day on which the TARGET2 payment system is open for the settlement of payments.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. For the avoidance of doubt, "Capitalized Lease Obligation" shall not include obligations or liabilities of any Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations would be required to be classified and accounted for as an operating lease under IAS 17.

"*Cash Equivalent Investments*" means cash, Cash Equivalents, Temporary Cash Investments and/or Investment Grade Securities.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality of thereof *(provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, time deposit accounts, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable

ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95 per cent. or more of its assets in cash or instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means:

(1) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50 per cent. of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent Holding Company or an IPO Entity; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than pursuant to the provisions described under "*—Certain Covenants—Merger and Consolidation*" or to a Restricted Subsidiary, an IPO Entity or one or more Permitted Holders.

Notwithstanding the preceding or any provision of Rule 13d-3 of the Exchange Act, (i) a Person or group shall not be deemed to beneficially own securities subject to an equity or asset purchase agreement, merger agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement and (ii) if any group includes one or more Permitted Holders, the issued and outstanding Voting Stock of the Issuer beneficially owned, directly or indirectly, by any Permitted Holders that are part of such group shall not be treated as being beneficially owned by any other member of such group for purposes of determining whether a Change of Control has occurred.

"*Clearstream*" means Clearstream Banking S.A. as currently in effect or any successor securities clearing agency.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following (without double counting to the extent added back to or not deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense;

(5) any expenses, charges, taxes, fees or other costs and expenses related to any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence or repayment of any Indebtedness, Receivables Financing, refinancing transaction or amendment or modification of any debt instrument permitted by the Indenture (in each case whether or not successful) (including any such expenses, charges, taxes fees or other costs and expenses related to the Transactions and any such transaction consummated on or prior to the Issue Date) in each case, as determined in good faith by an Officer of the Issuer;

(6) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*;"

(7) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Issuer as extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); and

(8) adjustments of the nature applied in the calculation of "Pro Forma Adjusted EBITDA" in this Offering Memorandum applied in good faith by the Issuer to the extent such adjustments continue to be applicable during the period in which EBITDA is being calculated.

For the purposes of determining "Consolidated EBITDA," *pro forma* effect shall be given to the calculation of Consolidated EBITDA consistent with the calculation of the Consolidated Leverage Ratio. For the purposes of determining "Consolidated EBITDA" under clauses (1), (7), or (11) of the second paragraph under "*—Certain Covenants—Limitation on Indebtedness,*" or the last proviso of clause (C) of the definition of Permitted Collateral Liens, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained or, at the option of the Issuer, the date upon which Indebtedness is incurred or the date on which the relevant basket is measured and under clause (11) of the second paragraph under "*—Certain Covenants—Limitation on Affiliate Transactions,*" Consolidated EBITDA shall be measured on the date upon which the payment is made, in each case for the period of the most recent four consecutive fiscal quarters ending prior to such date for which internal consolidated financial statements of the Issuer are available.

"*Consolidated Financial Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the sum of:

(1) consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries related to Indebtedness (including (a) amortization of debt discount, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any pension liability interest cost, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));

(2) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer; and

(3) any interest on Indebtedness of another Person that is guaranteed by the Issuer or any of its Restricted Subsidiaries or secured by a Lien on assets of the Issuer or any of its Restricted Subsidiaries

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes), trade taxes and franchise taxes of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, debt issuance cost and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) costs associated with Hedging Obligations;

(6) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer;

(7) the consolidated interest expense that was capitalized during such period; and

(8) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

Notwithstanding the foregoing, Consolidated Interest Expense shall not include (a) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (b) any commissions, discounts, yield and other fees and charges related to Receivables Financings, (c) any payments on any leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would not be considered Capitalized Lease Obligations, (d) any foreign currency gains or losses, (e) any pension liability cost and (f) any interest, costs and charges contained in clauses (2), (4), (5) or (6) of this definition.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in clause (c) of the penultimate paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") less cash and Cash Equivalent Investments held by the Issuer or any of its Restricted Subsidiaries, as of the date of determination.

In respect of any applicable period, the exchange rate used to calculate Consolidated Leverage may, at the option of the Issuer, be (i) the weighted average exchange rate for that period used by the Issuer to calculate Consolidated EBITDA (as determined by the Issuer); (ii) the relevant prevailing exchange rate at close of business on the last day of that period (as determined by the Issuer); or (iii) in the case of any Indebtedness, the relevant exchange rate as at the date on which such relevant Indebtedness was Incurred (or, as the case may be, committed or established) (or, at the option of the Issuer, where such relevant Indebtedness is incurred to refinance other indebtedness, the relevant exchange rate as would otherwise have applied in respect of such Indebtedness which is refinanced may be applied); provided that, where applicable, any amount of Indebtedness may be stated so as to take into account the hedging effect of any currency hedging entered into in respect of or by reference to that Indebtedness or otherwise.

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer and its Restricted Subsidiaries are available; *provided, however,* that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or site (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or site (any such Investment or acquisition, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be

calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Financial Interest Expense, Consolidated Leverage, Consolidated Income Taxes, Consolidated Interest Expense Consolidated Net Income and Priority Leverage Ratio, (a) calculations will be as determined in good faith by a responsible accounting or financial officer of the Issuer (including in respect of cost savings and synergies) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible accounting or financial officer of the Issuer) of cost savings programs and synergies that have been initiated or approved by the Issuer or its Restricted Subsidiaries as though such cost savings programs and synergies had been fully implemented on the first day of the relevant period and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

For the purpose of calculating pro forma effect pursuant to clause (2) above, the definitions of Fixed Charge Coverage Ratio and Priority Leverage Ratio and for the first paragraph and clause (5) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness,*" as well as clause (3) of the first paragraph of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*" pro forma effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part, which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however,* that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or that could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments,*" any net income (loss) of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, and (c) restrictions not prohibited by the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries,*" except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause));

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including for the avoidance of doubt, any tax referable to any payments, dividends or other distributions made or declared intra-group) or

any charges or reserves in respect of any restructuring, redundancy or severance expense or other costs related to the Transactions, in each case, as determined in good faith by the Issuer;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant, rollover, acceleration or payout of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness or Hedging Obligations, and any provisions in respect of working capital;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any goodwill or other intangible asset impairment charge, amortization or write-off;

(13) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes;

(14) consolidated depreciation expense, to the extent in excess of capital expenditure related to tangible assets for the relevant period;

(15) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding; and

(16) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include: to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (i) not denied by the applicable carrier in writing within 180 days and (ii) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption shall be excluded.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

    (a) for the purchase or payment of any such primary obligation; or

    (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Senior Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Senior Facilities Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee, collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent Holding Company, Preferred Stock (other than Disqualified Stock or the Equity Contribution) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or purchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however,* that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any

Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Equity Contribution*" means the equity contribution made on or about the Completion Date by the Permitted Holders to the Issuer in connection with the Transactions as described in the Offering Memorandum and the equity contributions to be made by the Permitted Holders to the Issuer in connection with the Specified Acquisitions as described in the Offering Memorandum (provided that if in the case of any such Specified Acquisition (x) the definitive documentation is not signed for such acquisition on or before March 31, 2019 or (y) definitive documentation for such acquisition is signed on or before March 31, 2019 and such acquisition has not been consummated on or before September 30, 2019, such acquisition shall, from such time (as applicable) cease to be considered a "Specified Acquisition" for the purposes of this definition of "Equity Contribution").

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or through an Excluded Contribution or the Equity Contribution) of, or as Subordinated Shareholder Funding to, the Issuer, in each of (x) and (y), other than to the Issuer or a Restricted Subsidiary.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*euro*" means the single currency of the participating member states of the European Monetary Union.

"*European Government Obligations*" means any security that is (1) a direct obligation of Belgium, the Netherlands, France, Germany or any Permissible Jurisdiction, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*Euroclear*" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"*European Union*" means all members of the European Union as of January 1, 2004.

"*Exchange*" means The Channel Island Securities Exchange Authority Limited and its successors and assigns.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock, Designated Preference Shares or the Equity Contribution) of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, for any period, the ratio of:

(a) Consolidated EBITDA; to

(b) Consolidated Financial Interest Expense;

provided that in calculating the Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Issuer (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or are reasonably expected to occur within the next twelve months following the date of such calculation, including, without limitation, as a result of, or that would result from any actions taken by the Issuer or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the chief executive officer, chief operating officer, chief financial officer or any person performing a similarly senior accounting role of the Issuer (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared)); *provided, further,* without limiting the application of the previous proviso, that for the purposes of calculating Consolidated EBITDA or Consolidated Financial Interest Expense for such period, if, as of such date of determination:

(1) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or site (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is such a Sale,

   (a) Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period; and

   (b) the Consolidated Financial Interest Expense for such period shall be reduced by an amount equal to the Consolidated Financial Interest Expense directly attributable to any Indebtedness of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Financial Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);

(2) since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or site (any such Investment or acquisition, a "*Purchase*")*,* including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA Consolidated Financial Interest Expense for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and cost savings as if such Sale or Purchase occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of cost savings and synergies) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible accounting or financial officer of the Issuer) of cost savings programs and synergies that have been initiated or approved by the Issuer or its Restricted Subsidiaries as though such cost savings programs and synergies had been fully implemented on the first day of the relevant period and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period (but not giving effect to (i) any Indebtedness Incurred on such date of determination pursuant to the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purpose of the calculation of the Fixed Charge Coverage Ratio under clause (5) of such second paragraph) or (ii) the repayment, repurchase, redemption, defeasance or other discharge of any Indebtedness on such date of determination, to the extent that such repayment, repurchase, redemption, defeasance or other discharge is made with the proceeds of Indebtedness Incurred pursuant to the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*").

"*Governmental Authority*" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a "*Hedging Agreement*").

"*holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of the common depositary for Clearstream and Euroclear.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("*IFRS*") endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS. At any time after the Issue Date, the Issuer may elect to apply UK GAAP accounting principles in lieu of IFRS and, upon any such election, references herein to IFRS shall thereafter be construed to mean UK GAAP (except as otherwise provided in the Indenture), including as to the ability of the Issuer to make an election pursuant to the previous sentence; *provided* that any such election, once made, shall be irrevocable; *provided, further*, that any calculation or determination in the Indenture that requires the application of IFRS for periods that include fiscal quarters ended prior to the Issuer's election to apply UK GAAP shall remain as previously calculated or determined in accordance with IFRS; *provided, further* again, that the Issuer may only make such election if it also elects to report any subsequent financial reports required to be made by the Issuer, including pursuant to the covenants set forth under "*—Certain Covenants—Reports,*" in UK GAAP.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however,* that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "*Incurred*" and "*Incurrence*" have meanings correlative to the foregoing and (save as otherwise contemplated by the Indenture) any Indebtedness pursuant to any revolving credit or similar facility shall only be "*Incurred*" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however,* that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would not be Capitalized Lease Obligation or any deposit made in relation thereto, any asset retirement obligations, any trade credit on normal commercial terms, any prepayments of deposits received from clients or customers in the ordinary course of business, any income tax or other payables, any social security, tax or pension obligations or bonds in relation thereto, or obligations under any Tax Sharing Agreement, or any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business and obligations under or in respect of Receivables Financings, factoring and similar arrangements, in each case, that are non-recourse to the Issuer and its Restricted Subsidiaries except to the extent customary for such type of factoring or similar arrangements and for Standard Securitization Undertakings;

(ii) (i) Bank Products and obligations in connection with Bank Products or (ii) letter of credit, banker's acceptance, performance bond, advance payment bonds, surety bonds, completion or performance guarantees or similar instrument or transactions, including obligations of any person for the guarantee, indemnity, counter-indemnity or reimbursement of any other person on or in connection with any such instrument or arrangement, to the extent that such instrument is not drawn upon or, if and to the extent drawn upon, is honored in accordance with its terms and if to be reimbursed, is reimbursed no later than the 30 Business Days following receipt by such Person of a demand for reimbursement following payment on the relevant bond or letter of credit;

(iii) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however,* that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

(iv) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however,* that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means (i) Jacobs Holdings AG, (ii) co-investors, provided that, in the case of any co-investor falling under this paragraph (ii), person or entities falling under (i) above or (iii) or (iv) below control the voting rights of any such co-investor, (iii) members of the Jacobs family that are spouses, children and other descendants of Klauss Johann Jacobs (including their spouses, investment vehicles and trusts) (iv) management investors and senior managers of Lernen Midco 2 Limited or a Restricted Subsidiary or Parent Holding Company of the Issuer (as the case may be)., (v) any funds or partnerships managed or advised, directly or indirectly, by any person or entity falling under (i), (ii) or (iii) above or an Affiliate thereof and (vi) any limited partner of any such person or entity or any such partnership or fund falling under (i), (ii), (iii) or (v) above, provided that, in the case of any limited partner falling under this paragraph (vi), person or entities falling under (i), (ii) or (iii) above control the voting rights of any such limited partner.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Holding Company or any successor of the Issuer or any Parent Holding Company (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated October 24, 2018 between, among others, the Issuer, Lernen Bidco Limited, the Security Agent the lenders and agent under the Senior Facilities Agreement, as amended, supplemented, restated, modified, renewed, refunded, replaced or restructured, in whole or in part from time to time to which the Trustee will accede on the Issue Date.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided, however,* that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment.

If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*:"

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however,* that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by an Officer or the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by an Officer or the Board of Directors of the Issuer or an Officer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction or Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Event*" means the occurrence of a Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means , 2018.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to or for the benefit of, or Guarantees with respect to loans or advances made to or for the benefit of, Management Investors or current, future or former directors, officers, managers, consultants or employees (or any person or entity holding investments on behalf of or for the benefit of any such persons):

(1)

(a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business,

(b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent Holding Company with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer or (c) discounts with respect to tuition fees and other educational services offered by the Issuer or its Restricted Subsidiaries;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office;

(3) in relation to any management or employee equity, benefit or incentive scheme, investment or similar arrangement; or

(4) not exceeding the greater of £1.0 million and 1 per cent. of Consolidated EBITDA in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, managers, employees and other members of the management of or consultants to any Parent Holding Company, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Holding Company.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing arrangements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by its terms or by applicable law are required to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Holding Company, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*" with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Note Documents*" means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents.

"*Offering Memorandum*" means the Offering Memorandum.

"*Officer*" means, with respect to any Person, (1) the Chairman or any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent Holding Company*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Holding Company.

"*Parent Holding Company Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent Holding Company in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the

Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) director and employee remuneration and compensation, employee benefit, pensions expenses, customary indemnification obligations of any Parent Holding Company owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Holding Company in respect of director and officer insurance (including premiums therefor) (or similar) to the extent relating to the Issuer and its Subsidiaries;

(4) fees, costs, taxes and expenses payable by any Parent Holding Company in connection with the Transactions or otherwise referable to the Issuer and its Restricted Subsidiaries;

(5) general corporate overhead fees, costs, taxes and expenses, including (a) professional fees and expenses and other operational expenses of any Parent Holding Company related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, by any Parent Holding Company and/or (c) subsistence, establishment, administration, reporting and regulatory fees and costs,;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent Holding Company or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed £3.0 million in any fiscal year; and

(7) expenses Incurred by any Parent Holding Company in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

  (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

  (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

  (z) otherwise on an interim basis prior to completion of such offering so long as any Parent Holding Issuer shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means any Indebtedness of the Issuer or any Guarantor if such Indebtedness or Guarantee ranks equally in right of payment to the Notes or the Notes Guarantees, as the case may be, and, in each case, is secured by a Lien on the Collateral.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means (a) any member state of the European Union and (b) England and the United Kingdom.

"*Permitted Asset Swap*" means the substantially concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Permitted Collateral Liens*" means Liens (including on the Collateral):

(A) (i) that are "*Permitted Liens*" described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (13)(b), (17), (18), (19), (20) or (24) of the definition thereof; (ii) that are Liens on bank accounts equally and ratably granted to cash management banks securing cash management obligations; or (iii) that secure Hedging Obligations;

(B) securing the Notes and any Additional Notes;

(C) to secure Indebtedness or other obligations of the Issuer or a Restricted Subsidiary that are permitted to be Incurred under clauses (1), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of

Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii), (6), (7), (11), (12), (14) or (15)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") and any Refinancing Indebtedness in respect of such Indebtedness;

(D) securing Indebtedness incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;" and

(E) that secure Indebtedness on a basis junior to the Notes; *provided* that, in the case of the preceding paragraphs (B) through (E), the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or any Additional Intercreditor Agreement. To the extent that Indebtedness relating to an instrument or agreement is permitted to be secured by a Permitted Collateral Lien, other associated obligations under such instrument or agreement not themselves constituting Indebtedness may also be secured by such Permitted Collateral Lien.

In relation to the above, (a) Liens securing Senior Indebtedness may secure obligations on a basis having 'senior priority' to the Notes and the Guarantees under the Intercreditor Agreement or any Additional Intercreditor Agreement, as the case may be, and (b) Indebtedness Incurred pursuant to clause (1) or clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," not exceeding an aggregate principal amount at the time of incurrence of 100 per cent. of Consolidated EBITDA, and (y) obligations under clause (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness,*" may secure obligations on a basis having 'super senior priority' to the Notes and the Guarantees under the Intercreditor Agreement or any Additional Intercreditor Agreement, as the case may be.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "Increased Amount" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of capitalization, additional Indebtedness or equity interests, accretion of original issue discount or liquidation preference, any fees, underwriting discounts, accrued and unpaid interest, premiums and other fees, costs, taxes and expenses incurred in connection therewith and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

A Lien need not be Incurred solely by reference to one category of Permitted Liens or Permitted Collateral Liens but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens or Permitted Collateral Liens, the Issuer may, in its sole discretion, divide, classify or may subsequently reclassify at any time such Lien (or any portion thereof) in any manner that complies with the covenant entitled " *–Certain Covenants—Limitation on Liens*" and/or the definition of "Permitted Liens" and/or the definition of "Permitted Collateral Liens" (as the case may be).

"*Permitted Holders*" means, collectively, (1) the Initial Investors and any Affiliate thereof and Related Persons, (2) Senior Management and Related Persons, (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Holding Company or the Issuer, acting in such capacity and (4) any "group" (as such term is defined under Section 13(d)(3) of the Exchange Act) of which a Permitted Holder (without giving effect to this clause (4)) is a "*Permitted Holder*" and where such Permitted Holder is the beneficial owner of more than 50 per cent. of the Capital Stock beneficially owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Holding Company Activity*" means:

(1) the entry into and performance of rights and obligations under and in connection with the Transactions and the Transaction Documents;

(2) holding shares and other debt and equity interests in Subsidiaries and the subscription for debt or equity in and the making of capital contributions to Subsidiaries;

(3) ownership of cash and Cash Equivalent Investments;

(4) the Incurrence of and liabilities and obligations in respect of Indebtedness, Investments and Liens not otherwise prohibited by the Indenture (including in respect of Permitted Investments and Permitted Liens)

and activities reasonably incidental thereto (including, without limitation, the entry into and performance of the terms and conditions of, and any obligations under, any document in connection therewith);

(5) administrative, managerial, legal, treasury and accounting services, arrangements with shareholders and the employment and secondment of employees, including the entry into and performance of any employee incentive or benefit arrangements, the fulfilment of any audit, financial monitoring or reporting requirements, services agreements, tax consolidation agreements or arrangements, and any activities or requirements in connection with an IPO Event, and activities reasonably incidental to such services and arrangements (including entering into contracts with employees) and the ownership of assets necessary to provide such services as well as other holding company activities in the ordinary course of business;

(6) making or receipt of any payment, distribution or Investment permitted or not prohibited by the covenant described under "*—Limitation on Restricted Payments*" and any Permitted Reorganization or other transaction or arrangement permitted under the covenant described under "*—Merger, and Consolidation*" or under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or pursuant to an IPO Event;

(7) owning, leasing, managing or operating any properties or assets related to administration, employees and functions incidental to its existence or properties and assets related to the business or operations as a holding company or as permitted by the other paragraphs of this definition;

(8) the incurrence and payment of any fees, costs, expenses and taxes relating to the activities of or services provided to or duties of the Issuer and any Restricted Subsidiaries (including, without limitation, overhead costs, management costs, filling fees, audit costs, taxes and other ordinary course fees, costs and expenses);

(9) other transactions, activities and arrangements related or reasonably incidental to the establishment and/or maintenance of its or the Issuer's or any Restricted Subsidiary's corporate existence (including the provision of holding company, corporate or performance guarantees) and otherwise consistent with the activities of a holding company and activities reasonably incidental thereto;

(10) the performance of obligations and exercise of rights under contracts or arrangements with any Parent, Permitted Holder or direct or indirect shareholder entered into in compliance with the Indenture;

(11) entry into, performance of and incurrence of liabilities under any Intercreditor Agreement, and Additional Intercreditor Agreement and the Security Documents or any Permitted Lien or Permitted Collateral Lien or Liens in accordance with the covenant described under "*—Limitation on Liens*;"

(12) the issuance, offering, sale and listing of Capital Stock (including in a Public Offering) and conducting activities related or reasonably incidental to any IPO Event, including the maintenance of any list of equity issued by any IPO Entity;

(13) the entry into and performance of any Tax Sharing Agreement, the making and receipt of Parent Holding Company Expenses and any other transaction, activities and arrangements contemplated by the covenant described under "*—Limitation on Affiliate Transactions*;" and

(14) other transactions, activities and arrangements consistent with the above or not specifically set out above that are consistent with the business and activities of a holding company or de minimis in nature.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;"

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date (or, in the case of any Person which becomes a Restricted Subsidiary after the Issue Date, any Investments in existence on, or to which that Person is contractually committed as at the date on, which it becomes a Restricted Subsidiary), and in the case of any such Investment or commitment, as that Investment or commitment is extended, modified, replaced or renewed from time to time;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*;"

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of £104.7 million and 100 per cent. of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments,*" such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;

(12) pledges or deposits with respect to rent obligations, leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*;"

(13) any Investment to the extent funded or made (directly or indirectly) using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding, or Capital Stock of any Parent Holding Company;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3) and (9) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;

(16) guarantees, indemnities, keepwells and similar arrangements permitted or not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (including payments made pursuant to or to fund any amount that may be required by such arrangements);

(17) Investments in, constituting or represented by the Notes, the Guarantees, Bank Products or any Credit Facility;

(18) Investments in or constituting Bank Products, accounts and balances held with banks or other financial institutions, and/or arising as a result of the operation of cash pooling, net balance, balance transfer or similar arrangements made available to the Issuer or any Restricted Subsidiary or arising in the course of treasury management operations of the Issuer and its Restricted Subsidiaries; and

(19) any Investment in a Receivables Subsidiary or any Investment in any other Person in connection with a Receivables Financing or similar arrangement (including any financing of a type permitted to be incurred pursuant to Clause (15) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"), including Investments of funds held in accounts permitted or required by the arrangements governing such Receivables Financing or similar arrangement any related Indebtedness, and Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of the issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of such Person in the ordinary course of its business, or (ii) for operation of any accounts or facilities in the ordinary course of banking arrangements, including as arising by virtue of the provision of general banking or overdraft facilities or arrangements (including any cash pooling, net balance, balance transfer, netting, set-off or similar arrangements entered into by the Issuer or any Restricted Subsidiary) or as otherwise required by a bank or financial institution under its standard terms and conditions;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, utilities, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture, or over assets or property of any Restricted Subsidiary which is not required to provide a Notes Guarantee pursuant to the Agreed Security Principles and which Lien is in favor of obligations under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens in connection with legal proceedings or arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution or clearing system;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) (a) Liens existing on the Issue Date; (b) Liens with respect to Senior Indebtedness; and (c) Liens with respect to Operating Facilities as referred to in clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;"

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however,* that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further,* that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor owing to the Issuer or another Restricted Subsidiary, or Liens by such Restricted Subsidiary in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto; (b) any condemnation or eminent domain proceedings affecting any real property; and (c) in connection with rental deposits in the ordinary course of business;

(19) any Lien, encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of or other interests or investments in or assets of any joint venture, associate, minority interest arrangement or similar investment or arrangement and/or related assets, and any Lien constituting a Permitted Investment;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on cash accounts securing Indebtedness incurred under clause (10) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" with local financial institutions;

(22) Liens on (a) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof), (b) on cash set aside at the time of the Incurrence of any Indebtedness or thereafter or government securities purchased with such cash to the extent such cash or government securities prefund the payment of interest on such Indebtedness or for the defeasance, discharge or redemption of Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose and (c) deposits with respect to tuition fees and educational services and other activities in the ordinary course of business in line with prior practice;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens Incurred with respect to obligations which do not exceed the greater of £50.0 million and 50 per cent. of Consolidated EBITDA at any one time outstanding;

(26) Permitted Collateral Liens;

(27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(28) (a) Liens directly or indirectly securing the Notes; and (b) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to the Intercreditor Agreement or an Additional Intercreditor Agreement, or otherwise is subject to loss-sharing as among the holders of the Notes and the creditors of such Indebtedness;

(29) Liens on accounts receivable, inventory and related assets of the type specified in the definition of Receivables Financing or on Receivables Assets or Incurred in connection with a Qualified Receivables Financing and Liens incurred to secure obligations in respect of indebtedness of the type permitted to be incurred pursuant to clause (15) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and Standard Securitization Undertakings;

(30) Liens securing Indebtedness permitted to be Incurred pursuant to clauses (1) and (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;"

(31) any cash collateral or similar arrangement securing the obligations of an ancillary lender, landlord, hedging counterparty, contract provider or regulator in respect of ancillary facilities of the Issuer or its Restricted Subsidiaries; and

(32) arising in connection with any Permitted Reorganization.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, combination, voluntary liquidation, consolidation, reorganization, reconstruction, winding up, dissolution, corporate reconstruction or other activities involving the Restricted Subsidiaries of the Issuer (other than Lernen Bidco Limited; unless Lernen Bidco Limited is the surviving entity) made on a solvent basis, provided that (save to the extent otherwise permitted by the Indenture) all of the business and assets of the Issuer and its Restricted Subsidiaries remain owned by the Issuer and its Restricted Subsidiaries; so long as, after giving effect thereto, the enforceability of the obligations under the Notes and the Indenture are not materially impaired *provided further that* (a) any payments or assets distributed in connection with such Permitted Reorganization remain within the Issuer and the Restricted Subsidiaries; and (b) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock,*" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Priority Leverage Ratio*" means the Consolidated Leverage Ratio with Consolidated Leverage adjusted so as to take into account (for the purposes of the calculation of Indebtedness as used for the calculation of the Priority Leverage Ratio) only (and without double counting) Senior Indebtedness of Lernen Bidco Limited and its Restricted Subsidiaries which (i) constitutes First Lien Debt (ii) is incurred by an entity which is a Restricted Subsidiary of Lernen Bidco Limited and which is not an obligor under the Senior Facilities Agreement (unless such entity will become an obligor thereunder) or (iii) is guaranteed and secured by Lernen Bidco Limited and its Restricted Subsidiaries by guarantees and security that are not subordinated to the payment obligations or guarantees in respect of the Senior Facilities Agreement or with respect to the proceeds of enforcement of security granted in respect of the Senior Facilities Agreement or related Finance Documents (as defined therein), and excluding from the calculation of Indebtedness any obligations and liabilities in respect of or constituting Junior Secured Debt (as defined as per the Senior Facilities Agreement) or Second Lien Debt Liabilities (as defined in the Intercreditor Agreement) (provided that, for the purposes of the Indenture, the Priority Leverage Ratio shall not be greater than the "priority leverage ratio" as calculated in accordance with the Senior Facilities Agreement (as of the Issue Date)).

For the purposes of this definition and the calculation of Priority Leverage Ratio, calculations shall be made on a pro forma basis consistent with the basis for calculating the Consolidated Leverage Ratio.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) at least 20 per cent. of the total issued and outstanding ordinary shares or common equity of the IPO Entity has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Issuer as of the Issue Date.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Receivables Assets*" means any assets that are or will be the subject of a Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries of a type contemplated by Clause (15) of the second paragraph of the covenant described under "Limitation on Indebtedness" or pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Subsidiary or Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable and/or inventory (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any rights or assets related thereto, including (without limitation) all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and/or inventory and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and/or related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and/or its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by an Officer or the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold

receivables by the Issuer or any other Restricted Subsidiary of the Issuer, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by an Officer or the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of an Officer or the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however,* that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, six months after the Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Notes Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Notes Guarantees on terms at least as favorable to the holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, however, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and *provided, further,* that the provisions of clause (3) above shall not operate to preclude the refinancing of Indebtedness with Indebtedness that is secured with a priority or super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the Indenture.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person,*" with respect to any Permitted Holder, means:

(1) any controlling equity holder or Subsidiary of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (provided such Taxes are in fact paid) by any Parent Holding Company by virtue of its:

   (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

   (b) issuing or holding Subordinated Shareholder Funding;

   (c) being a Parent Holding Company, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

   (e) having made any payment in respect of any of the items for which the Issuer is permitted to make payments to any Parent Holding Company pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent Holding Company or party to a Tax Sharing Agreement, any Taxes measured by income attributable to the Issuer or its Subsidiaries for which such Parent Holding Company is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Reversion Date*" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Sale/Leaseback Transaction*" means any arrangement with any Person or Persons, whereby in contemporaneous or substantially contemporaneous transactions the Issuer or any Restricted Subsidiary thereof sells substantially all of its right, title and interest in any property and, in connection therewith, the Issuer or a Restricted Subsidiary thereof acquires, leases or licenses back the right to use all or a material portion of such property.

"*SEC*" means the U.S. Securities and Exchange Commission or any successor thereto.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Agent*" means U.S. Bank Trustees Limited.

"*Security Documents*" means each debenture, share charge, security assignment agreement or other document under which Collateral is pledged to secure the Notes.

"*Senior Facilities Agreement*" means the senior facilities agreement dated 24 October 2018 between, among others, Lernen Bidco Limited, Goldman Sachs Bank USA, Barclays Bank PLC, KKR Capital Markets Limited and Bank of America Merrill Lynch International Limited, as mandated lead arrangers, Elavon Financial Services DAC, UK Branch, as agent, and the Security Agent, as amended, supplemented, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (including any replacement, refunding or refinancing facility agreement or similar).

"*Senior Indebtedness*" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer or any Restricted Subsidiary, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or such Restricted Subsidiary at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees, costs, taxes and expenses relating thereto; provided, however, that Senior Indebtedness will not include:

(1) any Indebtedness Incurred in violation of the Indenture;

(2) any liability for taxed owed or owing by the Issuer or any Guarantor;

(3) any obligation of the Issuer or any Guarantor to the Issuer or any Restricted Subsidiary;

(4) Pari Passu Indebtedness, any Indebtedness, guarantee or obligation of the Issuer or any Guarantor that is expressly subordinated or junior in right of payment to any other Indebtedness, guarantee or obligation of such Guarantor (which, for the avoidance of doubt, shall not include any distinctions between categories of Senior Indebtedness that exist by reason of (a) any Liens or guarantees arising or created in respect of some but not all such Senior Indebtedness or (b) being secured on a 'second in time' or junior priority basis; provided, further, that Indebtedness under the Credit Facilities that is Senior Indebtedness of a Guarantor may provide for an ordering of payments among the tranches of such Credit Facility);

(5) any Indebtedness under the Notes, the Guarantees in respect thereof or obligations that are similarly ranked pursuant to the Intercreditor Agreement; or

(6) any Capital Stock.

"*Senior Management*" means the officers, directors, and other current or former members of management of the Issuer or any of its Subsidiaries who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent Holding Company.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10 per cent. of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10 per cent. of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10 per cent. of such income of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date, (b) the operation of schools, nursery schools, colleges, vocational training institutions, camps and related education and recreational services and (c) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any loan or security, the date specified in such loan or security as the fixed date on which the payment of principal of such loan or security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Sterling Equivalent*" means, with respect to any monetary amount in a currency other than sterling, at any time of determination thereof by the Issuer, the amount of sterling obtained by converting such currency other than sterling involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable currency other than sterling as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times,* such source as may be selected in good faith by the Issuer) on the date of such determination.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or its Notes Guarantees pursuant to a written agreement (and for the avoidance of doubt, for the purposes of the Indenture, Indebtedness shall not be considered subordinated in right of payment solely because it is unsecured, or secured on a junior basis to or entitled to proceeds from security enforcement after, other Indebtedness).

"*Subordinated Shareholder Funding*" means, collectively, (i) any funds provided to the Issuer by a Parent Holding Company in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent Holding Company or a Permitted Holder, or (ii) any investment by a Management Investor pursuant to a management equity plan, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however,* that such Subordinated Shareholder Funding in each case:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50 per cent. of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

    (a) more than 50 per cent. of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

    (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent Holding Company*" with respect to any Person means any other Person with more than 50 per cent. of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "*beneficially owned*" (as defined below) by one or more Persons that "*beneficially owned*" (as defined below) more than 50 per cent. of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "*beneficial owner,*" as such term is defined in Rules 13d-3 and 13d- 5 under the Exchange Act (as in effect on the Issue Date).

"*Target*" means Cognita Topco Limited.

"*Target Group*" means the Target and its Subsidiaries.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"*Tax Sharing Agreement*" means any fiscal unity arising under relevant tax laws, and any tax consolidation, tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent Holding Company or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture and any tax grouping or tax consolidation arrangement (including whereby a group prepares a consolidated tax return).

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any Permissible Jurisdiction (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America, rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under a Credit Facility;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

(d) in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95 per cent. of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Transactions*" means the transactions described in the Offering Memorandum under "*The Transactions*", the entry into and performance of Transaction Documents, including the issuance of the Notes, the granting of the Guarantees, and the incurrence of Indebtedness under the Senior Facilities Agreement and (if applicable) the bridge facility agreement, any repayment or discharge of existing indebtedness of the Issuer, its subsidiaries or the Target Group, the closing-out or replacement of Hedging Obligations pursuant to the foregoing, the Acquisition, the transactions and arrangements contemplated by the Transaction Documents, the making and receipt of the Equity Contribution, payments and investments in relation to the foregoing, all other associated transactions taken in relation to any of the foregoing, and the payment or incurrence of any fees, expenses or charges associated with any of the foregoing.

"*Transaction Documents*" means the Notes Documents, Credit Facilities, the Bridge Facility, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Security Documents, the Senior Facilities Agreement and related finance documents (including the security documents entered into in connection therewith), the Acquisition Agreement and related documents, the documents giving evidencing any Equity Contribution and any other document entered into in connection with the aforementioned documents (including in each case any exchange notes and any guarantees thereof) or in order to give effect to the Transactions.

"*Trustee*" means U.S. Bank Trustees Limited.

"*Trust Indenture Act*" means the U.S. Trust Indenture Act of 1939, as amended.

"*UK GAAP*" means generally accepted accounting principles in the United Kingdom as in effect on the date of any calculation or determination required hereunder.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by an Officer or the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

An Officer or the Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein but not including the Issuer) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments.*"

Any such designation by an Officer or the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of an Officer or the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

An Officer or the Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least £1.00 of additional Indebtedness pursuant to the first paragraph of the "*Limitation on Indebtedness*" covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by an Officer or the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of such Officer or Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY, DELIVERY AND FORM

General

Certain defined terms used but not defined in this section have the meanings assigned to them in the Indenture, as described in "Description of the Notes."

Notes sold within the United States to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("*Rule 144A*")) in reliance on Rule 144A will be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). Notes sold to persons outside the United States in offshore transactions (as defined in Regulation S under the U.S. Securities Act ("*Regulation S*") in reliance on Regulation S will be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*").

The Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("*Euroclear*"), and Clearstream Banking S.A. ("*Clearstream*") and registered in the name of the nominee of the common depositary. The Global Notes will not be eligible for clearance with The Depository Trust Company.

Ownership of beneficial interests in the 144A Global Notes (the "*Restricted Book-Entry Interests*") and the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*" and, together with the Restricted Book-Entry Interests, the "*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants or otherwise, and will be required to be effected in accordance with applicable transfer restrictions set out in the Notes, the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "*Transfer Restrictions*."

The Book-Entry Interests will be held by Euroclear and Clearstream on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive definitive Notes in registered form (the "*Definitive Registered Notes*"). The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of Notes take physical possession of such Notes in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest in Book-Entry Interests.

So long as the Global Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes for any purpose. So long as the Global Notes are held in global form, the common depositary for Euroclear and/or Clearstream, or its respective nominee, will be considered the sole holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests to transfer their interests in or to exercise any rights of holders under the Indenture. You can find information about certain other restrictions on the transferability of the Notes under "*—Definitive Registered Notes.*"

Neither we, the Trustee, the Paying Agent, the Registrar, the Transfer Agent, nor any of our or their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Under the terms of the Indenture, we, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will treat the registered holder of the Global Notes (e.g., the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the us, the Trustee, the Registrar, the Transfer Agent, the Paying Agent and any of their respective agents have and will not have any responsibility or liability:

(1) for any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests, or for payments made by Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests; or

(2) for Euroclear, Clearstream or any participant or indirect participant.

The Notes will be in registered form and will initially be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof and will only be transferable in minimum principal amounts of €100,000 and integral multiples of €1,000 in excess thereof.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Note for Rule 144A Book-Entry Interests will have a legend to the effect set out under *"Transfer Restrictions'"* Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under *"Transfer Restrictions*."

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions'*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes only in the following circumstances:

(1) if either Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream following an Event of Default which results in action by the Trustee pursuant to the enforcement provisions under the Indenture.

Euroclear has advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), its current procedure is to request that Definitive Registered Notes be issued to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In any such events described in clause (1) or (2), the Issuer will issue Definitive Registered Notes, registered in the name or names of the holder(s) and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and certain certification requirements and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests). The Definitive Registered Note will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture or by applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable in respect of the balance of the holding not transferred or redeemed, provided that a Definitive Registered Notes will only be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, we will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We, the Trustee or the Registrar may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee, the Registrar and us to protect us, the Trustee, the Registrar or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification *(*in the form provided in the Indenture*)* to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See *"Transfer Restrictions"*.

Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent.

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

We will not impose any fees or other charges in respect of the Notes; however, holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will distribute the amount received by them in respect of the Global Note so redeemed to the holders of the Book-Entry Interests from the amount received by it in respect of the redemption of such Global Note. The aggregate price payable to the holders of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note, or any portion thereof. We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however,* that no Book-Entry Interest of €100,000 may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) will be made by the Issuer in euros to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and/or Clearstream. The common depositary or its nominee will in turn distribute such payments to participants in accordance with Euroclear and/or Clearstream's procedures. We will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law and as described under "*Description of the Notes—Withholding Taxes"*" If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Withholding Taxes"*" we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction.

We expect that payments by participants to owners of Book-Entry Interests held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name." Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

In order to tender Book-Entry Interests in a change of control offer or asset sale offer, the holder of the applicable Global Note must, within the time period specified in such offer, give notice of such tender to the relevant agent and specify the principal amount of Book-Entry Interests to be tendered.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder (including the presentation of Notes for exchange as described above) only at the direction of the participant to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion to the aggregate principal amount of Notes as to which such participant has given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Indenture, each of Euroclear and Clearstream reserves the right to exchange the

Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to its participants, as described in the subsection *"—Definitive Registered Notes."*

Global Clearance, Settlement and Trading under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear or Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels if Euroclear is used, or Luxembourg if Clearstream is used.

Clearing Information

The Notes have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under *"Listing and General Information."*

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

CERTAIN TAX CONSIDERATIONS

Certain United Kingdom Tax Consequences

The comments in this part are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs). They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who hold their Notes as investments (regardless of whether the holder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the Notes are attributable) and are the absolute beneficial owners thereof. Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such Noteholders.

Withholding

While the Notes continue to be listed on a recognized stock exchange within the meaning of Section 1005 Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The International Stock Exchange is a recognized stock exchange for these purposes. Securities will be treated as listed on the Exchange when they are admitted to the Official List of the Exchange.

If the Notes cease to be listed, interest which has a United Kingdom source will generally be paid by the Issuer under deduction of income tax at the basic rate (currently 20 per cent.) unless: (i) another relief applies under domestic law; or (ii) the Issuer has received a direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes lost their listing), Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Payments in Respect of the Guarantee

The United Kingdom withholding tax treatment of payments by a Guarantor under the terms of the Guarantee in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. In particular, such payments by a Guarantor may not be eligible for the exemption from withholding on account of United Kingdom tax in respect of securities listed on a recognized stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if a Guarantor makes any such payments and they have a United Kingdom source, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent).

Treatment of any Premium Payable on Redemption

Where Notes are to be, or may fall to be, redeemed at a premium as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest that would be subject to the rules on United Kingdom withholding tax outlined above.

United Kingdom Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of a Note or on its redemption.

Certain U.S. Federal Income Tax Consequences

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes that acquire them in the Offering at the "issue price" (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not address tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as certain financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

Under recently enacted legislation, U.S. Holders that maintain certain types of financial statements and use the accrual method of accounting for U.S. federal income tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on their financial statements. The application of this rule may require U.S. Holders that maintain such financial statements to include certain amounts realized in respect of the Notes in income earlier than would otherwise be the case under the general rules described below, although the precise application of this rule is unclear at this time. This rule generally will be effective for tax years beginning after December 31, 2017 or, in respect of Notes treated as issued with original issue discount, for tax years beginning after December 31, 2018. U.S. Holders that use the accrual method of accounting should consult with their tax advisers regarding the potential applicability of this rule to their particular situation.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

It is expected, and this discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes. Accordingly, interest on a Note (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on a payment on a Note) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States.

The amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "IRS").

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in a foreign currency, the accrual basis U.S. Holder may recognize foreign currency exchange gain or loss (taxable as U.S.-source ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Sale and Retirement of the Notes

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's tax basis of the Note, each as determined in U.S. dollars. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. U.S. Holders should consult their tax advisors about to account for proceeds received on a sale or retirement of a Note that are not paid in U.S. dollars.

A U.S. Holder will recognize U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such foreign currency exchange gain or loss (including any foreign currency exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement. Gain or loss (other than foreign currency exchange gain or loss described above) realised by a U.S. Holder on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Non-corporate U.S. Holders generally are subject to tax on long-term capital gains at reduced rates. The deductibility of capital losses is subject to limitation. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases generally is imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

Backup Withholding and Information Reporting

Payments of principal and interest on, and the proceeds of sale or other disposition of Notes by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, if the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain foreign financial assets.

Certain Singapore Tax Consequences

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority ("IRAS") of Singapore and the Monetary Authority of Singapore ("MAS") in force as at the date of this Offering Memorandum, and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements below do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Guarantors, the Joint Global Coordinators or any other persons involved in the issuance of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Cap. 134 of Singapore (the "Income Tax Act"), the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore from sources other than from its trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standards 39 ("FRS 39") or 109 ("FRS 109") may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39 or FRS 109 (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "*Adoption of FRS 39 and FRS 109 Treatment for Singapore Income Tax Purposes*."

Adoption of FRS 39 and FRS 109 Treatment for Singapore Income Tax Purposes

Section 34A of the Income Tax Act provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled "*Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement*."

FRS 109 is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the Income Tax Act requires taxpayers who comply or who are required to comply with FRS 109 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109, subject to certain exceptions. The IRAS has also issued a circular entitled "*Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments*."

Holders of the Notes who may be subject to the tax treatment under the Sections 34A or 34AA of the Income Tax Act should consult their own tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

CERTAIN INSOLVENCY LAW AND LOCAL LAW LIMITATIONS

Set out below is a summary of certain limitations on the enforceability of the Guarantees and the security interests relating to the Notes, and of certain insolvency law considerations in each of the jurisdictions in which the Issuer, the Guarantors and the providers of security (as at the date hereof) are organized or incorporated. It is a summary only. Bankruptcy or insolvency proceedings or a similar event could be initiated in any of these jurisdictions and/or in the jurisdiction of organization or incorporation of a future guarantor under the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and any security securing the Notes.

European Union

Pursuant to Regulation (EU) no. 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (which entered into force on June 26, 2017 and applies to insolvency proceedings opened on or after that date) recasting Regulation (EC) 1346/2000 of May 29, 2000 (which continues to apply to any insolvency proceedings opened before 26 June 2017), (the "EU Insolvency Regulation"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (which according to Article 3(1) of the EU Insolvency Regulation is "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties") is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

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Pursuant to Article 3(1) of the EU Insolvency Regulation the "centre of main interests" of a company is presumed to be in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption only applies if the registered office has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings. Furthermore, preamble 30 of the EU Insolvency Regulation states that "it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State." Prior to June 26, 2017, the courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's "centre of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition unless (as set forth above) the registered office has been moved within the 3-month period prior to the filing of the insolvency petition.

The EU Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation.

If the "centre of main interests" of a company is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation the courts of another Member State (other than Denmark) have jurisdiction to open territorial insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either (a) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings.

All Member States (other than Denmark) shall recognize any judgment opening insolvency proceedings handed down by a court of a Member State which has jurisdiction to open such proceedings from the moment that it becomes effective in the State of the opening of proceedings. The judgment opening main insolvency proceedings shall, with no further formalities, produce the same effects in any other Member State as under the law of the State of the opening of proceedings, unless the EU Insolvency Regulation provides otherwise and as long as no secondary proceedings are opened in that other Member State. The insolvency practitioner appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's centre of main interests is there) may exercise all the powers conferred on it, by the law of the State of the opening of proceedings, in another Member State, as long as no other insolvency proceedings have been opened there and no preservation measure to the contrary has been taken there further to a request for the opening of insolvency proceedings in that State. Subject to Articles 8 and 10 of the EU Insolvency Regulation, the insolvency practitioner may, in particular, remove the company's assets from the territory of the Member State in which they are situated.

England and Wales

The Issuer and certain of the Guarantors and providers of Collateral are incorporated in, maintain their respective registered offices in and conduct their business and the administration of their interests on a regular basis in and from England and Wales (each an "English Obligor"). On the basis of these factors, an English court may conclude that the English Obligors have their "centre of main interests", within the meaning of the EU Insolvency Regulation, in England and therefore insolvency proceedings in England constituting "main insolvency proceedings" under article 3(1) of the EU Insolvency Regulation may be commenced in respect of an English Obligor.

The Insolvency Act 1986 as amended (the "IA86") has no definition of insolvency per se but instead relies on the concept of a company's 'inability to pay its debts' as the keystone for many of its provisions. Pursuant to section 123 of the IA86, the circumstances in which a company is deemed unable to pay its debts include, among others, the following: (i) if a creditor to whom the company is indebted in a sum exceeding £750 then due has served a statutory demand on the company requiring the company to pay the sum so due and the company has failed for three weeks to pay, secure or compound the sum to the reasonable satisfaction of the creditor; (ii) if it is proved to the satisfaction of the court that the company is unable to pay its debts as they fall due; or (iii) if it is proved to the satisfaction of the court that the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

Overview of England & Wales Insolvency Proceedings

Liquidation

Liquidation/Winding-Up

Liquidation is a terminal insolvency process pursuant to which the assets of a company are realized by the liquidator and the proceeds distributed to creditors in accordance with a statutory order of priority (see "*—Priority of Claims in an insolvency*" below), with any surplus paid to the shareholders. Once the liquidator has completed this task, the company will be dissolved. There are two different types of liquidation: (i) compulsory; and (ii) voluntary, which is in turn divided into members' voluntary liquidation ("MVL") and creditors' voluntary liquidation ("CVL").

Regardless of how he is appointed, a liquidator owes his duties to the company and its creditors as a whole and has wide powers to carry out his functions to conduct the liquidation. This includes the power to: (i) agree, compromise and pay creditor claims; (ii) sell any of the company's property; (iii) bring or defend any legal proceedings on behalf of the company; (iv) disclaim onerous property or contracts in accordance with section 178 of the IA86; (v) bring actions against the directors or former directors; and (vi) bring actions to set aside certain transactions.

In a compulsory liquidation, there is an automatic stay on proceedings being commenced or continued against the company or its property except with the permission of the court. In a voluntary liquidation, there is no such automatic stay although the court may, upon the application of the liquidator or any creditor, order a stay under its general discretionary power in section 112 of the IA86.

Compulsory liquidation

Compulsory liquidation is a court-based procedure pursuant to which any creditor, the directors, the company or (in certain circumstances) a shareholder, any administrator or administrative receiver of the company, a regulator or the relevant Secretary of State, petitions for the winding up of a company and the court makes a winding up order. The grounds which entitle the court to make a winding up order are set out in section 122 of the IA86. Common grounds are that: (i) the company is unable to pay its debts; and (ii) the court is of the opinion that it is just and equitable for the company to be wound up.

Under section 127 of the IA86, any disposition of the company's property, any transfer of shares, or alteration in the status of the company's members is void if made following the commencement of the winding up unless the court orders otherwise. If a winding up order is made, it is deemed to have commenced on the date on which the winding up petition was presented. This gives section 127 retrospective effect, meaning that the company cannot enter into any of the specified transactions during the period between the presentation of a winding up petition and the making of a winding up order without first seeking a validation order from the court.

Members' voluntary liquidation

An MVL is a solvent liquidation that is initiated by the shareholders. It commences when the shareholders pass a special resolution to place the company into liquidation and there is no involvement by the court.

Not more than five weeks prior to the making of the winding up resolution, the directors must swear a statutory declaration of solvency stating that, after making full enquiry into the company's affairs, they have formed the opinion that it will be able to pay its debts in full, including interest and the costs of the MVL process, within a stated period not exceeding 12 months from the start of the liquidation.

Creditors' voluntary liquidation

A creditors' voluntary liquidation is also commenced by the shareholders resolving to place the company into liquidation and has no court involvement. In contrast to an MVL, however, the directors do not swear a statutory declaration of solvency for a CVL (meaning the company can be solvent or insolvent). The directors must seek a decision of the creditors to nominate a liquidator. If the creditors choose a different person to act as liquidator from the shareholders, the creditors' choice will prevail, unless the court determines otherwise.

Priority of Claims in an insolvency

Upon liquidation of any English Obligor, the order of priorities is such that debts due by it to any holders of fixed charges over UK assets are paid first out of the realization proceeds of assets subject to such fixed charges (subject to the prior payment of the costs of preservation and realization of the fixed charge assets). Where there are floating charges, liquidation expenses (discussed further below), preferential creditors, and unsecured creditors to the extent of the "ring-fenced" Prescribed Part (as defined below) are paid out of the proceeds of realization of assets subject to those floating charges in priority to payments to creditors secured by virtue of those floating charges. Thereafter, any debts owing to holders of the floating charges would be paid to the extent they are secured by that charge. The categories of preferential debts include certain amounts payable in respect of occupational pension schemes relating to contributions due but unpaid and employee remuneration up to a specified amount. A certain part of the net proceeds of the realization of the assets covered by a floating charge (up to a maximum of £600,000) would be "ring-fenced" and made available pro rata to unsecured creditors (the "Prescribed Part"). Unsecured debts which are not preferential debts would be paid from the proceeds of realizations of unsecured assets (if any) and, after the secured liabilities have been met, from the proceeds of realization of relevant secured assets.

As discussed further below, certain of the security interests over UK assets expected to be created in favor of the security agent will be expressed as fixed charges, but there is no certainty that the security will take effect as a fixed charge and it may well take effect as a floating charge. Where no security is provided to secure the obligations of an English Obligor, any principal debt or guarantee obligation of that English Obligor will be unsecured.

Administration

Administration is a 'rescue' procedure under the IA86 for companies that are, or are likely to become, insolvent pursuant to which a company may be reorganized or its assets realized under the protection of a statutory moratorium. A company may be put into administration either pursuant to a court order or via an out-of-court process.

There are two distinct methods for placing a company into administration: (i) an application to court following by a court order for administration (the "in-court route"); or (ii) the filing of certain prescribed forms with the court following which the administration takes effect (the "out-of-court route"). The in-court route is commenced by an application to court by the company itself, a majority of its directors, one or more of its creditors including contingent or prospective creditors or certain other designated persons. The out-of-court method of appointment is available only to the directors, the company itself and the holder of a qualifying floating charge ("QFC") (see below for the meaning of this term). No physical court hearing is required and the administrator's appointment takes effect when the court stamps receipt of the relevant forms.

A QFC is defined in paragraph 14 of Schedule B1 to the IA86 as being a floating charge created by an instrument which either: (i) states on its face that paragraph 14 applies to it; or (ii) purports to empower the holder of the floating charge to appoint an administrative receiver or an administrator of the company. A person is the holder of a QFC if he holds one or more debentures of the company secured by charges and other forms of security which together relate to the whole or substantially the whole of the company's property and at least one of which is a qualifying floating charge.

When any person other than a holder of a QFC makes an administration appointment (whether by the in-court or out-of-court route), it will be necessary to show that the company is, or is likely to become, unable to pay its debts. Administrations commenced on or after 15 September 2003 will have a single purpose, consisting of three consecutive objectives: (i) to rescue the company (corporate survival); then (ii) if that is not reasonably practicable, to achieve a better result for creditors as a whole than on liquidation; then (iii) if neither are reasonably practicable, to realize property for secured or preferential creditors (this objective may only be followed if it does not unnecessarily harm the interests of the creditors of the company as a whole). A company may only go into administration if the administration purpose is likely to be achieved.

An interim moratorium takes effect when an application to appoint an administrator is made or a notice of intention to appoint an administrator is filed at court. This becomes final once the application for an administration order is made, or the notice of intention to appoint an administrator out-of-court by notice is filed. The moratorium means, among other things, that no other legal process (including legal proceedings, execution, distress or diligence) may be commenced or continued against the company and no step can be taken to enforce security over the company's property or any repossession rights under hire purchase, chattel leasing, conditional sale or retention of title agreements (in each case except with the consent of the administrator or the permission of the court), no administrative receiver can be appointed and, except in certain limited circumstances, no resolution can be passed or order be made for the winding-up of the company. This moratorium does not apply to financial collateral that has been created under a financial collateral arrangement within the meaning of the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226) (as amended) (the "Financial Collateral Regulations") (generally, such arrangements are in respect of cash or financial instruments, such as shares, bonds or tradable capital market debt instruments).

An administrator must exercise his functions to the creditors of the company as a whole. Upon appointment, the administrator takes control of the day-to-day running of the company and takes custody or control of all property to which he thinks the company is entitled. He has broad powers to deal with the company and its assets, except in respect of assets which are subject to fixed charge security. The permission of the court is required to dispose of any such fixed charge assets and the proceeds of sale must be paid to the fixed charge holder. An administrator's powers further extend to investigating why the company failed and, where appropriate, bringing actions against the directors or former directors or seeking to set aside certain transactions (see "*—Antecedent Transaction Laws*" in respect of the latter).

Antecedent Transaction Laws

There are five principal provisions of the IA86 under which transactions entered into prior to a company's insolvency are capable of being set aside. They are: (i) transactions at an undervalue (section 238);(ii) preferences (section 239); (iii) avoidance of certain floating charges (section 245); (iv) transactions defrauding creditors (section 423); and (v) extortionate credit transactions (section 244).

These provisions all apply where the company has gone into liquidation or administration, with the exception of section 423 which applies even if the company is not in insolvency proceedings.

Transactions at an undervalue

If a company goes into administration or liquidation and it has entered into a transaction at an undervalue, the court may, on the application of the insolvency officeholder, set the transaction aside.

A transaction will constitute a transaction at an undervalue if: (i) the transaction is at an undervalue (a gift or a transaction on terms that provide for the company to receive no consideration or a transaction for a consideration the value of which (in money or money's worth) is significantly less than the value (in money or money's worth) of the consideration provided by the company); (ii) the transaction took place within the"relevant time" (2 years before the onset of insolvency, which is, broadly, the start of the insolvency proceedings, being the commencement of its liquidation or administration); and (iii) the company was at the time of the transaction, or became, as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86 (although there is a rebuttable presumption that the company was unable to pay its debts at the time of the transaction if the transaction is made to a person connected to the company such as a shareholder or a director (a "connected person")).

The court will not make an order in respect of a transaction at an undervalue if it is satisfied that: (i) the company which entered into the transaction did so in good faith and for the purposes of carrying on its business; and (ii) when it did so, there were reasonable grounds for believing that the transaction would benefit the company.

Preferences

If a company goes into administration or liquidation and it has granted a preference the court may, on the application of the insolvency officeholder, set the transaction aside.

A company gives a preference to a person if: (i) that person is one of the company's creditors, a surety or a guarantor for any of the company's debts or other liabilities; (ii) the company has done something, or has suffered something to be done which (in either case) has had the effect of putting that person into a position which, in the event that the company goes into insolvent liquidation, will be better than the position he would have been in if that thing had not been done; (iii) the company was influenced in deciding to give the preference by a desire to put the creditor in a better position than he would have been in if the thing had not been done or suffered to be done (this desire is rebuttably presumed in the case of connected persons); (iv) the preference was given within the relevant time (6 months ending with the onset of the insolvency or 2 years ending with the onset of insolvency where the transaction is with a connected person); and (v) the company was at the time of the transaction, or became as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86.

Voidable floating charges

A floating charge created by a company over its property (which, as created, was a floating charge) may be invalid if it was created in the relevant time. Where the transaction is with a connected person, this means in the period of 2 years ending with the onset of insolvency. In all other cases, this means within in the period of 12 months ending with the onset on insolvency when the company was at the time of the transaction, or became as a consequence of the transaction under which the charge was created, unable to pay its debts within the meaning of section 123 of the IA86.

This is the only requirement for setting aside the floating charge and, if met, the security is automatically invalid except to the extent of the aggregate of (i) the value of consideration consisting of money paid, goods or services supplied, or debts reduced or discharged, at the same time as or after creation of the charge; and (ii) and interest thereon. No court action is required.

Section 245 of the IA86 does not apply to a floating charge that has been created under a financial collateral arrangement within the meaning of the Financial Collateral Regulations.

Transactions defrauding creditors

A transaction entered into by a company can be set aside if: (i) the transaction is at an undervalue (see above); and (ii) it was entered into for the purpose of putting assets beyond the reach of a person who may make a claim against the company or otherwise prejudicing the interests of the creditor.

It is not necessary for the company to be in insolvency proceedings and unlike a transaction at an undervalue or a preference, the claim is not restricted to the officeholder. The victim of the transaction can apply to the court himself. The IA86 also does not prescribe a set time limit within which to bring the action. The fact that the transaction was not entered into with a dishonest motive is no defense to the claim. It will suffice that the company's subjective purpose was to place the assets out of the reach of creditors or a particular creditor. There is no need to show that the debtor's purpose was the sole purpose and a "real substantial purpose" is likely to suffice.

Extortionate credit transactions

If a company goes into administration or liquidation and it has entered into an extortionate credit transaction, the court may, on the application of the insolvency officeholder, set the transaction aside.

A transaction is extortionate if, having regard to the risk accepted by the person providing the credit, either: (i) its terms require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit; or (ii) it otherwise grossly contravenes ordinary principles of fair dealing.

The court can make an order in relation to extortionate credit transactions entered into by the company at any time during the three year period ending with day on which the company entered into administration or went into liquidation (which is slightly different to the concept of the onset of insolvency used in relation to transactions at an undervalue and preferences).

Order

In the case of any of the above applying and where a court order is required (i.e. not section 245), the court has very wide statutory powers to make such orders as it thinks fit to restore the position to that which existed before the transaction was entered into.

Maintenance of capital

The granting of upstream (or cross-stream) guarantees or security by an English company could be subject to challenge if it results in a reduction in that company's net assets as properly recorded in its books or, to the extent that it does, the company does not have sufficient distributable reserves to cover that reduction.

Recharacterization of Fixed Security Interests

There is a possibility that a court could find that the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the English Obligor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the holder of the security, in practice. Where an English Obligor is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

While recharacterization is a risk for all attempts to create fixed security, it is a particular risk in relation to attempts to create fixed security over receivables. This is because even if a company purports to grant fixed security over its receivables, it will likely retain, in practice, the ability to deal with its receivables in its discretion and without the consent of the chargee.

If any fixed security interests are recharacterized as floating security interests, the claims of (i) any unsecured creditors of the relevant English Obligor in respect of that part of the English Obligor's net property which is ring fenced (see explanation about ring fencing above); and (ii) certain statutorily defined preferential creditors of the English Obligor may have priority over the rights of the security agent to the proceeds of enforcement of such security. In addition, as mentioned above, the expenses of a liquidation or administration would also rank ahead of the claims of the security agent as floating charge holder.

Limitation on Enforcement

The grant of a Guarantee or Collateral by any of the English Obligors in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with a English Obligor in good faith, however the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English Obligor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English Obligor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Equitable Share Charge

The fixed charges over shares granted by certain English Obligors are equitable charges, not legal charges. An equitable charge arises where a chargor transfers the beneficial interest in the shares to the charge but retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable remedies or are otherwise at the discretion of the court.

Account Banks' Right to Set-Off

With respect to the charges over cash deposits (each an Account Charge) granted by a English Obligor over any of its bank accounts, the banks with which some of those accounts are held (each an Account Bank) may have reserved their right at any time (whether prior to or upon a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that English Obligor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant UK Guarantor) the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights, since the Account Bank will only be entitled to exercise its netting and set-off rights whilst the bank accounts are subject only to floating security, except where account banks have expressly reserved set-off rights.

Foreign currency

Under English insolvency law, where creditors are asked to submit formal proofs of claims for their debts, any debt of a company payable in a currency other than Pound sterling must be converted into Pound sterling at the "exchange rate" prevailing at the relevant date when the company went into liquidation or administration.

Schemes of arrangement

A scheme of arrangement is a statutory procedure, pursuant to Part 26 of the Companies Act 2006, which permits a company to enter into an arrangement or compromise with its members or creditors (or any class of them). A scheme of arrangement, if approved by the requisite majority of such members or creditors and sanctioned by the court, will be binding on all of them, whether or not such members or creditors voted in favor of the scheme. The scheme must be approved by a majority in number representing 75% in value of the creditors (or class of creditors) present and voting at the relevant creditors' meeting, either in person or by proxy.

Singapore

The Acceding Singapore Subsidiary Guarantors are companies incorporated under the laws of Singapore and will be granting a guarantee and creating security interests as further described in "*The Offering*." A company incorporated in Singapore (the "Singapore Company") must have the requisite capacity and power to grant a guarantee and to create security interests pursuant to its constitutional documents. This includes ensuring that the Singapore Company has taken all corporate action, including the passing of corporate resolutions required under its constitutional documents, to authorize the execution by it of the guarantee or security documents and the exercise by it of its rights and the performance by it of its obligations under such guarantee or security documents.

Stamp duty

Under Singapore law, stamp duty of up to a maximum of S$500 is imposed by the Inland Revenue Authority of Singapore in connection with the execution and delivery of any security documents which are stampable.

Registration requirements

It is necessary under the laws of Singapore in order to ensure the validity, effectiveness, performance and/or enforceability of the security interests created by certain of the security documents registrable under Section 131 of the Companies Act, Chapter 50 of Singapore (the "Singapore Companies Act") that the obligations created thereunder be registered as a charge with the Accounting and Corporate Regulatory Authority in Singapore within 30 days of such creation.

General Considerations for Enforcement of Guarantee or Security

The general impediments to enforcement of a guarantee or security in Singapore include the following (a) bankruptcy, insolvency, liquidation, reorganization and other laws affecting the rights of the creditors, including the appointment of a judicial manager over the company's assets under Part VIIIA of the Singapore Companies Act and the avoidance of vulnerable or fraudulent transactions; and (b) general principles of equity which may dictate that equitable remedies may not always be given if for instance damages are adequate or there are illegality or public policy reasons. Any insolvency proceedings applicable to Singapore incorporated companies are likely to be governed by Singapore insolvency laws. If a scheme of arrangement or compromise is proposed pursuant to Section 210 of the Singapore Companies Act, the court may, subject to the laws governing such schemes, on the application of the relevant Singapore Company or of any member or creditor of such Singapore Company, restrain further proceedings in any action or proceeding against that Singapore Company except by leave of the Court. If a judicial manager is appointed under Part VIIIA of the Singapore Companies Act, all creditors of that Singapore Company would be prevented from enforcing any security over that Singapore Company's assets, except with the consent of the judicial manager or with leave of the Court and (where the Court gives leave) subject to such terms as the Court may impose.

Transactions at Undervalue or Unfair Preference or Fraudulent Transactions

The guarantee and/or the security given by a Singapore Company might be subject to challenges by a liquidator or a judicial manager under Singapore laws relating to transactions at an undervalue or preferential transactions.

On the application of a liquidator or judicial manager, the Singapore courts may make such an order as they think fit for restoring the position to what it would have been if the Singapore Company subject to the application had not entered into, inter alia, any of the following types of transactions:

(a) a transaction with any person at an undervalue which took place at any time within the period of five years ending on the date of the commencement of the winding up. Where the transaction was entered into with a person who is a person associated with the Singapore Company (otherwise than by reason only of being its employee), the requirement that the Singapore Company was insolvent at the time of the transaction or became insolvent as a result of the transaction shall be presumed to be satisfied unless the contrary is shown;

(b) a transaction under which an unfair preference is given by the Singapore Company to a person who is a person associated with the Singapore Company (otherwise than by reason only of being its employee), and which is not a transaction at an undervalue, at any time within the period of two years ending on the date of the commencement of the winding up; or

(c) in any other case of a transaction under which an unfair preference is given by the Singapore Company, and which is not a transaction at an undervalue, at any time within the period of six months ending on the date of the commencement of the winding up, provided that the Singapore Company was insolvent when it entered into the transaction or became insolvent as a result of the transaction.

A Singapore Company will be treated as having entered into a transaction with a person at an undervalue if:

(A) it enters into a transaction with that person on terms that provide for it to receive no consideration; or

(B) it enters into a transaction with that person for a consideration the value of which, in money or money's worth, is significantly less than the value, in money or money's worth, of the consideration provided by the Singapore Company.

The Singapore courts will not make any order in respect of a transaction at an undervalue if it is satisfied that the Singapore Company entered into the transaction in good faith for the purpose of carrying on its business and that, at the time it entered into the transaction, there were reasonable grounds for believing that the transaction would be of benefit to the Singapore Company.

The Singapore Company will be treated as having given an unfair preference to another person if:

(i) that person is a creditor of the Singapore Company or a surety provider or guarantor for a debt or other liability of the Singapore Company; and

(ii) the Singapore Company does anything or suffers anything to be done that (in either case) has the effect of putting the person into a position which, in the event of the winding up of the Singapore Company, will be better than the position such person would have been in if that thing had not been done.

The Singapore courts will not make an order in respect of an unfair preference given to any person unless the Singapore Company, when giving the unfair preference, was influenced in deciding to give the unfair preference by a desire to produce in relation to that person the effect referred to in sub-paragraph (ii) above. If the Singapore Company gave an unfair preference to a person who was, at the time the unfair preference was given, a person associated with the Singapore Company (otherwise than by reason only of being its employee), the Singapore Company shall be presumed, unless the contrary is shown, to have been influenced in deciding to give the unfair preference by the desire referred to above.

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

Difference in insolvency law

Any insolvency proceedings commenced in the Singapore courts with respect to a Singapore Company should be governed by Singapore insolvency laws. Singapore insolvency laws differ from the insolvency laws of other jurisdictions, including the State of New York. Singapore has adopted the UNCITRAL Model Law on Cross-Border Insolvency (with certain modifications to adapt it for application in Singapore).

Priority of secured creditors and guarantees

Singapore insolvency laws generally recognize the priority of secured creditors over unsecured creditors. A guarantee is a contractual undertaking and does not confer any priority in the event of insolvency.

Preferential creditors

Under Section 328 of the Singapore Companies Act, in a winding-up of a Singapore Company, preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (a) to (c) and (e) to (f) below) if the assets of the chargor company are insufficient to satisfy such preferential debts.

The preferential debts covered by Section 328 of the Singapore Companies Act are described briefly below:

(a) costs and expenses of the winding up;

(b) employees' wages and salaries;

(c) retrenchment benefits under employment contracts;

(d) work injury compensation under the Work Injury Compensation Act, Chapter 354 of Singapore;

(e) certain amounts due under employees' superannuation or provident funds or under any scheme of superannuation which is an approved scheme under Singapore income tax laws;

(f) remuneration payable in respect of employees' vacation leave; and

(g) taxes assessed and goods and services tax.

Disclaimer of onerous contracts

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable, or not readily saleable, by reason of its binding the company to the performance of any onerous act or payment of any sum, the liquidator may apply to disclaim such property within twelve months of (i) commencement of winding-up or, (ii) where any such property has not come to the knowledge of the liquidator within one month after the commencement of winding-up, such powers of disclaiming may be exercised at any time within twelve months after the liquidator has become aware of such property or such extended period as is allowed by the court.

Extortionate Credit Transactions

Extortionate credit transactions may be set aside or varied if they are entered into within a period of three years before the commencement of winding up or judicial management of the company. Credit transactions are extortionate if, having regard to the risk accepted by the creditor, either the terms are such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it is harsh and unconscionable or substantially unfair. In determining whether such a transaction ought to be set aside, the Court will consider, among other things, whether the transaction was oppressive and reflective of an imbalance in bargaining power of which the creditor took improper advantage.

Floating Charges

A floating charge created within six months of the commencement of the winding up of a company shall, unless it is proved that the company was solvent immediately after the creation of the charge, be invalid except to the amount of any cash paid to the company at the time of or subsequently to the creation of and in consideration for the charge together with any prescribed rate of interest on that amount as may be applicable under the Companies Act (Cap. 50) of Singapore.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement"), dated as of the date of the final Offering Memorandum, the Issuer has agreed to sell to the several Initial Purchasers, and the several Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes.

The Purchase Agreement provides that the obligations of the Initial Purchasers are subject to certain conditions precedent such as the receipt by the Initial Purchasers of officers' certificates and legal opinions and approval of certain legal matters by its counsel. The Purchase Agreement provides that the Initial Purchasers will purchase all of the Notes if any of them are purchased. Under the Purchase Agreement, the Issuer and the Guarantors have agreed to indemnify and hold harmless the Initial Purchasers and their controlling persons jointly and severally against certain liabilities in connection with this Offering, including liabilities under the U.S. Securities Act, and to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers have advised us that they propose to resell the Notes (a) to QIBs in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A and (b) outside the United States in reliance on Regulation S under the U.S. Securities Act. Following the closing of the Offering, the indenture will permit transfers of Notes to "accredited investors" (as defined in Regulation D of the U.S. Securities Act), among others, subject to compliance with applicable law.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page of this Offering Memorandum. After the initial Offering of the Notes, the offering price and other selling terms of the Notes may be changed at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for its services in connection with the Offering and to reimburse it for certain out-of-pocket expenses.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

Transfer Restrictions and Liquidity

The Notes have not been and will not be registered under the U.S. Securities Act or qualified for sale under the securities laws of any U.S. state or any jurisdiction outside the United States and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Accordingly, the Notes will be subject to significant restrictions on resale and transfer as described under "*Notice to Investors*" and "*Transfer Restrictions*." Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act.

The Notes will constitute a new class of securities with no established trading market. We will apply, through the Listing Agent, to list the Notes on the Official List of the Exchange; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised us that, following the completion of this Offering, they currently intend to make a market in the Notes as permitted by applicable laws and regulations. However, the Initial Purchasers are not obligated to do so, and the Initial Purchasers may discontinue any market making activities with respect to the Notes at any time in its sole discretion. Accordingly, no assurance can be given that any market for the Notes will develop, that it will be liquid and that you will be able to sell any of the Notes held by you at a particular time or that the prices that you receive when you sell will be favourable to you. See "*Risk Factors—Risks Related to the Notes, the Guarantees and Our Structure—There may not be an active market for the Notes, in which case your ability to sell the Notes may be limited*." Each purchaser of the Notes, by its purchase of the Notes, will be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under "*Notice to Investors*."

The Initial Purchasers have represented, warranted and agreed that it:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to Investors*" and "*Transfer Restrictions*."

The Issuer have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

No Sales of Similar Securities

The Issuer has agreed that it will not, without the prior written consent of the Initial Purchasers, during the period beginning from the date of the final Offering Memorandum and continuing until the date that is 60 days after the date of the final Offering Memorandum, offer, sell, contract to sell or otherwise dispose of, any debt securities of, or guaranteed by, the Issuer or the Guarantors or any of their respective subsidiaries that are substantially similar to the Notes.

Stabilization

The Initial Purchasers have advised us that certain persons participating in the Offering may engage in transactions, including over-allotment, stabilizing bids, syndicate covering transactions or the imposition of penalty bids, which may have the effect of stabilizing or maintaining the market price of the Notes at a level above that which might otherwise prevail in the open market. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the Temporary Notes and Notes in the open market after pricing that could adversely affect investors who purchase in the offering. A stabilizing bid is a bid for the purchase of Notes on behalf of the Initial Purchasers for the purpose of pegging, fixing or maintaining the price of the Notes. A syndicate covering transaction is the bid for or the purchase of Notes on behalf of the Initial Purchasers to reduce a short position incurred by the Initial Purchasers in connection with the Offering. A penalty bid is an arrangement permitting the Initial Purchasers to reclaim the selling concession otherwise accruing to a syndicate member in connection with the Offering if the Notes originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the initial purchasers make any representation that these transactions will be engaged in or that these transactions, once commenced, will not be discontinued without notice. The Stabilizing Manager is not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and Our Structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

These stabilizing transactions covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

Other Activities and Relationships

The Initial Purchasers, including their affiliates, are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers have, or their affiliates have, from time to time, provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchasers have, or their affiliates have, received, and expect to receive, customary fees and commissions for the transactions described in this Offering Memorandum. The Initial Purchasers and/or certain of their affiliates are agents, mandated lead arranger(s) and lender(s) under the Revolving Credit Facility, and such entities may act as counterparties in the hedging arrangements we expect to enter into in connection with the transactions described in this Offering Memorandum, and have received or will receive customary fees for its/their services in such capacities.

The Initial Purchasers or their respective affiliates have received, and expect to receive, customary fees and commissions for the Transactions. Certain of the Initial Purchasers and their affiliates are lenders under the Bridge Facilities, which are being repaid with the proceeds from the Offering, and lenders under the Senior Facilities, and such entities may act as counterparties in the hedging arrangements we expect to enter into in connection with the Transactions, and have received or will receive customary fees for their services in such capacities.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. The Initial Purchasers and their affiliates may also receive allocations of the Notes. The Initial Purchasers and their affiliates may also, in the future, act as hedge counterparties to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and such affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Settlement

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be Business Days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as “T+ ”). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two Business Days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next succeeding Business Days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes have not been registered under the U.S. Securities Act and may not be offered or sold in the U.S. unless the Notes are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. Accordingly, the Notes are being offered and sold only (i) to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("*Rule* 144A")) ("QIBs") in reliance on Rule 144A and (ii) to persons outside the U.S. in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

Each purchaser of the Notes hereunder (other than each of the Initial Purchasers) will be deemed to have acknowledged, represented and agreed with us and the Initial Purchasers as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

(1) it understands and acknowledges that the Notes have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act and any other applicable securities laws or pursuant to an exemption therefrom and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;

(2) it is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Guarantors or the Issuer or acting on the Guarantors' or the Issuer's behalf and it is a QIB and is aware that any sale of these Notes to it will be made in reliance on Rule 144A under the U.S. Securities Act, and such acquisition will be for its own account or for the account of another QIB;

(3) it acknowledges that none of the Initial Purchasers, us, nor any person representing the Initial Purchasers, or us has made any representation to it with respect to us, or the offer or sale of any Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us, and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Initial Purchasers and us. It acknowledges that none of us, the Initial Purchasers, the Guarantors or any person representing any such person make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. It acknowledges that we, and not the Initial Purchasers, have ultimate authority over the statements contained in this Offering Memorandum, including the content of those statements and whether and how to communicate them;

(4) it has had access to such financial and other information concerning the Issuer and its subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers;

(5) it is purchasing the Notes for its own account, or for an account with respect to which it exercises sole investment discretion and for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A or Regulation S;

(6) it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any Notes or any beneficial interests in any Notes it will do so only (i) to the Issuer, (ii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act and (iii) to persons outside the U.S. in an offshore transaction in reliance on Regulation S under the U.S. Securities Act and in the case of (ii) and (iii) the purchaser will, and each subsequent holder is required to, notify the subsequent purchaser of the Notes from it of the resale restrictions applicable to the Notes;

(7) it understands that the Notes will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR SECURITIES LAWS OF ANY STATE OF THE U.S.

OR OTHER JURISDICTION AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE THAT IS, IN THE CASE OF NOTES ISSUED IN RELIANCE ON RULE 144A, ONE YEAR, AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE COMPANY OR ANY OF ITS AFFILIATES WAS THE OWNER OF THIS SECURITY, OFFER, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY BUYER THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," AND "U.S." HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

(8) it agrees that it will give to each person to whom it transfers the Notes, notice of any restrictions on the transfer of such Notes;

(9) it acknowledges that the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with;

(10) it represents and covenants that:

  (a) it is not a plan (which term includes (i) employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), or to provisions under applicable Federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Internal Revenue Code ("Similar Laws") and (iii) entities the underlying assets of which are considered to include "plan assets" of such plans, accounts and arrangements) and it is not purchasing the Notes on behalf of, or with the "plan assets" of, any Plan; and

  (b) it will not transfer the Notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representations and covenants;

(11) it acknowledges that the Initial Purchasers, we and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes (as a fiduciary or agent for one or more investor accounts), it represents that it has sole investment

discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account; and

(12) it understands that no action has been taken in any jurisdiction (including the U.S.) by the Initial Purchasers, or us that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set out under "*Plan of Distribution*" and "*Notice to Certain European Investors.*"

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Linklaters LLP, as to matters of U.S. federal, New York state, English and Singapore law. Certain legal matters in connection with the Offering of the Notes will be passed upon for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP, as to matters of U.S. federal and New York state law and English law and ADTLaw LLC as to matters of Singapore law.

INDEPENDENT AUDITORS

The financial statements of the Company and its consolidated subsidiaries for each of the fiscal years ended August 31, 2016, 2017 and 2018 included in this Offering Memorandum have been audited by KPMG LLP, independent auditors, as stated in their reports appearing herein.

WHERE PROSPECTIVE INVESTORS CAN FIND MORE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Initial Purchasers or us.

Copies of our organizational documents, the Indenture (which includes the form of the Notes) and our most recent consolidated financial statements published by us, may be obtained by request to the Company.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(A)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request to the Issuer of any such holder or beneficial owner.

LISTING AND GENERAL INFORMATION

Listing and General Information

Application will be made to list the Notes on the Official List of the Exchange. There can be no assurance that the application to list the Notes on the Official List of the Exchange will be approved and settlement of the Notes is not conditioned on obtaining this listing.

Notes

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

Statements

This Offering Memorandum includes particulars given in compliance with the listing rules of the Authority (the "Listing Rules") and constitutes a Listing Document for the purpose of the Listing Rules.

Neither the admission of the Notes to the Official List nor the approval of the Offering Memorandum pursuant to the listing requirements of the Authority shall constitute a warranty or representation by the Authority as to the competence of the service providers to, or any other party connected with, the Issuer, the adequacy and accuracy of information contained in the Offering Memorandum or the suitability of the Issuer for investment or for any other purpose.

Documents for Inspection

For so long as the Notes are listed on the Official List of the Exchange and the rules of the Authority so require, the following documents will be obtainable free of charge, during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

(a) the memorandum and articles of association of the Issuer; and

(b) the latest consolidated audited accounts of the Issuer's group.

For a period of 14 days from the date the Notes are admitted to the Official List of the Exchange, the following documents will be obtainable free of charge, during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

(a) this Offering Memorandum; and

(b) any supplemental listing document if and when issued by the Issuer in accordance with the Listing Rules of the Authority.

In addition, for so long as the Notes remain listed on the Official List of the Exchange and the rules of the Authority so require, the following documents may be inspected during normal business hours at the registered office of the Issuer by the holders of Notes and any person authorised by a holder of Notes (including, without limitation, a proposed transferee of any Notes).

(a) the Indenture;

(b) the Intercreditor Agreement; and

(c) the Security Documents.

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

No Material Adverse Change

Except as otherwise disclosed in this Offering Memorandum, there has been no material adverse change to (i) the Issuer, (ii) the Issuer's group structure, (iii) the Issuer's business or accounting policies or (iv) the financial or trading position of the Issuer, during the period from its date of incorporation to the date of the application for listing of the Notes.

Litigation

The Issuer is not engaged in any legal or arbitration proceedings, and the Issuer is not aware of any legal or arbitration proceedings pending against the Issuer, that may have or have had in the recent past (covering at least the previous 12 months) a significant effect on the financial position of the Issuer.

For the avoidance of doubt, any website referred to in this Offering Memorandum and the information on the referenced website does not form part of this Offering Memorandum prepared in connection with the proposed offering of the Notes.

Listing Agent

Mourant Securities Limited as listing agent to the Issuer (Listing Agent), is acting for the Issuer and for no one else in connection with the issue and listing of the Notes and will not be responsible to anyone other than the Issuer. The Listing Agent has not separately verified the information contained in this Offering Memorandum, accordingly the Listing Agent does not make any representation or recommendation and does not give any warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Notes or their distribution and the Listing Agent accepts no responsibility or liability therefor. The Listing Agent neither undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Listing Agent.

Issuer's Management

So far as the Issuer is aware and except as otherwise disclosed in this Offering Memorandum, no actual or potential conflicts of interest exist between any duties owed to the Issuer by the directors of the Issuer and his or her private interests and/or duties.

There are no agreements in place between the directors or principals of the Issuer and any parties to which the directors are related.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under the common codes and , respectively. The ISIN for the Notes sold pursuant to Regulation S is XS and the ISIN for the Notes sold pursuant to Rule 144A is XS .

Additional information

All notices to holders of the Notes will be validly given if mailed to them at their respective addresses in the register of holders, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Official List of the Exchange and if and for so long as Listing Rules so require, the Issuer will notify the Authority of any notice with respect to the Notes.

Material Contracts

Contracts not entered into in the ordinary course of our business that could result in any member of the Group being under an obligation or entitlement that is material to our ability to meet our obligations to holders in respect of the Notes are summarized in "*Certain Relationships and Related Party Transactions*" and "*Description of the Notes.*"

Legal Information

Issuer

Lernen Bondco Plc (Company number: 11539218) was incorporated on August 28, 2018 as a public limited company under the laws of England and Wales. The registered office of the Issuer in the United Kingdom is Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

The share capital of the Issuer is £1,344,686,981 divided into 1,344,686,981 ordinary shares with nominal value of £0.0001. All shares are fully paid up.

The Issue Date Guarantor

Lernen Bidco Limited (Company number: 11539402) was incorporated on August 28, 2018 as a private imited company under the laws of England and Wales. The registered office of the Issuer in the United Kingdom is Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

The share capital of Lernen Bidco Limited is £1,344,686,981 divided into 1,344,686,981 ordinary shares with nominal value of £0.0001. All shares are fully paid up.

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Cognita Bondco Parent Limited
Annual Report and Financial Statements
Registered number 09669246

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31 August 2018

Company Information
for the year ended 31 August 2018

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

Cognita Bondco Parent Limited
Annual Report and Financial Statements
Year ended 31 August 2018

Contents

Strategic report

The Directors submit the Strategic Report, the Directors' Report and the audited consolidated financial statements of the Cognita Bondco Parent Limited Group (the "Group") for the year ended 31 August 2018.

The Group is a leading global operator of private-pay K-12 schools. The Directors are pleased with the performance during the year to 31 August 2018 which was in line with expectations. At the year end, the Group operated 70 (2017: 67) schools across Europe, Asia and Latin America with an average total capacity of 50,659 (2017: 44,712) places and a total average enrolment of 38,379 (2017: 35,286) FTE students.

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

Until 25 October 2018, Cognita Topco Limited was owned by The Bregal Fund III LP and KKR European Fund III LP who each held 50% of the issued share capital. On 25 October 2018, Cognita Topco Limited and the entire Cognita Group was acquired by Lernen Bidco Limited, a company registered in England and Wales. From this date, the ultimate parent undertaking and controlling party is Jacobs Holding AG. See note 32 to these financial statements for further information of this post balance sheet event.

The audited, consolidated financial statements of Cognita Topco Limited are available to the public by application to the registered office of that company, or from Companies House with the financial statements of the immediate parent company.

Principal activity and review of the year

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

Our Strategy

We consistently focus on the Group's objective to maintain our position as a leading global operator of private-pay K-12 schools. Our principal strategies are:

- To continue to deliver high quality education to maintain and increase demand for our offering
- Leverage our global platform and reputation
- Maximise operating and financial performance
- Continue to expand and acquire new schools and associated businesses in selected attractive and scalable markets

Results and performance

The results of the Group for the year are set out on pages F-19 to F-25. Key performance metrics used by the business for the year ended 31 August are set out below.

"Average FTE Students" means the average of full time equivalent ("FTE") students at each month end during the relevant period.

"Average Capacity" is calculated as the average number of FTE students divided by total average capacity, expressed as a percentage.

"Utilisation" is calculated as the average number of FTE students divided by total average capacity, expressed as a percentage.

Strategic report (continued)

"EBITDA" means operating profit before impairment, depreciation and amortisation of other intangibles.

"Adjusted EBITDA" means EBITDA before impairment, depreciation and amortisation of other intangibles, non-underlying costs and excluding the joint venture portion of Adjusted EBITDA. Adjusted EBITDA can be split into underlying and non-underlying components.

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

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

"Regional Group Adjusted EBITDA" means Group Adjusted EBITDA excluding Group central costs.

"Constant currency basis" means that the movement in a foreign currency amount has been calculated using a fixed exchange rate for both elements of the calculation. The exchange rates used for constant currency are disclosed on F-7.

	Schools		**Average FTE Students**		**Average Student Capacity**		**Utilisation**	
	2018 No.	2017 No.	**2018 No.**	2017 No.	**2018 No.**	2017 No.	**2018**	2017
Europe	**45**	45	**14,459**	14,409	**17,590**	17,448	**82.2%**	82.6%
Asia	**11**	10	**9,457**	8,401	**15,081**	11,048	**62.7%**	76.0%
Latin America	**14**	12	**14,464**	12,476	**17,988**	16,217	**80.4%**	76.9%
Total	**70**	67	**38,379**	35,286	**50,659**	44,712	**75.8%**	78.9%

During the fiscal year ended 31 August 2018, the number of schools grew to 70, with the acquisitions of the American British School and Santo Tomas in Chile, the Woodland Pre-Schools in Hong Kong, along with the opening of the Stamford American School in Hong Kong. The Avondale school in Singapore was also merged with the Australian International School, Singapore during the year.

Student numbers throughout the Group increased by 8.8% and average FTE staff numbers increased by 9.6% in the fiscal year ended 31 August 2018 compared to the prior period. The staff numbers increased at a faster rate than students due to the opening of new facilities.

Student numbers increased (including the impact of acquisitions) by 8.8% in the year, with Europe growing by 0.3%, Asia by 12.6% and Latin America by 15.9%. Europe student numbers grew due to the opening of the Pre-University Centre at BSB, Spain in April 2018, offset by slightly fewer students in the UK. Asia student growth was primarily driven by the opening of Stamford American School in Hong Kong in September 2017, the opening of a new secondary school campus at ISHCMC, Vietnam and the acquisition of Woodland Pre-Schools group of nurseries in Hong Kong in May 2018. The growth in Latin America is predominantly attributable to the acquisition of American British School in March 2018 in Chile, along with growth across the Chile school's portfolio where the bilingual programme continues to improve utilisation rates. The acquisition of Santo Tomas in August 2018 did not impact the above disclosed student numbers which are an average across the year.

Capacity increased by 13.3% in the fiscal year ended 31 August 2018 compared to the fiscal year ended 31 August 2017. Of this increase, 8.1% was attributable to group expansion projects, most notably in Singapore, Hong Kong, Vietnam and Brazil, while the remainder of the increase represented the net impact of acquisitions and divestments.

Strategic report (continued)

Utilisation decreased by 3.1% to 75.8% for the year ended 31 August 2018 compared to the same period last year due to the additional capacity opened in Singapore, Hong Kong, Vietnam and Brazil.

	Revenue		Group Adjusted EBITDA		Operating (loss)/profit	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Europe	**194,701**	182,592	**29,844**	26,477	**(51,716)**	(16,588)
Asia	**181,184**	159,322	**47,334**	48,708	**10,472**	21,904
Latin America	**54,589**	47,761	**13,650**	9,693	**202**	6,075
Group	**—**	—	**(10,535)**	(10,985)	**26,577**	11,831
Total	**430,474**	389,675	**80,293**	73,893	**(14,465)**	23,222
Excluding impact of joint venture	**—**	(4,515)	**—**	(1,009)	**—**	33
Statutory result	**430,474**	385,160	**80,293**	72,884	**(14,465)**	23,255

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School Limited in London, UK. Consequently, Group Adjusted EBITDA (including 100% of joint venture Adjusted EBITDA) is considered the most relevant metric for information purposes.

Group revenue (including 100% of the St Nicholas joint venture in the prior year) increased from £389.7m in 2017 to £430.5m in 2018, an increase of 10.5% or 12.2% on a constant currency basis. Revenue attributable to new acquisitions during the year ended 31 August 2018 represented 8.7% of the increase (2017: 8.6%), with the remainder due to the organic increase in student numbers and annual fee inflation.

Regional Group Adjusted EBITDA grew by 10.2% (11.0% on a constant currency basis) and represents a margin of 18.7% of revenue (2017: 18.9%). Much of this increase relates to Latin America where the acquisition of the American British School has combined with organic growth across our Chile schools. The Latin America Regional Adjusted EBITDA grew 40.8% (44.8% on a constant currency basis) on revenues that grew by 14.3% (19.8% on a constant currency basis) in the same period. Europe also had strong growth in Regional Adjusted EBITDA of 12.7% (12.2% on a constant currency basis) predominantly related to growth in Spain, including the opening of the Pre-University Centre at BSB.

Asia Regional Adjusted EBITDA which accounts for 51.0% (2017: 57.4%) of the Regional Group Adjusted EBITDA fell 2.8% (grew 0.1% on a constant currency basis) during the year. This lack of growth is predominantly related to the opening of the new capacity in Hong Kong and Vietnam, which increased the underlying costs and saw a reduction in the region's utilisation rate. As the new capacity is filled the Asia region will see operational leverage and EBITDA will grow.

Group central costs reduced by 4.5% to £10.5m (2017: £11.0m) in the year ended 31 August 2018. This decrease was primarily due to better cost control along with specific operating costs moved to the regions.

The exchange rates used for constant currency are EUR: 0.88137, SGD: 0.55224, HKD: 0.09549, THB: 0.02234, VND: 0.00003, CLP: 0.00118 and BRL: 0.22868.

Loss for the year before taxation

The Group's loss before tax was £56.5m (2017: £17.8m) for the year ended 31 August 2018, which was satisfactory and reflective of the ongoing investment in growing the business. The £38.7m increase (2017: £15.1m decrease) in loss before taxation was largely attributable to one off transaction costs, non-cash share based payments, impairment, depreciation and amortisation charges.

Capital expenditure

During the year, the Group had additions of £58.3m in capital expenditure (2017: £134.0m) and £2.8m (2017: £2.5m) in software. The capital expenditure reported in the year represents amounts spent on the regular renewal of estate, along with amounts invested in the expansion plans of the Group's existing portfolio of schools.

Strategic report (continued)

Additions related to development capital expenditure represented £33.4m (2017: £116.8m) in total compared to operating capital expenditure of £24.9m (2017: £17.2m). Operating capital expenditure includes investment in ensuring schools maintain their standards and compliance with all regulations, whilst development capital expenditure represents investment made to expand capacity at the Group's schools and for construction and development of other facilities which do not directly result in capacity expansion.

Developments during the year

Europe

Sale and leaseback

On 27 February 2018, the Group completed a ground rent sale and leaseback of freehold properties at five UK schools, the freehold interests were sold for a total consideration of £9.9m. The purchaser simultaneously granted Cognita 150 year leases over the properties. At expiry of the leases Cognita will have the option to buy back the freehold interests for £1 per property.

The proceeds of the transaction were used to partially repay the Group's Revolving Credit Facility, enhancing Cognita's liquidity.

Expansion of St Nicholas Preparatory School, United Kingdom

In March 2018, a lease was signed on a Central London property to enable the relocation of St Nicholas Preparatory School. Capital investment of c. £11m will be required to convert the building into a school which will be recovered over time from lower rent payments. The new premises are expected to be open by September 2020, subject to planning permission being granted.

Expansion of Southbank International School, United Kingdom

In March 2018, a lease agreement was signed on a central London property which adds a fifth site to Southbank International School and creates an extra c. 240 seats of capacity. The site required approximately £6m of capital investment and was opened in September 2018.

Pre-University Centre, BSB, Spain

A state-of-the-art building with capacity for c. 400 students opened in April 2018, housing the new Pre-University Centre. The centre provides an international pre-university education for students aged 16-19. It features specially designed seminar and tutorial rooms, a large library with research/self-study area, cafeteria and sports court. The total cost of the centre was c. €4m.

Asia

Successful opening of Stamford American School, Hong Kong

The Group's first school in Hong Kong (Stamford American School) opened in September 2017, with over 350 students. The Group completed the purchase of the school property in Kowloon, Hong Kong on 15 April 2016. The building now has capacity for c. 800 students. The total capital expenditure additions were HKD 992m (c. £90m) including HKD 673m (c. £61m) for the initial purchase excluding fees and expenses of the brownfield property.

Construction of new campus, Vietnam

In January 2018, a new 900 seat campus opened at the International School Ho Chi Minh City (ISHCMC). The new campus is a purpose-built secondary school and doubles the capacity of ISHCMC. The Group has additions of c. £12m in the facility which has been constructed and financed by a local developer and leased on a 32 year term. The Group also prepaid rent and a lease deposit of c. £5m. It will allow ISHCMC to continue to grow enrolments which are currently c. 1,100.

Strategic report (continued)

Acquisition of Woodland Pre-Schools, Hong Kong

On 2 May 2018, the Group acquired Woodland Pre-Schools, a group of nine nurseries in Hong Kong. Woodland, which was founded in 1978, offers playgroup and preschool classes to c. 2,000 predominantly expatriate children who progress to the leading international schools in Hong Kong. The acquisition was funded from the additional issue of Senior Secured Loan Notes earlier in the year along with local bank debt. Woodland Pre-Schools is treated as one school for the purposes of stating the number of schools operated by the Group.

Latam

Expansion of GayLussac school, Brazil

The expansion of the GayLussac school in Brazil was successfully completed and the new facilities opened ready for the new academic year in February 2018. The project provides enhanced facilities and nine new classrooms, creating incremental capacity for c. 220 students. It will bring the total school capacity for students and the bilingual programme to c. 1,670. The expansion cost a total of BRL 12.4m (c. £2.8m).

Acquisition of the American British School, Chile

On 1 March 2018, the Group acquired Sociedad Educacional American British School Limitada, a school based in Santiago, Chile. The acquisition was funded from the additional issue of Senior Secured Loan Notes and local bank debt. The school had c. 2,600 students, with a capacity of c. 3,000 at the date of acquisition.

Acquisition of Santo Tomas, Chile

On 31 August 2018, the Group acquired Colegio Santo Tomas de Nunoa Limitada, school based in Santiago, Chile. The acquisition was funded from two sources, 90% from the issue of Senior Secured Loan Notes earlier in the year, the remaining 10% through a vendor loan, which will all be settled by 28 February 2020. On acquisition, Santo Tomas had c. 1,300 students, with capacity for c. 1,500.

Group

Funding secured to support Group growth

On 22 February 2018, an additional £60m of Senior Secured Loan Notes were issued via a private placement at a premium of £1.95m to par value. The proceeds of the offering together with local bank debt, were used to acquire the American British School, Chile, and Woodland Pre-Schools, Hong Kong and used to repay the Revolving Credit Facility and enhance Group liquidity.

British referendum on Europe

As a UK based organisation with global operations, management recognises our business may be impacted by the implications of the UK's separation from the EU. Whilst the timing and nature of the UK's separation from the EU remains unclear, there are currently no significant adverse implications to business operations and results to report. However, management have identified some areas that could have an impact on the business, which will be monitored as the UK goes through the Brexit process:

Currency exposure: Fluctuations in exchange rates will impact Group results which are reported in pounds sterling. Approximately 65% of Group revenue, 86% of Group EBITDA are denominated in foreign currency. The Group settled the foreign exchange hedge liabilities as part of the acquisition of the Group by Jacobs Holding AG. The exposure to foreign exchange risks are now being assessed by management and hedging options are being considered to mitigate the current exposures under new ownership.

Student and staffing recruitment and retention: London's status as a financial centre could be compromised, which in turn may affect demand for international schools. However, the weakening of the pound sterling against other major currencies may make Cognita's UK independent schools more competitive internationally as tuition

Strategic report (continued)

fees become more affordable for foreign families looking to educate their children in the UK. A further consideration is that attracting and retaining students and teachers from the EU may become more difficult if visa entry requirements become more stringent or if our UK Visa and Immigrations Tier 2 and/or Tier 4 licences are revoked or cease to be renewed.

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

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

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

Post balance sheet events

Acquisition of Cognita Group

On 25 October 2018, the Cognita Group was sold by its previous owners, KKR European Fund III LP and Bregal Fund III LP, to Jacobs Holding AG. Jacobs are a family controlled professional investment firm, the sole economic beneficiary of which is the Jacobs Foundation. The Jacobs Foundation is a non-profit, charity organisation with the exclusive aim to improve the lives of young people around the world.

The acquisition of the Group has prompted a refinancing of the majority of the Group's debt with new bank facilities being drawn on 25 October 2018 totalling £652 million. This enabled the group to settle liabilities that were outstanding at 31 August 2018, including the Senior Secured Loan Notes, Revolving Credit Facilities and Forward Currency Contracts, along with local debt in Hong Kong. Further funding is also in the process of being negotiated.

Acquisition of Colegio Europeo de Madrid, Spain

On 6 November 2018, the Group completed the acquisition of 90% of the Colegio Europeo de Madrid, a bilingual school located in Madrid, Spain catering for students aged 0-18. On acquisition, the school had c. 650 students with a capacity of c. 1,000. The acquisition was funded by a further £1.5m of bank debt drawn from the Group's new facilities.

Future developments

The Group will continue to invest in its existing schools, with some strategic development projects planned for the year ended 31 August 2019 and beyond. The Group will continue to develop opportunities in all regions.

Statement of Going Concern

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

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

Strategic report (continued)

During the year ended 31 August 2016, the Group refinanced substantially all of its debt, with the exception of debt held by Group companies in Brazil and Chile. Senior Secured Loan Notes were issued and the proceeds were used to repay all outstanding indebtedness and related costs. The Notes were due to mature on 15 August 2021. As part of this refinancing arrangement, deep discounted bonds previously issued by Cognita Topco Limited were collapsed via a capitalisation.

At 31 August 2018, the Group had a total of £435m of Senior Secured Loan Notes in issue, £60m of which had been placed during the year. The post year end acquisition of the Cognita Topco Limited Group by Jacobs Holding AG prompted a refinancing of the majority of the Group's debt, with new bank facilities drawn on 25 October 2018 totalling £652 million. This enabled the group to settle liabilities that were outstanding at 31 August 2018, including the £435m of Senior Secured Loan Notes, the Revolving Credit Facilities and Forward Currency Contracts, along with local debt in Hong Kong.

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

Controlling parties and ultimate parent undertaking

The Company's immediate parent undertaking is Cognita Midco Limited, a company incorporated in England and Wales. At 31 August 2018, the ultimate parent undertaking was Cognita Topco Limited, a company incorporated in Jersey which was jointly controlled by The Bregal Fund III LP and Crimson Cayman Holding Limited, which itself is controlled by KKR European Fund III LP (see note 30). On 25 October 2018, Cognita Topco Limited was acquired by Lernen Bidco Limited from which time the ultimate parent undertaking and controlling party of the Group became Jacobs Holding AG.

Principal Risks and Uncertainties

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

Child protection and safeguarding

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

Authorisation to operate as an education provider

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

Health and safety

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

Principal Risks and Uncertainties (continued)

Market forces

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

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

Political environment

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

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

ICT systems and infrastructure

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

Cyber risk and data protection

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

Human resources

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

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

Supporting growth

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

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

Strategic report (continued)

Principal Risks and Uncertainties (continued)

Financial capital risk

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

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

In order to manage the Group's exposure to those risks, in particular the Group's exposure to exchange rate risk, the Group has entered into a number of derivative transactions including foreign currency forward contracts. All derivative contracts outstanding at 31 August 2018 were settled on 25 October 2018 and management are reviewing future options for hedging exchange rate risk.

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

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

Macroeconomic environment

Our operations are affected by the general economic conditions in each of the countries in which we operate. These macroeconomic conditions are monitored on an ongoing basis along with the impact on our current and future financial performance. Risks identified during the year included the potential impact of the British referendum on the EU, slower than historical growth in the Asia region, driven by global macroeconomic environment changes, and ongoing political risks in Catalonia, Spain.

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

Liquidity risk

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

The Group is supported by its ultimate parent to ensure continuity of funding. In 2015, the Group secured funding by issuing £280m of Senior Secured Loan Notes. In the current and preceding year, a further £155m was raised through additional issuances, through private placements of Senior Secured Loan Notes. Additionally, the Super Senior Revolving Credit Facility increased to £100m during the year ended 31 August 2017. Further local financing is sourced where possible for acquisitions and developments.

On 25 October 2018, as part of a Group refinancing exercise in conjunction with the acquisition of the Group by Jacobs Holding AG, the Senior Secured Loan Notes were redeemed, and the Super Senior Revolving Credit Facility was repaid in full using the proceeds of new bank facilities totalling £652m. Local debt facilities in Hong Kong were also settled as part of the refinancing.

The maturity of borrowings at the Balance Sheet date is set out in note 19 to the financial statements. In total, as at 31 August 2018, the Cognita Bondco Parent Limited Group had drawn borrowings of £630.9m (2017:

Principal Risks and Uncertainties (continued)

£515.5m), of which £561.8m (2017: £475.6m) was repayable after 31 August 2019. This included £430.4m of Senior Secured Loan Notes due in August 2021. Following the refinancing of debt in October 2018, the Group had drawn borrowings totalling £703.6m at the date of signing this report and committed unutilised facilities totalling £123m. Of the total facilities available at the date of this report, £720.8m would be repayable after 31 August 2019. This includes bank loans and facilities totalling £675m with repayment dates in 2025 or beyond.

Foreign exchange risk

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

The Group reassessed its hedging arrangements following the Group refinancing in 2015 to cover its sterling exposure on the Senior Secured Loan Notes by entering into forward currency contracts. Further details are disclosed in note 21 of the financial statements. The Group's forward currency contracts were settled in full on 25 October 2018, with the change of control to Jacobs Holding AG. Following the settlement of the hedging instruments, management are reviewing the exposure to foreign exchange fluctuations and hedging options are being considered to mitigate the risk.

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

Interest rate risk

The Group finances its operations through fixed rate Senior Secured Loan Notes, bank borrowings and Revolving Credit Facilities. The Group's exposure to interest rate fluctuations on its bank borrowings is managed by the use of hedging or fixed interest rate instruments. It is the Group's policy to use fixed interest rate instruments or to use fixed rate hedging instruments to fix interest rates on at least 50% of its bank borrowings. At the date of signing this report the group was financed through a Term loan with interest calculated at a fixed margin (currently 4.5%-5.0%) over LIBOR/EURIBOR. a bridging loan facility with interest currently calculated at a 6.0% margin over EURIBOR, and local debt facilities totalling £55.0m with interest rates ranging from 1.5%-12.25%.

Credit risk

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

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

By Order of the Board

/s/ M Uzielli
M Uzielli
Director
21 November 2018

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

Cognita Bondco Parent Limited
Annual Report and Financial Statements
Year ended 31 August 2018

Directors' Report

The Directors submit their report together with the audited financial statements of Cognita Bondco Parent Limited for the year ended 31 August 2018.

Results and dividends

The Group loss for the financial year amounted to £63,308,000 (2017: £24,195,000).

The Company loss for the financial year amounted to £8,726,300 (2017: £1,809,000).

The Directors do not recommend the payment of a final dividend (2017: £nil).

Directors

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

D Villa
C Jansen
M Uzielli

Directors' third party indemnity insurance

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

Directors' biographies

Chris Jansen was appointed as Group Chief Executive Officer in October 2015. Mr Jansen has over 20 years' experience in competitive consumer products and service businesses having served as CEO of the AA as well as working in senior executive roles at Centrica and British Airways.

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

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

Independent auditor and disclosure of information to auditor

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

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

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

By order of the board

/s/ M Uzielli
M Uzielli
Director
21 November 2018

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

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of Cognita Bondco Parent Limited (the "Company") for the year ended 31 August 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 August 2018 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on F-16, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

22 November 2018

Consolidated Statement of Comprehensive Income
for the year ended 31 August 2018

	Note	2018 Underlying £000	2018 Non-underlying £000	2018 Total £000	2017 Underlying £000	2017 Non-underlying £000	2017 Total £000
Revenue	*1,3*	**430,474**	**—**	**430,474**	385,160	—	385,160
Employee benefits expense	*5,7,8*	**(223,648)**	**(14,793)**	**(238,441)**	(204,965)	(245)	(205,210)
Other operating (expenses)/income		**(126,533)**	**(8,666)**	**(135,199)**	(107,311)	275	(107,036)
Acquisitions and business exploration	*5*	**—**	**(5,911)**	**(5,911)**	—	(7,759)	(7,759)
Restructuring costs	*5*	**—**	**(915)**	**(915)**	—	(7,105)	(7,105)
Adjusted EBITDA		**80,293**	**(30,285)**	**50,008**	72,884	(14,834)	58,050
Impairment	*5*	**—**	**(15,402)**	**(15,402)**	—	(2,623)	(2,623)
Depreciation and amortisation of other intangibles	*6*	**(49,071)**	**—**	**(49,071)**	(32,172)	—	(32,172)
		31,222	**(45,687)**		40,712	(17,457)	
Operating (loss)/profit				**(14,465)**			23,255
Finance income	*10*			**5,149**			9,430
Finance expense	*10*			**(47,208)**			(50,202)
Share of (loss) of joint venture	*14*			**—**			(303)
Loss before taxation				**(56,524)**			(17,820)
Taxation	*11*			**(6,784)**			(6,375)
Loss for the year				**(63,308)**			(24,195)
Loss attributable to:							
Equity holders of the parent				**(63,243)**			(24,122)
Non-controlling interest				**(65)**			(73)
Loss for the year				**(63,308)**			(24,195)
Other comprehensive expense							
Items that are or may be reclassified to profit or loss:							
Foreign operations:-							
Foreign currency translation differences				**(3,489)**			114
Total comprehensive loss for the year				**(66,797)**			(24,081)
Attributable to:							
Equity holders of the parent				**(66,732)**			(24,008)
Non-controlling interest				**(65)**			(73)
Total comprehensive loss for the year				**(66,797)**			(24,081)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
at 31 August 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	*12*	**647,592**	632,085
Intangible assets	*13*	**144,755**	104,689
Trade and other receivables	*17*	**19,685**	17,107
Deferred tax assets	*15*	**6,706**	7,691
		818,738	761,572
Current assets			
Inventories	*16*	**418**	444
Tax receivable		**650**	371
Trade and other receivables	*17*	**78,709**	60,707
Cash and cash equivalents	*18*	**89,192**	83,265
Assets held for sale	*12*	**608**	608
		169,577	145,395
Total assets		**988,315**	906,967
Current liabilities			
Other interest-bearing loans and borrowings	*19*	**(69,098)**	(39,859)
Trade and other payables	*20*	**(103,888)**	(107,794)
Deferred revenue		**(170,293)**	(142,483)
Tax payable		**(4,884)**	(5,608)
Provisions	*24*	**(808)**	(1,242)
		(348,971)	(296,986)
Non-current liabilities			
Other interest-bearing loans and borrowings	*19*	**(561,809)**	(475,593)
Other payables	*20*	**(7,082)**	(11,409)
Deferred revenue		**(12,409)**	(14,209)
Provisions	*24*	**(2,460)**	(5,326)
Other financial liabilities	*21*	**(55,017)**	(59,178)
Deferred tax liabilities	*15*	**(6,373)**	(5,068)
		(645,150)	(570,783)
Total liabilities		**(994,121)**	(867,769)
Net (liabilities)/assets		**(5,806)**	39,198
Equity attributable to equity holders of the parent			
Share capital	*25*	**—**	—
Share premium	*25*	**8,669**	1,669
Other reserves		**(376,085)**	(387,389)
Retained earnings		**361,911**	425,154
		(5,505)	39,434
Non-controlling interest		**(301)**	(236)
Total (deficit)/equity		**(5,806)**	39,198

These financial statements were approved by the board of Directors on 21 November 2018 and were signed on its behalf by:

M Uzielli
Director

Company registered number: 09669246

The accompanying notes form part of these financial statements.

Company Balance Sheet
at 31 August 2018

	Note	2018 £000	2017 £000
Non-current assets			
Investments in subsidiaries	34	**924,790**	864,290
Total assets		**924,790**	864,290
Non-current liabilities			
Other interest bearing loans and borrowings	19	**(432,768)**	(370,542)
Total liabilities		**(432,768)**	(370,542)
Net assets		**492,022**	493,748
Equity attributable to equity holders of the parent			
Share capital	25	**—**	—
Share premium	25	**8,669**	1,669
Retained earnings		**483,353**	492,079
Total equity		**492,022**	493,748

These financial statements were approved by the board of directors on 21 November 2018 and were signed on its behalf by:

M Uzielli
Director

Company registered number: 09669246

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

Group

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Equity reserve £000	Retained earnings £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2016	—	1,669	(400,065)	8,363	3,954	450,041	**63,962**	6,728	**70,690**
Total comprehensive expense for the period									
Loss for the year	—	—	—	—	—	(24,122)	**(24,122)**	(73)	**(24,195)**
Other comprehensive income	—	—	—	114	—	—	**114**	—	**114**
Total comprehensive income/ (expense) for the year	**—**	**—**	**—**	**114**	**—**	**(24,122)**	**(24,008)**	**(73)**	**(24,081)**
Transactions with owners, recorded directly in equity									
Equity-settled share based payment transactions	—	—	—	—	245	—	**245**	—	**245**
Total contributions by and distributions to owners	**—**	**—**	**—**	**—**	**245**	**—**	**245**	**—**	**245**
Changes in ownership interest in subsidiaries									
Acquisition of non-controlling interest without a change in control	—	—	—	—	—	(765)	**(765)**	(6,891)	**(7,656)**
Balance at 31 August 2017	**—**	**1,669**	**(400,065)**	**8,477**	**4,199**	**425,154**	**39,434**	**(236)**	**39,198**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

Group

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Equity reserve £000	Retained earnings £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2017	—	1,669	(400,065)	8,477	4,199	425,154	**39,434**	(236)	**39,198**
Total comprehensive expense for the year									
Loss for the year	—	—	—	—	—	(63,243)	**(63,243)**	(65)	**(63,308)**
Other comprehensive expense	—	—	—	(3,489)	—	—	**(3,489)**	—	**(3,489)**
Total comprehensive expense for the year	**—**	**—**	**—**	**(3,489)**	**—**	**(63,243)**	**(66,732)**	**(65)**	**(66,797)**
Transactions with owners, recorded directly in equity									
Issue of shares	—	7,000	—	—	—	—	**7,000**	—	**7,000**
Equity-settled share based payment transactions	—	—	—	—	14,793	—	**14,793**	—	**14,793**
Total contributions by and distributions to owners	**—**	**7,000**	**—**	**—**	**14,793**	**—**	**21,793**	**—**	**21,793**
Balance at 31 August 2018	**—**	**8,669**	**(400,065)**	**4,988**	**18,992**	**361,911**	**(5,505)**	**(301)**	**(5,806)**

The accompanying notes form part of these financial statements.

Company Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 September 2016	—	1,669	493,888	495,557
Total comprehensive expense for the year				
Loss for the year	—	—	(1,809)	(1,809)
Total comprehensive expense for the year	**—**	**—**	**(1,809)**	**(1,809)**
Balance at 31 August 2017	**—**	**1,669**	**492,079**	**493,748**

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 September 2017	—	1,669	492,079	493,748
Total comprehensive expense for the year				
Loss for the year	—	—	(8,726)	(8,726)
Total comprehensive expense for the year	**—**	**—**	**(8,726)**	**(8,726)**
Transactions with owners, recorded directly in equity				
Issue of shares	—	7,000	—	7,000
Total contributions by owners	**—**	**7,000**	**—**	**7,000**
Balance at 31 August 2018	**—**	**8,669**	**483,353**	**492,022**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 August 2018

	Note	2018 £000	2018 £000	2017 (Restated)* £000	2017 (Restated)* £000
Cash flows from operating activities					
Loss for the year		**(63,308)**		(24,195)	
Adjustments for:					
Depreciation, amortisation and impairment		**64,473**		34,795	
Interest expense		**47,208**		50,202	
Financing income		**(5,149)**		(9,430)	
Loss/(Gain) from sale of property, plant and equipment		**366**		(275)	
Other non-cash expenses		**4,145**		3,405	
Effect of exchange rate change		**(1,975)**		7,507	
Share of loss of equity-accounted investee, net of tax		**—**		303	
Equity settled share based payment expense		**14,793**		245	
Tax expense		**6,784**		6,375	
Operating profit before changes in working capital and provisions			**67,337**		68,932
Increase in trade and other receivables		**(17,379)**		(17,600)	
Decrease in inventories		**18**		86	
Increase/(decrease) in trade and other payables		**6,046**		(1,821)	
Decrease in provisions		**(1,414)**		(755)	
Increasein deferred revenue		**23,499**		22,580	
			10,770		2,490
Tax paid			**(7,177)**		(4,932)
Net cash inflow from operating activities			**70,930**		66,490
Cash flows from investing activities					
Interest received		**980**		964	
Dividends received from joint venture		**—**		600	
Acquisition of subsidiary, net of cash acquired		**(70,951)**		(19,009)	
Acquisition of property, plant and equipment		**(78,908)**		(102,529)	
Proceeds from sale of property, plant and equipment		**71**		1,090	
Net cash outflow from investing activities			**(148,808)**		(118,884)
Cash flows from financing activities					
Proceeds from new loan		**205,338**		184,841	
Interest paid		**(38,608)**		(32,228)	
Refinancing transaction costs		**(1,789)**		(2,853)	
Repayment of borrowings		**(95,848)**		(89,603)	
Proceeds from sale and leaseback		**9,900**		12,700	
Proceeds from issue of shares		**7,000**		—	
Net cash inflow from financing activities			**85,993**		72,857
Net increase in cash and cash equivalents			**8,115**		20,463
Cash and cash equivalents at 1 September	*18*		**83,265**		60,973
Effect of exchange rate fluctuations on cash held			**(2,188)**		1,829
Cash and cash equivalents at 31 August 2018	*18*		**89,192**		83,265

* The restatement related to a reallocation of trade and other payables related to the acquisition of property, plant and equipment in the 2017 Consolidated Cash Flow Statement. As a result of the reallocation, cash flows relating to the acquisition of property, plant and equipment decreased by £2,496,000 and net cash inflow from operating activities increased by the same amount. In addition, directors disaggregated effect of exchange rate change, comparatives have been restated on a consistent basis. There was no impact on the net increase in cash and cash equivalents.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

General information

Cognita Bondco Parent Limited (the "Company") is a company incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Cognita Midco Limited. The ultimate parent company at the date of balance sheet was Cognita Topco Limited, a company incorporated in Jersey. On 25 October 2018, Cognita Topco Limited and the entire Cognita Group was acquired by Lernen Bidco Limited, a company registered in England and Wales. From this date, the ultimate parent undertaking and controlling party is Jacobs Holding AG. See note 32 for further information.

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

Basis of preparation

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

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

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

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

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33**.**

Basis of consolidation

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

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

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

1 Accounting policies (continued)

Going concern

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

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

On 25 October 2018, in conjunction with the acquisition of the Group by Jacobs Holding AG, the Group has refinanced the majority of its debt. New bank facilities were drawn totaling £652 million which enabled the Group to settle certain liabilities which were outstanding at 31 August 2018 including the Senior Secured Loan Notes, Revolving Credit Facilities and Forward Currency Contracts along with local debt in Hong Kong. The new bank debt available at the date of this report consisted of a term loan facility totaling £450 million which is repayable in October 2025 and a bridge loan of £225 million which is repayable in October 2026. In addition to this, there is a Revolving Credit Facility of £100 million which has a termination date of April 2025. Management are considering replacing the £225 million bridge facility with new Loan Notes between the date of signing these financial statements and the end of the financial year.

The Directors have performed a review of the Group's cash flows up to 30 November 2019 and have a reasonable expectation that the business has adequate resources to continue into the foreseeable future. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Foreign currency

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

i) Foreign currency transactions

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

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

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

ii) Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Foreign currency (continued)

presentational currency at foreign exchange rates prevailing on the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising are reported as an item of other comprehensive income and accumulated in the translation reserve, attributed to non-controlling interests as appropriate.

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

Classification of financial instruments

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

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

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

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

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

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

Non-derivative financial instruments

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

Investments in equity securities

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

Cash and cash equivalents

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

Trade and other receivables

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Trade and other payables

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

Interest-bearing borrowings

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

Derivative financial instruments and hedging

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

Property, plant and equipment

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

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

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

Depreciation

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

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

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

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

Business combinations

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

1 Accounting policies (continued)

Business combinations (continued)

When the Group obtains control of a previously jointly controlled entity, the transaction is recorded as a disposal of the investment in the jointly controlled entity and the acquisition of a subsidiary. The profit or loss on disposal of the jointly controlled entity is the fair value of the original holding less its carrying amount.

The Group measures goodwill at the acquisition date as:

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

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

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

Acquisitions and disposals of non-controlling interests

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

Assets held for sale

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

Goodwill and Intangible assets

Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the net assets acquired. Where the total of consideration transferred and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

Intangible assets

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Goodwill and Intangible assets (continued)

Amortisation

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

The estimated useful lives of other intangibles are as follows:

Computer software	– 3 years
Customer contracts	– average tenure of a student at relevant school
School licences	– over the length of the licence
Brands	– 10-20 years
Favourable leases	– over the remaining length of the lease

Inventories

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

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

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

Non-financial assets

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

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

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

The discount rate applied is based on the post-tax weighted average cost of capital of the Group's operations in the country the asset sits. Estimated future cash flows are based on Board approved budgets and mid-term plans which represent our best estimate of future performance, supported by historical trends, known operating margins and achievable growth or cost saving targets. An inflationary growth rate of 2.25% was used to extrapolate beyond five years for all regions with the exclusion of Brazil where 4.95% was used, representing the inflation rate for the business based on latest economic information.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Impairment excluding inventories and deferred tax assets (continued)

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

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

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

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

Revenue

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

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

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

- **Tuition fees**

These are recognised on a straight line basis over the period of the service provision. The fee will be recognised over the full 12 months of that academic year. Annual fee rates are used as the basis for calculating the monthly fee recognised.

- **Application/enrolment fees**

These fees relate to the processing of new applications and where successful, a formal offer of a place within one of the Group's schools is made. These fees are recognised at the point at which an application is processed.

- **Development/facility fees/capital levies**

This is a fee for the provision of the facilities made available to a student during their tenure at a Group school. These fees are dependent upon the provision of tuition services and are therefore directly linked. The revenue is

1 Accounting policies (continued)

Revenue (continued)

recognised over the expected tenure of a student within the school. The expected tenure is considered on a school by school basis and this estimate is reconsidered on an annual basis.

- **Holiday camp revenue**

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

- **Other revenue**

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

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

Employee benefits

Defined contribution plans

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

Multi-employer plans

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), in respect of certain teaching staff. This is a multi-employer defined benefit pension plan and it is not possible for the Group to use defined benefit accounting as sufficient information is not available. Accordingly, no provision can be made for any under or over provision of funding within the plan as required under IAS 19 and the scheme is therefore accounted for in the same way as if it were a defined contribution plan. For further detail on the TPS see note 23.

Short-term benefits

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

Share based payment transactions

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

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

The fair-value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Employee benefits (continued)

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with the corresponding adjustment to equity reserves.

Provisions

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

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

Expenses

Operating lease payments

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

Finance lease payments

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

Financing income and expenses

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

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

Taxation

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Taxation (continued)

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

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

Non-underlying items

Non-underlying items are disclosed separately in order to provide comparability between periods. They comprise income and expenditure which is not related to the Group's core operating activities, including acquisition and business exploration costs, restructuring costs, impairment of assets, profit and loss on disposal of fixed assets, school pre-opening losses, non-cash share based payment expense, and costs associated with the acquisition of the Group by Jacobs Holding AG.

Standards issued but not yet effective

The material new standards and interpretations that are endorsed by the EU but not yet effective up to the date of balance sheet are disclosed below and will be adopted where applicable when they become effective, except where otherwise stated.

IFRS 9, 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and liabilities and replaces the guidance provided by IAS 39 'Financial Instruments: Recognition and Measurement' with effect for the year ending 31 August 2019. Early application is permitted. The key change for the Group arising from IFRS 9 is in the requirement to use an expected loss model for recognition of bad debt provisions across the whole Group, however, the impact on the Group is not expected to be material.

IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and focuses on the nature, amount, timing and uncertainty of revenue and its related cash flows. IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and is effective for the year ending 31 August 2019. Early application is permitted. The adoption of IFRS 15 will change the timing of revenue recognition with tuition and associated fees being recognised on a term time basis instead of the current policy of being recognised evenly over the year. Management's latest estimate of the impact of adopting IFRS 15 in the year ending 31 August 2019 is that it will decrease revenue by c. £1m. The increase in opening deferred revenue as at 1 September 2018 and the corresponding debit to equity reserve has not yet been finalised but is estimated to be in the region of £1-5m.

IFRS 16, 'Leases' considers the definition of a lease, recognition and measurement of leases and also deals with the disclosure of useful information relating to leasing activities. The standard replaces IAS 17 'Leases' and a key change is that most operating leases, held by lessees, will be accounted for on the balance sheet. IFRS 16 is effective for the year ending 31 August 2020, with early adoption permitted, as long as the standard is not adopted prior to IFRS 15. The full financial consequences of adopting IFRS 16 are being calculated by management but are expected to be material. On transition to the new standard, the Group will derecognise certain balances associated with IAS 17, including prepaid and accrued rent, onerous lease provisions and recognise a new right of use asset offset by a lease liability. The adoption of the standard will increase Adjusted EBITDA by replacing rental charges in the income statement with interest and depreciation charges.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries

Acquisitions in the current period

During the year, the Group completed three acquisitions: American British School in Santiago, Chile, Woodland Pre-Schools in Hong Kong and Santo Tomas in Santiago, Chile.

The group incurred costs related to these acquisitions of £2,081,000 relating to legal and financial due diligence and transaction costs during the year ended 31 August 2018 (2017: £434,000). These costs have been included in non-underlying costs in the Group's Consolidated Statement of Comprehensive Income.

Goodwill recognised on acquisition is mainly attributable to the value of synergies of integrating the operations of the business with those of the Group as well as the skills and knowledge of the employees of the schools acquired. None of the goodwill recognised is expected to be deductible for tax purposes.

Cash outflows from operations are reflected in the Consolidated Cash flow Statements on F-25. Cash outflows relating to acquisitions are shown net of cash acquired and include deferred consideration paid in respect of prior year investments.

If all of the acquisitions had occurred on 1 September 2017, the Group revenue would have been £445,920,000 and the Group net loss would have been £45,056,000. In determining these amounts, management has assumed that the fair value adjustment that arose on the dates of the acquisitions would have been the same if the acquisitions had occurred on 1 September 2017.

More detail is provided on each acquisition below:

American British School, Chile

On 1 March 2018, the Group acquired a 100% shareholding in Sociedad Educacional American British School Limitada for a total consideration of CLP 21,821m.

The school is an independent Chilean curriculum school located in South East Santiago, Chile. It provides education to students aged 3-18 with an emphasis on English language. The school had c. 2,600 students at the date of acquisition, with a total capacity of c. 3,000. The acquisition expands the Group's educational offering in Santiago and provides an excellent opportunity for further growth in student numbers in Chile.

In the period from acquisition to 31 August 2018, the American British School contributed £3,660,000 of revenue and £170,000 profit to the consolidated net loss for the year.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

Effect of acquisitions

The acquisition of Sociedad Educacional American British School Limitada had the following effect on the group's assets and liabilities:

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	24,926	(3,681)	**21,245**
Fair value of intangible assets:			
Customer contracts	—	2,527	**2,527**
Trade and other receivables	721	—	**721**
Cash and cash equivalents	7	—	**7**
Deferred tax assets	—	994	**994**
Trade and other payables	(1,523)	—	**(1,523)**
Deferred tax liabilities	—	(682)	**(682)**
Net identifiable assets acquired	**24,131**	**(842)**	**23,289**
Cash consideration relating to business combination and acquisition payment			**26,668**
Total consideration			**26,668**
Value of consideration in excess of net assets acquired attributed to Goodwill			**3,379**

Woodland Pre-Schools, Hong Kong

On 2 May 2018, the Group acquired the trade and assets of Woodland Pre-Schools along with 100% of the issued shares in the seven companies which hold the property leases of the schools, for a total consideration of HKD 446m. Shortly before the acquisition, three new companies were set up in order to acquire the trade and assets and equity interests of the business.

Woodland Pre-Schools is a group of nine nurseries with c. 2,000 students which each comprise a pre-school and a playgroup. It is the largest international pre-school chain in Hong Kong, providing education to students aged 2 to 6 years. The acquisition is expected to increase Cognita's market share in Hong Kong and provide a feeder into the Stamford American School, Hong Kong.

In the period from acquisition to 31 August 2018, the Woodland Pre-Schools contributed £4,917,000 of revenue and £87,000 profit to the consolidated net loss for the year.

Woodland Pre-Schools is treated as one school for the purposes of stating the number of schools operated by the Group.

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

Effect of acquisitions

The acquisition of Woodland Pre-Schools had the following effect on the Group's assets and liabilities.

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	2,480	—	**2,480**
Fair value of intangible assets			
Brand name	—	7,727	**7,727**
Customer contracts		1,036	**1,036**
Trade and other receivables	926	—	**926**
Trade and other payables	(4,583)	—	**(4,583)**
Deferred tax liabilities	—	(1,446)	**(1,446)**
Net identifiable assets acquired	**(1,177)**	**7,317**	**6,140**
Cash consideration relating to business combination and acquisition payment			**38,827**
Total consideration			**38,827**
Value of consideration in excess of net assets acquired attributed to Goodwill			**32,687**

Santo Tomas, Chile

On 31 August 2018, the Group acquired a 100% shareholding in Colegio Santo Tomas de Nunoa Limitada for a total consideration of CLP 3,226m.

Santo Tomas is an independent K-12 school in the Nunoa district, central-eastern Santiago which converted in 2017 from private-subsidised to a fully private school. On acquisition the school had c. 1,300 students and a capacity of c. 1,500. The acquisition of the school will further increase the Group's offering in Santiago, particularly in combination with the acquisition of the American British School noted above.

As Santo Tomas was acquired on the last day of the accounting period, it did not contribute to the consolidated results for the year.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

Effect of acquisitions

The acquisition of Colegio Santo Tomas de Nunoa Limitada had the following effect on the Group's assets and liabilities.

	Estimated Book values recognised on acquisition £000	Fair value adjustments £000	Provisional values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	746	—	**746**
Fair value of intangible assets			
Software	2	—	**2**
Trade and other receivables	2,173	—	**2,173**
Cash and cash equivalents	96	—	**96**
Deferred tax assets	130	—	**130**
Trade and other payables	(2,182)	—	**(2,182)**
Deferred tax liabilities	(130)	—	**(130)**
Net identifiable assets acquired	**835**	**—**	**835**
Cash consideration relating to business combination and acquisition payment			**3,285**
Deferred consideration at fair value			**365**
Total consideration			**3,650**
Value of consideration in excess of net assets acquired attributed to Goodwill			**2,815**

The net assets and goodwill recognised on the acquisition of Santo Tomas as disclosed above should be considered our best estimates based on available information and could therefore be subject to change. As the acquisition of Santo Tomas took place on the last day of the financial year, it was not practically possible to determine the fair values of the net assets acquired in time for inclusion within these financial statements. In accordance with IFRS 3, the Group has 12 months to finalise the acquisition accounting.

3 Revenue

	2018 £000	2017 £000
School fees and related services	**430,103**	384,093
Sale of goods	**371**	1,067
Total revenue	**430,474**	385,160

4 Operating Segments

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

At the year end the Group operated 70 (2017: 67) schools across Europe, Asia and Latin America. The Directors consider these three segments as the Group's reportable segments under IFRS 8.

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

Notes to the Financial Statements (continued)

4 Operating Segments (continued)

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

Segment revenues and results

Operating Segment	Revenue		Underlying Adjusted EBITDA		Operating (loss)/profit	
	31 August 2018 £000	31 August 2017 £000	**31 August 2018 £000**	31 August 2017 £000	**31 August 2018 £000**	31 August 2017 £000
Europe	**194,701**	178,077	**19,309**	14,483	**(25,139)**	(4,724)
Asia	**181,184**	159,322	**47,334**	48,708	**10,472**	21,904
Latin America	**54,589**	47,761	**13,650**	9,693	**202**	6,075
Total	**430,474**	385,160	**80,293**	72,884	**(14,465)**	23,255
Finance income					**5,149**	9,430
Finance expense					**(47,208)**	(50,202)
Share of loss of joint venture					**—**	(303)
Loss before Taxation					**(56,524)**	(17,820)

Segment Assets

Operating segment	Total assets 2018 £000	Total assets 2017 £000
Europe	**506,104**	481,711
Asia	**383,219**	341,292
Latin America	**98,992**	83,964
Segment assets	**988,315**	906,967

5 Non-underlying items

	2018 £000	2017 £000
Impairment	**17,795**	2,623
Impairment reversal	**(2,393)**	—
Acquisition and business exploration costs*	**5,911**	7,759
Restructuring costs**	**915**	7,105
Share based payments charge	**14,793**	245
Loss/(Gain) on disposal of fixed assets	**366**	(275)
Other operating expenses***	**8,300**	—
	45,687	17,457

* Includes negative goodwill on acquisition of joint venture £nil (2017: £970,000) and pre-opening costs of £1,036,000 (2017: £5,876,000).

** Includes loss on disposal of interest in joint venture £nil (2017: £1,428,000) (note 14).

*** Other operating expenses comprise the costs associated with the acquisition of the Group by Jacobs Holding AG.

Notes to the Financial Statements (continued)

5 Non-underlying items (continued)

Non-underlying costs relate to Europe £29,045,000 (2017: £6,718,000), Asia £6,345,000 (2017: £9,496,000) and Latin America £10,297,000 (2017: £1,243,000).

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

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

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

Restructuring costs mainly relate to employment cessation and associated legal costs. These costs are incurred annually but relate to different projects and by their nature will only occur once.

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

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

The tax effect of the non-underlying costs in 2018 was a credit of £203,000 (2017: £449,000).

6 Expenses and auditor's remuneration

Expenses:	**2018 £000**	2017 £000
Cost of inventories recognised as expense	**78**	191
Impairment loss recognised on trade receivables	**720**	968
Depreciation of owned property, plant and equipment	**43,412**	24,944
Depreciation of property, plant and equipment on finance leases	**2,572**	5,524
Amortisation of other intangibles	**3,087**	1,704
Impairment of property, plant and equipment	**8,303**	2,516
Impairment reversal of property, plant and equipment	**(2,393)**	—
Impairment of goodwill	**9,492**	107
Operating lease costs	**16,798**	12,503

Notes to the Financial Statements (continued)

6 Expenses and auditor's remuneration (continued)

Auditor's remuneration:

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

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

	2018 £000	2017 £000
Audit of these financial statements	**76**	76
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**324**	428
Audit-related assurance services	**100**	56
Taxation compliance services	**141**	80
Other tax advisory services	**26**	39
All other services	**143**	326
	810	1,005

7 Staff numbers and costs

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

	Number of employees	
	2018	2017
Number of teachers	**5,036**	4,609
Number of administrative staff	**2,062**	1,866
	7,098	6,475

The aggregate payroll costs of these staff were as follows:

	2018 £000	2017 £000
Wages and salaries	**198,701**	182,761
Share based payments (See note 9)	**14,793**	245
Social security costs	**16,495**	14,343
Contributions to defined contribution plans	**8,452**	7,861
	238,441	205,210

Notes to the Financial Statements (continued)

8 Directors' remuneration

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

	2018 £000	2017 £000
Aggregate emoluments and fees (including benefits in kind)	**1,601**	1,555
Performance bonuses (inc. social security) and other emoluments	**1,133**	1,115
	2,734	2,670
Share based payments	**1,822**	131
	4,556	2,801

No Directors have benefits accruing under defined benefit or defined contribution pension schemes. Under arrangements for selected individuals to subscribe for equity settled shares, a charge has been made to the income statement of £14,793,000 (2017: £245,000) in respect of Directors and managers within non-underlying operating costs. Of this charge, £nil (2017: £nil) relates to arrangements which have vested during the periods ended 31 August 2017 and 31 August 2018.

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

	2018 £000	2017 £000
Aggregate emoluments and fees (including benefits in kind)	**731**	703
Performance bonuses (inc. social security) and other emoluments	**626**	626
	1,357	1,329
Share based payments	**1,026**	—
	2,383	1,329

During the year, three (2017: three) Directors had awards receivable in the form of shares under a long-term incentive plan.

On 31 March 2016, the Group provided an interest free, unsecured loan of £400,089 to M Uzielli, a Director of the Company, to enable him to participate in the Cognita Group Management Incentive Plan. This was repaid in full on 25 October 2018.

On 29 June 2018, the Group provided further interest free loans of £693,000 each to C Jansen and M Uzielli, both Directors of the Company, to enable them to participate further in the Cognita Group Management Incentive Plan. £ 606,000 of each of these loans was repaid and the remaining £87,000 was waived on 25 October 2018.

9 Share based payments

In June 2013, a management incentive plan ("MIP") was introduced whereby certain Directors and senior managers were awarded C shares in the Company. The C shares have limited rights and there is no entitlement to dividends.

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

A number of new participants were granted shares in the incentive plan in the year ended 31 August 2018. The nature and rewards attached to the C shares granted remain consistent with those previously issued. New

Notes to the Financial Statements (continued)

9 Share based payments (continued)

participants to the MIP scheme, were also eligible to acquire B shares in Cognita Topco Limited, these shares rank pari passu with one another and entitle the B shareholders to participate in the profits of the Company. The terms associated with these shares under the MIP are consistent with those relating to the C shares. During the year ending 31 August 2018, 850 C2 and C3 shares and 61,500 B3 and B4 shares were issued (2017: no shares issued). The weighted average fair value of the C and B shares was £9,864 and £3,304 respectively. The total charge for the shares issued in the year was £22,386,000 which is being spread over the expected vesting period. In May 2018, the vesting period was revised to assume a vesting date of 1 December 2018. This led to an acceleration of the charge to the income statement.

Valuations were performed by an independent third party at each of the grant dates. Due to the complex features of the awards, the fair value of these shares at the grant date were derived using a binomial model.

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

- An assumed equity value was estimated at each grant date
- A realisation event was assumed to occur at 31 August 2020
- A risk free rate of return ranging from 0.53% to 0.79%
- A future volatility rate ranging from 33.28 to 34.26% was estimated based on the historical volatility of comparable public companies adjusted for unique or significant events not expected to affect future volatility
- An annual employee exit rate of 0% has been factored into the assumptions, as shares are transferred to other participants

10 Finance income and expense

Recognised in income statement

	2018 £000	2017 £000
Finance income:		
Bank interest	**356**	1,152
Other interest receivable	**627**	396
Derivatives gain	**4,166**	—
Dividend receivable	**—**	600
Exchange gains	**—**	7,282
Total finance income	**5,149**	9,430

	Group 2018 £000	**Company 2018 £000**	Group 2017 £000	Company 2017 £000
Finance expense:				
Interest payable on bank borrowings	**4,121**	**—**	2,617	—
Other similar charges payable	**1,112**	**3**	3,280	2
Interest payable to Group companies	**—**	**33,201**	—	27,893
Finance charges in respect of finance leases	**261**	**—**	283	—
Exchange losses	**7,441**	**—**	—	—
Interest payable on Senior Secured Loan Notes	**32,531**	**—**	27,314	—
Interest payable on Revolving Credit Facility	**1,742**	**—**	1,459	—
Loss on fair value of forward contracts	**—**	**—**	15,249	—
Total finance expense	**47,208**	**33,204**	50,202	27,895

10 Finance income and expense (continued)

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

11 Taxation

Recognised in the income statement

	2018 £000	2017 £000
Current tax expense		
Current year	**7,342**	5,757
Adjustments for prior years	**(1,395)**	(380)
Current tax expense	**5,947**	5,377
Origination and reversal of temporary differences	**1,574**	1,116
Recognition of previously unrecognised tax losses	**(737)**	(118)
Deferred tax expense	**837**	998
Total tax expense	**6,784**	6,375

	2018 £000	2017 £000
Loss excluding taxation	**(56,524)**	(17,820)
Tax using the UK corporation tax rate of 19.00 % (2017: 19.58%)	**(10,740)**	(3,489)
Effect of tax rates in foreign jurisdictions	**94**	(1,177)
Reduction in tax rate on deferred tax balances	**166**	372
Non-deductible expenses	**11,434**	6,019
Recognition of previously unrecognised tax losses	**(737)**	(118)
Current year losses for which no deferred tax asset was recognised	**6,385**	4,753
Over provided in prior years	**(633)**	(483)
Unrelieved withholding tax	**815**	467
Group relief outside consolidation	**—**	52
Consortium relief	**—**	(21)
Total tax expense	**6,784**	6,375

In March 2016, the UK Government announced its intention to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020.

Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this reduced rate. Deferred tax assets and liabilities have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

12 Property, plant and equipment—Group

	Freehold land and buildings £000	Short leasehold land and buildings £000	Fixtures, fittings and equipment £000	Computer equipment £000	Assets under construction £000	Total £000
Cost						
Balance at 1 September 2016	174,942	369,499	71,588	32,852	49,954	698,835
Acquisitions through business combinations	1,420	186	678	155	—	2,439
Additions	609	16,029	10,219	6,838	103,198	136,893
Disposals	(28,652)	(4,816)	(12,841)	(13,667)	(2,640)	(62,616)
Asset reclassification	(6,046)	98,191	4,497	(13)	(96,629)	—
Effect of movements in foreign exchange	6,430	6,289	1,821	610	176	15,326
Balance at 31 August 2017	148,703	485,378	75,962	26,775	54,059	790,877
Balance at 1 September 2017	**148,703**	**485,378**	**75,962**	**26,775**	**54,059**	**790,877**
Acquisitions through business combinations	**20,336**	**2,391**	**1,440**	**304**	**—**	**24,471**
Additions	**5,587**	**4,557**	**12,402**	**9,135**	**26,604**	**58,285**
Disposals	**(33)**	**(848)**	**(3,889)**	**(3,039)**	**(266)**	**(8,075)**
Asset reclassification	**1,383**	**51,768**	**4,378**	**(560)**	**(56,969)**	**—**
Effect of movements in foreign exchange	**(7,754)**	**(5,053)**	**(1,771)**	**(511)**	**(2,013)**	**(17,102)**
Balance at 31 August 2018	**168,222**	**538,193**	**88,522**	**32,104**	**21,415**	**848,456**
Depreciation and impairment						
Balance at 1 September 2016	38,464	73,554	33,237	23,797	—	169,052
Depreciation charge for year	3,444	14,572	7,191	5,261	—	30,468
Impairment losses	—	2,441	75	—	—	2,516
Disposals	(18,365)	(1,910)	(12,351)	(13,403)	—	(46,029)
Effect of movements in foreign exchange	542	1,002	854	387	—	2,785
Balance at 31 August 2017	24,085	89,659	29,006	16,042	—	158,792
Balance at 1 September 2017	**24,085**	**89,659**	**29,006**	**16,042**	**—**	**158,792**
Depreciation charge for year	**2,345**	**26,717**	**11,812**	**5,110**	**—**	**45,984**
Impairment losses	**5,910**	**—**	**—**	**—**	**—**	**5,910**
Disposals	**(1)**	**(839)**	**(3,763)**	**(3,034)**	**—**	**(7,637)**
Asset reclassification	**(5,020)**	**5,020**	**—**	**—**	**—**	**—**
Effect of movements in foreign exchange	**(604)**	**(503)**	**(784)**	**(294)**	**—**	**(2,185)**
Balance at 31 August 2018	**26,715**	**120,054**	**36,271**	**17,824**	**—**	**200,864**
Net book value						
At 1 September 2016	136,478	295,945	38,351	9,055	49,954	529,783
At 31 August 2017	124,618	395,719	46,956	10,733	54,059	632,085
At 31 August 2018	**141,507**	**418,139**	**52,251**	**14,280**	**21,415**	**647,592**

During the year, the Group wrote down £8,303,000 (year ended 31 August 2017: £2,516,000) of property, plant and equipment following a review for impairment. This includes the £4,937,000 of impairment booked in relation to the sale and leaseback transaction earlier in the year in respect of three UK schools. The Group also reversed impairments of £2,393,000 (2017: nil) relating to property, plant and equipment during the year. The impairment calculation was performed in line with the Group's impairment accounting policy. Further details of the key assumptions and sensitivities within this calculation are given in note 13. The impairment loss for the year ended 31 August 2018 is allocated against Freehold land and buildings (2017: Freehold land and buildings) and is included in operating loss within the Statement of Comprehensive Income.

Disclosure of capital commitments can be found in note 28 of the financial statements.

12 Property, plant and equipment—Group (continued)

During the year, the Group completed a ground rent sale and leaseback of freehold properties at five UK schools—see note 19. The carrying value of the leased assets as at 31 August 2018 was £23,175,000 (2017: £12,500,000).

Following the partial disposal of the Chilton Cantelo school buildings in June 2017, the remaining buildings have been transferred to assets held for sale. The sale of the buildings is considered highly probable and they are being actively marketed. As at 31 August 2018, the total amount classified as assets held for sale was £608,000 (2017: £608,000), being the net book value of the property prior to its transfer to assets held for sale.

Certain subsidiary undertakings are guarantors over Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange—Euro MTF Market. Under this arrangement, the assets of these subsidiary undertakings are subject to a fixed and floating charge. The Senior Secured Loan Notes were redeemed on 25 October 2018 in conjunction with the acquisition of the Group by Jacobs Holding AG. See note 32 for further information.

13 Intangible assets—Group

		Other intangibles					
	Goodwill £000	**Software £000**	**Favourable leases £000**	**Customer contracts £000**	**Brands and licences £000**	**Other £000**	**Total £000**
Cost							
Balance at 1 September 2016	158,273	2,377	1,578	5,297	772	153	168,450
Acquisitions through business combinations	12,137	3	—	7,756	—	—	19,896
Additions	—	2,524	—	—	—	—	2,524
Disposals	—	(141)	—	—	—	—	(141)
Asset reclassification	—	153	—	—	—	(153)	—
Effect of movements in foreign exchange	1,560	59	106	466	27	—	2,218
Balance at 31 August 2017	171,970	4,975	1,684	13,519	799	—	192,947
Balance at 1 September 2017	**171,970**	**4,975**	**1,684**	**13,519**	**799**	**—**	**192,947**
Additions	**—**	**2,790**	**—**	**—**	**3**	**—**	**2,793**
Acquisitions through business combinations	**38,881**	**2**	**—**	**3,563**	**7,727**	**—**	**50,173**
Disposals	**—**	**(3)**	**—**	**—**	**—**	**—**	**(3)**
Asset reclassification	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Effect of movements in foreign exchange	**(578)**	**(79)**	**3**	**(1,028)**	**238**	**—**	**(1,444)**
Balance at 31 August 2018	**210,273**	**7,685**	**1,687**	**16,054**	**8,767**	**—**	**244,466**
Amortisation and impairment							
Balance at 1 September 2016	83,111	1,126	43	1,373	189	149	85,991
Amortisation for the year	—	723	36	873	72	—	1,704
Impairment charge	107	—	—	—	—	—	107
Disposals	—	(141)	—	—	—	—	(141)
Asset reclassification	—	149	—	—	—	(149)	—
Effect of movements in foreign exchange	482	63	2	48	2	—	597
Balance at 31 August 2017	83,700	1,920	81	2,294	263	—	88,258
Balance at 1 September 2017	**83,700**	**1,920**	**81**	**2,294**	**263**	**—**	**88,258**
Amortisation for the year	**—**	**1,125**	**121**	**1,551**	**290**	**—**	**3,087**
Impairment charge	**9,492**	**—**	**—**	**—**	**—**	**—**	**9,492**
Disposals	**—**	**(3)**	**—**	**—**	**—**	**—**	**(3)**
Effect of movements in foreign exchange	**(821)**	**(66)**	**3**	**(227)**	**(12)**	**—**	**(1,123)**
Balance at 31 August 2018	**92,371**	**2,976**	**205**	**3,618**	**541**	**—**	**99,711**
Net book value							
At 1 September 2016	75,162	1,251	1,535	3,924	583	4	82,459
At 31 August 2017	88,270	3,055	1,603	11,225	536	—	104,689
At 31 August 2018	**117,902**	**4,709**	**1,482**	**12,436**	**8,226**	**—**	**144,755**

Goodwill and other intangible assets are spread across the Group's regions. The carrying value of intangible assets is monitored by reference to Cash Generating Units ("CGUs"). A CGU is typically a school or limited company for non-school business units. The key assumptions for the value in use calculations are discount and growth rates. The Group considers that all CGUs operate in a similar sector being education, but acknowledge

Notes to the Financial Statements (continued)

13 Intangible assets—Group (continued)

that the countries in which the Group operates need to be considered in the calculation of discount rate. Therefore this year's impairment reviews adopted discount rates ranging between 9.0% and 16.3%. For all CGUs a growth rate of 2.25% is applied with the exclusion of those in Brazil where a rate of 4.95% was used.

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

As part of the review for impairment, the carrying value of goodwill in seven schools in UK and one school in Brazil (2017: two schools in UK) were identified as being impaired and an adjustment of £9,492,000 (2017: £107,000) was made by the Group to write down the value of intangible consolidated goodwill.

Sensitivity analysis

Following the impairment losses recognised in certain schools and reported in tangible and intangible assets respectively, recoverable amounts were equal to carrying amounts.

On the basis of the above, a range of sensitised trading scenarios, carried out on all impairment reviews and for a reasonably possible range of sensitivities, the discounted future cash flows at 31 August 2018 exceeded the valuation of tangible and intangible assets.

Impairment calculations are, however, more sensitive to changes in the discount rate. An increase of 1% in the discount rate, with all other assumptions held constant, would give rise to an additional impairment charge of £7.3m (2017: £4.9m) in the Group CGUs.

14 Share of profit of joint venture

	2018 £000	2017 £000
At beginning of period	—	2,851
Acquisitions through common control transaction	—	—
Interest in joint venture arising in year	—	(303)
Disposal of joint venture	—	(2,548)
At end of period	—	—
Fair value of 50 % stake in joint venture previously held		1,120
Carrying amount of interest		(2,548)
Loss on disposal charged directly to income statement		(1,428)

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

The joint venture was structured as a separate vehicle and the Group had a residual interest in the net assets. The Group owned 50% of the share capital and the articles of association required unanimous consent amongst the two owners for resolutions to be passed.

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School in London, UK for a total consideration of £1.3m. The negative goodwill of £1.0m arising on acquisition was immediately recognised in the income statement.

Notes to the Financial Statements (continued)

15 Deferred tax assets and liabilities—Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Property, plant and equipment	**3,684**	4,125	**(3,444)**	(4,879)
Intangible assets	**203**	16	**(3,080)**	(1,924)
Provisions	**830**	1,958	**(20)**	(27)
Tax losses	**198**	1,138	**—**	—
Other	**3,033**	2,383	**(1,071)**	(167)
Tax assets/(liabilities)	**7,948**	9,620	**(7,615)**	(6,997)
Net of tax (liabilities)/assets	**(1,242)**	(1,929)	**1,242**	1,929
Net tax assets/(liabilities)	**6,706**	7,691	**(6,373)**	(5,068)

Movement in deferred tax during the year:

	1 September 2017 £000	**Recognised on acquisition £000**	**Recognised in income statement £000**	**31 August 2018 £000**
Property, plant and equipment	**(754)**	**—**	**993**	**239**
Intangible assets	**(1,908)**	**(1,549)**	**581**	**(2,876)**
Provisions	**1,931**	**—**	**(1,121)**	**810**
Tax value of loss carry-forwards utilised	**1,138**	**—**	**(940)**	**198**
Other	**2,216**	**86**	**(340)**	**1,962**
	2,623	**(1,463)**	**(827)**	**333**
Foreign exchange movement			**(10)**	
Total expense recognised in income statement			**(837)**	

Movement in deferred tax during the prior year:

	1 September 2016 £000	Recognised on acquisition £000	Recognised in income statement £000	31 August 2017 £000
Property, plant and equipment	185	(33)	(906)	(754)
Intangible assets	(774)	(1,616)	482	(1,908)
Provisions	2,530	—	(599)	1,931
Tax value of loss carry-forwards utilised	834	124	180	1,138
Other	2,244	—	(28)	2,216
	5,019	(1,525)	(871)	2,623
Foreign exchange movement			(127)	
Total expense recognised in income statement			(998)	

The deferred tax asset not recognised is approximately £19,583,000 (2017: £14,849,000) as it is not probable that the related tax benefit will be realised and remains available to offset against future taxable profits.

Notes to the Financial Statements (continued)

16 Inventories

	Group	
	2018 £000	2017 £000
Goods for resale	**418**	444
	418	444

17 Trade and other receivables

	Group	
	2018 £000	2017 £000
Non-current		
Other receivables	**10,321**	9,423
Prepayments and accrued income	**5,585**	3,922
Amounts owed by subsidiary undertakings	**—**	—
Amounts receivable in respect of finance leases	**3,779**	3,762
	19,685	17,107
Current		
Trade receivables	**57,924**	45,426
Other receivables	**11,885**	9,434
Prepayments and accrued income	**8,443**	5,696
Amount due from parent company	**417**	—
Amounts receivable in respect of finance leases	**40**	151
	78,709	60,707

Non-current prepayments include £5,036,000 relating to operating leases held in the Asia region where amounts held on the balance sheet will be released to the income statement in more than one year from the Balance Sheet date.

On 26 January 2017, the Group disposed of Sackville School, UK, leasing the land and buildings to a third party, thereby creating a finance lease receivable at an initial value of £3,750,000. The terms of the lease provide for a rent free period until 31 August 2019, during which period finance lease interest will accrue. Interest accruing in the year ending 31 August 2018 amounted to £17,000 (2017: £12,000).

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

18 Cash and cash equivalents

	Group	
	2018 £000	2017 £000
Cash and cash equivalents per balance sheet	**89,192**	83,265

19 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 26.

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Non-current liabilities				
Secured bank loans	**107,150**	91,931	**—**	—
Finance lease liabilities	**24,303**	15,614	**—**	—
Loans from subsidiary undertakings	**—**	—	**432,768**	370,542
Senior Secured Loan Notes	**430,356**	368,048	**—**	—
	561,809	475,593	**432,768**	370,542
Current liabilities				
Secured bank loans	**14,083**	5,150	**—**	—
Finance lease liabilities	**260**	55	**—**	—
Senior Secured Loan Notes	**1,661**	1,860	**—**	—
Revolving Credit Facility	**53,094**	32,794	**—**	—
	69,098	39,859	**—**	—
Total interest-bearing loans and borrowings	**630,907**	515,452	**432,768**	370,542

As at 31 August 2018, the Group had issued Senior Secured Loan Notes totalling £435m of which £60m was issued in February 2018 at a premium of £1.95m.

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

On 25 October 2018, as part of a Group refinancing exercise in conjunction with the acquisition of the Group by Jacobs Holding AG, the Senior Secured Loan Notes were redeemed, the Revolving Credit Facility was repaid in full and the local debt in Hong Kong totalling £69,805,000 at the year end was settled. On the same day, new bank facilities were entered into comprising £450 million of term loan facilities and £225 million of bridge facility. Management intends to replace the £225 million bridge facility with new Loan Notes between the date of signing these financial statements and the end of the financial year.

Included in non-current liabilities within Senior Secured Loan Notes is £7,815,000 (2017: £9,296,000) of debt issue costs and £4,437,000 (2017: £3,728,000) premium on issue.

Included in current liabilities within Senior Secured Loan Notes is accrued interest of £394,000 (2017: £476,000).

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

Notes to the Financial Statements (continued)

19 Other interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Carrying amount	Carrying amount
				2018 £000	2017 £000
Secured bank loan	BRL	Fixed 12.25%/Brazil CDI +3-3.75%	Oct 18 /Jun 20	**3,655**	8,712
Secured bank loans	CLP	Fixed 3.81 to 5.4%	Apr 27/ May 29	**45,466**	34,208
Secured bank loans	HKD	HIBOR +2.75-4%	Apr 23	**69,805**	51,790
Secured bank loans	EUR	Fixed 1.5%	Apr 22	**2,307**	2,371
Senior Secured Loan Notes	GBP	Fixed 7.75%	Aug 21	**432,017**	369,908
				553,250	466,989

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	**Present value of minimum lease payments**	**Interest**	**Future minimum lease payments**	Present value of minimum lease payments	Interest	Future minimum lease payments
	2018 £000	**2018 £000**	**2018 £000**	2017 £000	2017 £000	2017 £000
Less than one year	**260**	**776**	**1,036**	245	502	747
Between one and five years	**823**	**2,966**	**3,789**	1,010	1,882	2,892
More than five years	**23,480**	**80,995**	**104,475**	14,414	44,955	59,369
	24,563	**84,737**	**109,300**	15,669	47,339	63,008

In February 2018, the Group completed a ground rent sale and leaseback of freehold properties at five UK schools for consideration of £9,900,000. The purchaser simultaneously granted the Group 150 year leases over the properties on the expiry of which, the Group will have the option to buy back the freehold interest for £1 per property.

The profit on disposal arising on two of the properties, totalling £425,000, has been deferred and will be recognised on a straight line basis over the life of the lease. The impairment loss incurred on three of the properties of £4,937,000 has been recognised immediately in the Statement of Comprehensive Income.

20 Trade and other payables

Amounts owed to subsidiary undertakings

	Group 2018 £000	Group 2017 £000
Non-current		
Other taxes and social security	**—**	301
Other payables	**136**	307
Deferred consideration	**1,946**	4,337
Accruals	**3,833**	6,328
Deposits	**1,167**	136
	7,082	11,409
Current		
Trade payables	**16,547**	28,809
Other taxes and social security	**4,868**	4,819
Other payables	**7,644**	4,658
Deferred consideration	**2,677**	4,158
Accruals	**59,932**	53,363
Deposits	**12,220**	11,987
	103,888	107,794

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

21 Other financial liabilities

	2018 £000	2017 £000
Non-current		
Financial liabilities designated as fair value through profit or loss	**55,017**	59,178
	55,017	59,178

There are no current financial liabilities

Other financial liabilities for the year ended 31 August 2018 relate to the forward currency contracts which were entered into following the completion of the refinancing in August 2015 and subsequent additional financing in 2016 and 2017. The forward currency contracts were entered into to mitigate the Group's exposure to future fluctuations in the Euro/GBP and Singapore Dollar/GBP exchange rates, respectively:

Provider	Contract Amount Local currency		Trade Date	Maturity Date	Contract Amount £000	Fair value 2018 £000	Fair value 2017 £000
HSBC	EUR	25,664,057	6 October 2015	8 October 2020	20,000	**3,639**	4,315
HSBC	SGD	226,496,500	7 October 2015	8 October 2020	100,000	**24,342**	25,615
Morgan Stanley	SGD	226,694,000	9 October 2015	8 October 2020	100,000	**24,342**	25,725
Nomura	EUR	17,197,912	3 March 2017	8 October 2020	15,000	**837**	1,294
Nomura	SGD	27,777,004	7 March 2017	8 October 2020	15,000	**341**	405
Nomura	EUR	5,484,561	11 August 2017	8 October 2020	5,000	**56**	196
Nomura	SGD	75,060,000	11 August 2017	8 October 2020	40,000	**1,460**	1,628
					295,000	**55,017**	59,178

21 Other financial liabilities (continued)

The forward currency contracts were all settled on 25 October 2018 as part of the Group's refinancing. See note 32 for further information.

22 Changes in liabilities arising from financing activities

	1 September 2017 £000	Financing cash flows £000	Foreign exchange movement £000	Fair value movement £000	Other £000	31 August 2018 £000
Secured bank loans	97,081	22,565	(4,900)	—	6,487	121,233
Finance lease liabilities	15,669	8,733	—	—	161	24,563
Senior Secured Loan Notes	369,908	29,627	—	—	32,482	432,017
Revolving Credit Facility	32,794	18,070	507	—	1,723	53,094
Other financial liabilities	59,178	—	—	(4,161)	—	55,017
	574,630	78,995	(4,393)	(4,161)	40,853	685,924

The 'Other' column includes the effect of accrued interest on bank loans, finance lease liabilities, Senior Secured Loan Notes and Revolving Credit Facilities.

23 Employee benefits—Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £8,452,000 (2017: £7,861,000) (see note 7).

Multi-employer defined benefit plan

Teachers' Pension Scheme

The Group participates in the TPS for its teaching staff. The defined contribution pension charge for the period includes contributions payable to the TPS of £5,269,000 (2017 £5,369,000) and at the year end £nil (2017: £4,000) was accrued in respect of contributions to this scheme.

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

The employer contribution rate was set following scheme valuations undertaken by the Government Actuary Department. The latest actuarial valuation of the TPS was prepared at 31 March 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%. Contributors are being consulted over the proposed increase. At the time of preparing these financial statements it was proposed that the employer contribution rate would increase from 16.48% to 23.6% with effect from September 2019.

24 Provisions

Group

	Property £000	Severance Allowance and Non-compulsory insurance £000	Other £000	Total £000
Balance at 1 September 2017	**861**	**1,271**	**4,436**	**6,568**
Provisions made during the year	**—**	**455**	**152**	**607**
Provisions used during the year	**—**	**(371)**	**(82)**	**(453)**
Provisions reversed during the year	**(284)**	**—**	**(2,930)**	**(3,214)**
Foreign exchange movement	**(5)**	**(40)**	**(195)**	**(240)**
Balance at 31 August 2018	**572**	**1,315**	**1,381**	**3,268**
Non-current	**—**	**1,315**	**1,145**	**2,460**
Current	**572**	**—**	**236**	**808**
	572	**1,315**	**1,381**	**3,268**

Group

	Property £000	Severance Allowance and Non-compulsory insurance £000	Other £000	Total £000
Balance at 1 September 2016	414	1,131	1,962	3,507
Amounts arising from acquisitions	54	—	125	179
Provisions made during the period	393	413	2,691	3,497
Provisions used during the period	—	(283)	(451)	(734)
Foreign exchange movement	—	10	109	119
Balance at 31 August 2017	861	1,271	4,436	6,568
Non-current	861	1,271	3,194	5,326
Current	—	—	1,242	1,242
	861	1,271	4,436	6,568

Property

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

Severance allowance and non-compulsory insurance

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

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

Notes to the Financial Statements (continued)

24 Provisions (continued)

Other

The other provisions consist of a provision for fidelity complement in Spain and a labour litigation provision in Brazil.

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

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

During the year, the loyalty points system operating in Super Camps Limited ceased and the period available to utilise these points has lapsed. A provision is no longer recognised.

25 Capital and reserves

Share capital

Authorised called up and fully paid

Class of share	Number 2018	Number 2017	Nominal value per share	Total share nominal value 2018 £	Total share nominal value 2017 £	Share consideration 2018 £000	Share consideration 2017 £000
Ordinary	**2**	1	£1	**2**	1	**8,669**	1,669
				2	1	**8,669**	1,669

During the year, the Company issued one additional ordinary share with nominal value of £1 and total consideration of £7,000,000 to its immediate parent company, Cognita Midco Limited.

Rights of share

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

Merger reserve

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

Equity reserve

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

Translation reserve

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

26 Financial instruments

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

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

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

a) Fair values of financial instruments

Fair values

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

	Carrying amount		Fair value	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Group—Carrying amount and fair value				
IAS 39 categories of financial assets				
Loans and receivables (including cash and cash equivalents)	**173,558**	151,461	**173,558**	151,461
Total financial assets	**173,558**	151,461	**173,558**	151,461
Financial liabilities measured at amortised cost				
Interest-bearing loans and borrowings (note 19)	**630,907**	515,452	**645,180**	535,661
Trade and other payables (note 20)	**106,102**	114,083	**106,102**	114,083
Provisions (note 24)	**3,268**	6,568	**3,268**	6,568
Financial liability measured at fair value				
Forward currency contracts and interest rate swaps (note 21)	**55,017**	59,178	**55,017**	59,178
Total financial liabilities	**795,294**	695,281	**809,567**	715,490
Total net financial instruments	**621,736**	543,820	**636,009**	564,029

Effect of change of inputs used in fair value measurement

The carrying amount of interest bearing trade and other receivables and trade and other payables is deemed to be a reasonable approximation of fair value. The fair value of interest-bearing loans and borrowings is determined by reference to the quoted price for the Senior Secured Loan Notes on the Luxembourg Stock Exchange—Euro MTF Market.

b) Credit risk

Financial risk management

Group

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

26 Financial instruments (continued)

b) Credit risk (continued)

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

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

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

Group	Gross	Impairment loss provision	Total	Gross	Impairment loss provision	Total
	2018 £000	2018 £000	2018 £000	2017 £000	2017 £000	2017 £000
Not past due	**46,696**	**(366)**	**46,330**	32,880	(71)	32,809
Past due 0-30 days	**3,835**	**(62)**	**3,773**	7,453	(30)	7,423
Past due 31-120 days	**6,507**	**(718)**	**5,789**	4,391	(449)	3,942
Past due by more than 120 days	**6,585**	**(4,553)**	**2,032**	6,862	(5,610)	1,252
	63,623	**(5,699)**	**57,924**	51,586	(6,160)	45,426

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

	2018 £000	2017 £000
Balance at 1 September	**(6,160)**	(4,983)
Provisions made during the year	**(818)**	(973)
Provisions used during the year	**266**	46
Provisions reversed during the year	**98**	5
Amounts arising from acquisition/disposal	**(362)**	(55)
Amounts written off	**968**	1
Foreign exchange movement	**309**	(201)
Balance at 31 August	**(5,699)**	(6,160)

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

Company

The Company had no external receivables at the year end (2017: £nil) and so has no exposure to credit risk.

c) Liquidity risk

Financial risk management

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

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

The Group is supported by its ultimate parent to ensure continuity of funding. In 2015, the Group secured funding by issuing £280m of Senior Secured Loan Notes. In the year ended 31 August 2017 a further £155m was

26 Financial instruments (continued)

c) Liquidity risk (continued)

raised through additional issuances, through private placements of Senior Secured Loan Notes. Additionally, the Super Senior Revolving Credit Facility increased to £100m during the year ended 31 August 2017. Further local financing is sourced where possible for acquisitions and developments.

On 25 October 2018, as part of a Group refinancing exercise in conjunction with the acquisition of the Group by Jacobs Holding AG, the Senior Secured Loan Notes were redeemed, and the Super Senior Revolving Credit Facility was repaid in full using the proceeds of new bank facilities totalling £652m. Local debt facilities in Hong Kong were also settled as part of the refinancing.

The maturity of borrowings at the Balance Sheet date is set out in note 19 to the financial statements. In total, as at 31 August 2018, the Cognita Bondco Parent Limited Group had drawn borrowings of £630.9m (2017: £515.5m), of which £561.8m (2017: £475.6m) was repayable after 31 August 2019. This included £430.4m of Senior Secured Loan Notes due in August 2021. Following the refinancing of debt in October 2018, the Group had drawn borrowings totalling £703.6m at the date of signing this report and committed unutilised facilities totalling £123m. Of the total facilities available at the date of this report, £720.8m would be repayable after 31 August 2019. This includes bank loans and facilities totalling £675m with repayment dates in 2025 or beyond.

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

Liquidity risk—*Group*

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

			2018 Phasing of contractual cash flows		
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**2 to 5 years £000**	**More than 5 years £000**
Non-derivative financial liabilities					
Secured bank loans	**121,233**	**177,224**	**67,813**	**84,782**	**24,629**
Senior Secured Loan Notes	**432,017**	**534,844**	**33,712**	**501,132**	**—**
Finance lease liabilities	**24,563**	**109,300**	**1,036**	**3,789**	**104,475**
Revolving Credit Facility	**53,094**	**53,094**	**53,094**	**—**	**—**
Trade and other payables	**106,102**	**106,102**	**106,102**	**—**	**—**
	737,009	**980,564**	**261,757**	**589,703**	**129,104**

			2017 Phasing of contractual cash flows		
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	2 to 5 years £000	More than 5 years £000
Non-derivative financial liabilities					
Secured bank loans	97,081	136,627	41,606	77,334	17,687
Senior Secured Loan Notes	369,908	490,135	29,062	461,073	—
Finance leases	15,669	63,008	747	2,892	59,369
Revolving Credit Facility	32,796	32,796	32,796	—	—
Trade and other payables	114,083	114,083	114,083	—	—
	629,537	836,649	218,294	541,299	77,056

26 Financial instruments (continued)

d) Market risk

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

Market risk—Foreign exchange risk

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

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

Company

The Company had no exposure to foreign currency risk at 31 August 2018 or at 31 August 2017.

Sensitivity analysis—Group

If sterling had been 10% stronger / weaker at 31 August 2018, Group equity would have decreased / increased by £85,900 (2017: £590,036). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Market risk—Interest rate risk

The Group finances its operations through third party borrowings and in the form of Senior Secured Loan Notes which, at the date of balance sheet, carried a fixed rate of interest of 7.75%. On 25 October 2018, following the Group's refinancing activities, the Senior Secured Loan Notes were redeemed in full. See note 32 for further details.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2018 is shown in the table below. The table includes trade debtors and creditors which do not attract interest but are subject to fair value interest rate risk.

	Interest rate—2018				Interest rate—2017			
	Fixed £000	**Floating £000**	**Zero £000**	**Total £000**	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets:								
Cash	**—**	**89,192**	**—**	**89,192**	—	83,265	—	83,265
Trade and other receivables	**—**	**—**	**80,130**	**80,130**	—	—	64,283	64,283
Financial liabilities:								
Bank loans	**(50,210)**	**(71,023)**	**—**	**(121,233)**	(42,387)	(54,694)	—	(97,081)
Trade and other payables	**—**	**—**	**(28,767)**	**(28,767)**	—	—	(40,795)	(40,795)
Revolving Credit Facility	**—**	**(53,094)**	**—**	**(53,094)**	—	(32,794)	—	(32,794)
Senior Secured Loan Notes	**(432,017)**	**—**	**—**	**(432,017)**	(369,908)	—	—	(369,908)
Finance leases	**(24,563)**	**—**	**—**	**(24,563)**	(15,669)	—	—	(15,669)

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

26 Financial instruments (continued)

d) Market risk (continued)

Sensitivity analysis

At 31 August 2018, the Group had exposure to interest rate sensitivity in respect of variable rate loans held in Brazil and Hong Kong. In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have increased / decreased the result for the year by £66,000 (2017: £56,000) for the loan held in Brazil and £464,000 (2017: £58,000) for the loan held in Hong Kong.

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

e) Capital management

Group and Company

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

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

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

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Property	**Other**	**Total**	Property	Other	Total
	2018 £000	**2018 £000**	**2018 £000**	2017 £000	2017 £000	2017 £000
Less than one year	**17,390**	**70**	**17,460**	12,836	113	12,949
Between one and five years	**59,298**	**136**	**59,434**	47,642	188	47,830
More than five years	**213,437**	**—**	**213,437**	198,122	7	198,129
	290,125	**206**	**290,331**	258,600	308	258,908

Group

During the year, £16,798,000 was recognised as an expense in the income statement in respect of operating leases (2017: £12,503,000).

28 Capital Commitments

Group

As at 31 August 2018, the Group had total capital commitments of £26,900,000.

In March 2018, St Nicholas Preparatory School entered into a new lease agreement to relocate the school from its existing location. The relocation is subject to planning permission being granted. Total contractual commitment should planning permission be granted is £10,963,000.

28 Capital Commitments (continued)

In December 2014, the Group entered into a promise to purchase agreement with a real estate developer to construct a school in Chile. The development was completed and opened to students in March 2016. Under the terms of the agreement, the Group will be required to purchase the school and the freehold property should certain performance criteria be met, the aggregate contractual commitment at 31 August 2018 is £7,857,000 (2017: £7,141,000).

29 Contingencies

Group Guarantees

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

The total gross exposure in relation to the Senior Secured Loan Notes was £439,831,000 (2017: £379,204,000m) including accrued interest and premiums on issue at 31 August 2018. The Guarantors also grant a senior guarantee of a Super Senior Revolving Credit Facility agreement concurrently with the Senior Secured Loan Notes guarantee. As at 31 August 2018, the total exposure to Revolving Credit Facility was £53,093,900 (2017: £32,794,400). The Group also guarantees the loan facilities and deferred consideration in Brazil, Chile and Hong Kong, with a total exposure of £120,314,000m (2017: £99,952,000m).

On 25 October 2018, the Senior Secured Loan Notes were redeemed in full. Also on this date, the Revolving Credit Facility was settled in full. The Hong Kong local debt facility was repaid on 26 October 2018. See note 32 for more information.

Reinstatement of leased land

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

It has been estimated that the maximum liability at 31 August 2018 should a reinstatement be required would be £6,571,000 (2017: £6,670,000). This estimated contingent liability represents the cost of demolition of the entire area of construction including substructure, extraction of piles, back filling to original levels and re-turfing.

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

Litigation

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

Tax claims

The Group has received assessments from HMRC in the aggregate amount of £1,534,000 (2017: £1,280,000) with respect to PAYE and NI in connection with the operation of a former management GSOP in the four accounting periods ended 31 August 2010 to 2013. The net exposure arising from the assessment is deemed to be £555,000 (2017: £500,000). The Group has appealed these assessments on the basis of guidance from our advisors and no provision has been made.

30 Related parties

Group

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

	Sales to 2018 £000	Sales to 2017 £000	**Expenses incurred from 2018 £000**	Expenses incurred from 2017 £000
Joint venture	—	70	—	—
Joint venture—consortium relief payments	—	—	—	135
	—	70	—	135

As at the year end, the Group was owed £416,000 (2017: £nil) from Cognita Topco Limited. The loan was repaid in full following the year end.

Company

As at 31 August 2018, the Company owed £432,768,000 (2017: £370,542,000) to its subsidiary undertaking Cognita Financing plc. The loan carried a fixed interest rate of 8.25% and is repayable in August 2021. On 25 October 2018 in conjunction with the refinancing activities that took place on acquisition of the Group by Jacobs Holding AG, £429,000,000 of the outstanding balance was repaid.

31 Ultimate parent company and parent company of larger group

The immediate parent company is Cognita Midco Limited, a company registered in England and Wales. The ultimate parent company at the date of balance sheet was Cognita Topco Limited, a company incorporated in Jersey. The ultimate controlling parties at the date of balance sheet were The Bregal Fund III LP and KKR European Fund III LP who each owned 50% of Cognita Topco Limited.

On 25 October 2018, Cognita Topco Limited and the entire Cognita Group was acquired by Lernen Bidco Limited, a company registered in England and Wales. From this date, the ultimate parent undertaking and controlling party is Jacobs Holding AG. See note 32 for further information.

32 Post balance sheet events

Acquisition of Cognita Group

On 25 October 2018, the Cognita Group was sold by its previous owners, KKR European Fund III LP and Bregal Fund III LP, to Jacobs Holding AG. Jacobs are a family controlled professional investment firm, the sole economic beneficiary of which is the Jacobs Foundation. The Jacobs Foundation is a non-profit, charity organisation with the exclusive aim to improve the lives of young people around the world.

The acquisition of the Group has prompted a refinancing of the majority of the Group's debt with new bank facilities being drawn on 25 October 2018 totalling £652,000,000. This enabled the group to settle the Senior Secured Loan Notes, Revolving Credit Facilities and Forward Currency Contracts, along with local debt in Hong Kong.

Acquisition of Colegio Europeo de Madrid, Spain

On 6 November 2018, the Group completed the acquisition of 90% of the Colegio Europeo de Madrid, a bilingual school located in Madrid, Spain catering for students aged 0-18. On acquisition, the school had c. 650 students with a capacity of c. 1,000. The acquisition was funded by a further £1,500,000 of bank debt from the Group's new facilities.

33 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

Fair value of assets and liabilities attributable to business combinations

All business combinations are accounted for under IFRS 3 which involves recording all the assets and liabilities of the acquired entity at their fair value as at the date of acquisition. As part of this exercise, significant judgement is needed to determine the valuation of the separable intangibles acquired in the business combination. The judgements involve determining the types of intangibles which exist, their expected useful economic lives, the future cash flows expected to be generated from the assets and the appropriate discount rate to use. The total value of other intangibles recognised during the year ending 31 August 2018 was £11,290,000 (2017: £7,756,000). The impact of making different judgements regarding these intangible assets would be to increase or decrease goodwill by the equivalent amount.

Key sources of estimation uncertainty

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

Share based payments

In accordance with IFRS 2, share based payments are measured at fair value at the date of grant. The valuation of the share based payments is performed by an independent third party and involves the use of some significant estimates. The key estimate which has a material impact on the resulting valuation of the share based payments is the underlying equity valuation of the Group. This has been estimated by management and leads to a total valuation of the shares issued during the year of £22,386,000 (2017: nil). The resulting charge in the income statement for the year ending 31 August 2018 was £14,793,000 (2017: £245,000). The valuation of the share based payments is extremely sensitive to changes in the equity valuation and a reasonably possible change in the EV/EBITDA multiple of +/- 0.5x would cause the share based payment valuation to range from £20,740,000 to £24,270,000.

Impairment of goodwill

The Group is required to perform an impairment test of goodwill at least annually. This requires the Group to calculate the value in use of each CGU to which goodwill has been allocated by estimating its future cash flows and selecting an appropriate discount rate. Management's estimation of the future cash flows of each CGU is based on the Group's long term plan, adjusted to remove development capex and the positive results impact of this spend. Discount rates are specific to each country of operation. The total goodwill impairment charge for the year was £9,492,000 (2017: £107,000).

Notes to the Financial Statements (continued)

34 Investments in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
Balance at 1 September 2017	864,290
Investments during the year	60,500
Balance at 31 August 2018	**924,790**

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

Subsidiary undertaking	Class of share capital held	% held	Registered Office (Appendix)	Country of incorporation	Nature of business
Cognita Financing plc*	Ordinary	100%	1	England & Wales	Loan issuing Company
Cognita Holdings Limited*#	Ordinary	100%	1	England & Wales	Holding/ Loan issuing Company
Cognita UK Holdings Limited#	Ordinary	100%	1	England & Wales	Holding Company
Cognita Limited#	Ordinary	100%	1	England & Wales	Management/ Holding Company
Cognita Schools Limited	Ordinary	100%	1	England & Wales	Education
Cognita International Holdings Limited#	Ordinary	100%	1	England & Wales	Holding Company
Super Camps Limited#	Ordinary	100%	1	England & Wales	Education
The Bushcraft Company Limited#	Ordinary	100%	1	England & Wales	Education
Educational Activity Group Limited***	Ordinary	100%	1	England & Wales	Liquidating
Educational Activity Limited***	Ordinary	100%	1	England & Wales	Liquidating
St Nicholas Preparatory School Limited	Ordinary	100%	1	England & Wales	Education
Cognita Funding 1 Limited#	Ordinary	100%	1	England & Wales	Holding Company
Cognita UK Mexico Holdings Limited#	Ordinary	100%	1	England & Wales	Holding Company
Cognita UK Brazil Holdings Limited#	Ordinary	100%	1	England & Wales	Holding Company
Cognita Spain Holdings S.L.	Ordinary	100%	2	Spain	Management/ Holding Company
The British School of Barcelona S.A.	Ordinary	100%	2	Spain	Education
ELIS Cognita S.L.	Ordinary	100%	2	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	2	Spain	Holding Company
Cognita BSB Property S.L.	Ordinary	100%	2	Spain	Property
Cognita Hastings Property S.L.	Ordinary	100%	2	Spain	Property
Cognita Hastings Holdings S.L.	Ordinary	100%	2	Spain	Education
The English Montessori School S.A.	Ordinary	100%	3	Spain	Education
Cognita Singapore Holdings Pte Limited	Ordinary	100%	4	Singapore	Holding Company
Cognita Centre for Leadership and Learning Pte Limited	Ordinary	100%	4	Singapore	Education
Australian International School Pte Limited	Ordinary	100%	4	Singapore	Education
Cognita Asia Holdings Pte Limited	Ordinary	100%	4	Singapore	Management/Holding Company

Notes to the Financial Statements (continued)

34 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held	Registered Office (Appendix)	Country of incorporation	Nature of business
Stamford American International School Pte Limited	Ordinary	100%	5	Singapore	Education
Camp Asia Cognita Pte Limited	Ordinary	100%	6	Singapore	Education
Avondale Grammar School Pte Limited	Ordinary	100%	7	Singapore	Education
St Andrews Dusit Thailand Pte Limited	Ordinary	100%	8	Singapore	Management/Holding Company
St Andrews Dusit Campus Company Limited##	Ordinary	70%	9	Thailand	Education
British Education Management Systems Company Limited	Ordinary	100%	10	Thailand	Education
Silom Education Company Limited	Ordinary	100%	11	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	12	Thailand	Education
Cognita Brasil Participacoes Ltda	Ordinary	100%	13	Brazil	Holding/Management Company
Cognita Brasil Locadora de Imoveis Ltda	Ordinary	100%	13	Brazil	Property
Cognita Brasil Locadora de Imoveis 2 Ltda	Ordinary	100%	13	Brazil	Holding Company
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	14	Brazil	Education
GRS2 Empreendimentos Imobiliarios Ltda	Ordinary	100%	15	Brazil	Property
Escola Cidade Jardim—Playpen Ltda	Ordinary	100%	16	Brazil	Education
Cognita Chile SPA	Ordinary	100%	17	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	17	Chile	Holding Company
Desarrollos Educacionales, SA	Ordinary	100%	18	Chile	Management/Holding Company
Soc. Educacional Huechuraba, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Penalolen, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Temuco, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Puerto Montt, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Valle Lo Campino, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Ciudad Del Este, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Lo Aguirre, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Chicureo, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Curauma, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Chicauma, SA	Ordinary	100%	18	Chile	Education
Immobiliaria Tierra Fertil, SA	Ordinary	100%	18	Chile	Services Company
Servicos Educacionales, SA	Ordinary	100%	18	Chile	Services Company
Gestion Educativa, SA	Ordinary	100%	18	Chile	Services Company
Soc. Educacional American British School Ltda**	Ordinary	100%	19	Chile	Education
Colegio Santo Tomas de Nunoa Ltda**	Ordinary	100%	20	Chile	Education
Bauhinia Education and Training Company Limited	Ordinary	100%	21	Hong Kong	Holding Company

Notes to the Financial Statements (continued)

34 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held	Registered Office (Appendix)	Country of incorporation	Nature of business
Stamford American School of Hong Kong Limited	Ordinary	100%	21	Hong Kong	Dormant
Spring Blossom Education Limited	Ordinary	100%	22	Hong Kong	Holding Company
Flora Education Limited	Ordinary	100%	22	Hong Kong	Education
Woodland Holdings (HK) Ltd**	Ordinary	100%	22	Hong Kong	Holding Company
Woodland Playgroups Ltd**	Ordinary	100%	22	Hong Kong	Education
Woodland Pre-Schools Ltd**	Ordinary	100%	22	Hong Kong	Education
The Woodland Sai Kung Pre-School Ltd**	Ordinary	100%	22	Hong Kong	Lease Company
The Woodland Pre-School (Happy Valley) Ltd**	Ordinary	100%	22	Hong Kong	Lease Company
The Woodland Pre-School (Pokfulam) Ltd**	Ordinary	100%	22	Hong Kong	Lease Company
The Woodland Kennedy Town Playgroup (Davis Street) Ltd**	Ordinary	100%	22	Hong Kong	Lease Company
The Woodland Beachside Pre-School Ltd**	Ordinary	100%	22	Hong Kong	Lease Company
The Woodland Montessori Pre-School (Repulse Bay) Ltd**	Ordinary	100%	22	Hong Kong	Lease Company
Pacific Crown (HK) Ltd**	Ordinary	100%	22	Hong Kong	Lease Company
Vanguard Era Investments Limited	Ordinary	100%	23	BVI###	Holding Company
VOF PE Holding 1 Limited	Ordinary	100%	24	BVI###	Holding Company
International Schools Limited	Ordinary	100%	25	BVI###	Holding Company
International Education Corporation Joint Stock Company	Ordinary	100%	26	Vietnam	Education
Lotus Education and Training One Member Company Ltd	Ordinary	100%	27	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	28	Vietnam	Holding Company
Global Education Network Lotus Company Limited	Ordinary	100%	28	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	99.99%	28	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	96%	28	Vietnam	Holding Company

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

* Directly held

** Companies acquired during the year or incorporated during the year in conjunction with an acquisition. See note 2 for further information.

*** Educational Activity Group Limited and Educational Activity Limited are in the process of being liquidated.

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

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

"BVI" means British Virgin Island.

During the year, the Group also liquidated two of its wholly owned subsidiaries, Cognita MH SA de CV and Cognita Mexico Service Provider SC.

Appendix—List of registered offices

1 EMW, Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, MK5 8FR
2 Plaza del Doctor Letamendi 1-2, 4ª planta (08007 Barcelona - Spain)
3 Calle La Salle C/N 28023, Madrid
4 60 Anson Road #18-04 Mapletree Anson, Singapore 079914
5 1 Lorong Chuan, Singapore 556818
6 1 Woodleigh Lane, Singapore, 357684
7 318 Tanglin Road, Block A, Singapore 247979
8 3 Raffles Place, #06-01, Bharat Building, Singapore, 048617
9 253 Ratchawithi Road, Kwaeng Suan Chitlada, Khet Dusit, Bangkok
10 7 Sukhumvit 107, Bang Na, Bangkok 10260, Thailand
11 9 Convent Road, Silom, Bang Rak, Bangkok 10550, Thailand
12 1M. 7 Ban Chang- Makhamkhoo Road Samnak Thon, Ban Chang, Rayong, 21130 Thailand
13 Av. Lineu de Paula Machado, 1490 - Cidade Jardim - São Paulo - SP - 05601-000, Brazil
14 Rua Maria Caldas, 35 - São Francisco - Niterói - RJ - 24365-050, Brazil
15 Rua Coronel João Brandão, 95 - São Francisco - Niterói - RJ - 24365-060, Brazil
16 Praça Professor Américo de Moura, 101 - Cidade Jardim - São Paulo - SP - 05670-060, Brazil
17 Avda. Andres Bello, 2711 - Piso 19 - Las Condes - Santiago - Chile - 8320000
18 Marchant Pereira 10, Piso 14. Providencia, Santiago, Chile
19 Avenida Walker Martinez No. 2972, La Florida, Santiago, Chile
20 Avenida Irarrazaval No. 5310, borough of Nunoa, Chile
21 14 Hutchison House, 10 Harcourt Road, Hong Kong
22 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
23 Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands
24 Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands
25 International Trust Company B.V.I Limited, P.O. Box 659, Road Town, Tortola, British Virgin Islands
26 No. 649A, Vo Truong Toan Street, An Phu Ward, District 2, Ho Chi Minh City, Vietnam
27 92 Nguyen Huu Canh, Ward 22, Binh Thanh District, Ho Chi Minh City, Vietnam
28 Level 4, VietComReal Building, 68 Nguyen Hue St, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam

Cognita Bondco Parent Limited
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Cognita Bondco Parent Limited
Financial Statements
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Company Information
for the year ended 31 August 2017

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REGISTERED NUMBER:	09669246
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Year ended 31 August 2017

Strategic report

The Directors submit the Strategic Report, the Report of the Directors and the audited consolidated financial statements of the Cognita Bondco Parent Limited Group (the "Group") for the year ended 31 August 2017.

The Group is a leading global operator of private-pay K-12 schools. The Directors are pleased with the performance during the year to 31 August 2017 which was in line with expectations. At the year end, the Group operated 67 (2016: 67) schools across Europe, Asia and Latin America with an average total capacity of 45,140 (2016: 43,544) places and a total average enrolment of 35,286 (2016: 33,595) FTE students. The Group opened its 68th school in Hong Kong in September 2017, adding 400 additional seats of capacity on opening which will have increased to 800 by January 2018.

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

Cognita Topco Limited is owned by The Bregal Fund III LP and KKR European Fund III LP who each hold 50% of the issued share capital. The audited, consolidated financial statements of Cognita Topco Limited are available to the public by application to the registered office of that company, or from Companies House with the financial statements of the immediate parent company.

Cognita Financing plc, a wholly owned subsidiary of the Company was incorporated on 3 July 2015, with the purpose of issuing debt in the form of Senior Secured Loan Notes (the "Notes") on the Luxembourg Stock Exchange—Euro MTF ("Multilateral Trading Facility"). In accordance with the terms of the Senior Secured Loan Notes indenture, the Company is required to prepare consolidated financial statements.

Principal activity and review of the year

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

Our Strategy

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

Results and performance

The results of the Group for the year are set out on F-88 to F-94.

Students, revenue and EBITDA for the year ended 31 August are disclosed below.

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

"Adjusted EBITDA" means EBITDA before impairment, depreciation and amortisation of other intangibles and excluding the joint venture portion of Adjusted EBITDA. Adjusted EBITDA can be split into underlying and non-underlying components.

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

Strategic report (continued)

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

"Regional Group Adjusted EBITDA" means Group Adjusted EBITDA excluding Group central costs.

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

	Students		Revenue		Group Adjusted EBITDA	
	2017 No.	2016 No.	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Europe	**14,409**	13,817	**182,592**	167,367	**26,477**	26,810
Asia	**8,401**	7,930	**159,322**	128,954	**48,708**	37,504
Latin America	**12,476**	11,848	**47,761**	34,613	**9,693**	6,902
Group	**—**	—	**—**	—	**(10,985)**	(9,777)
Total	**35,286**	33,595	**389,675**	330,934	**73,893**	61,439
Excluding impact of joint venture	**(219)**	(249)	**(4,515)**	(4,889)	**(1,009)**	(1,217)
Statutory result	**35,067**	33,346	**385,160**	326,045	**72,884**	60,222

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School Limited in London, UK. Consequently, Group Adjusted EBITDA (including 100% of joint venture Adjusted EBITDA) is considered the most relevant metric for information purposes.

Student numbers increased (including the impact of acquisitions) by 5.0% in the year, with Europe growing by 4.3%, Asia by 5.9% and Latin America by 5.3%. The Europe student growth was partially offset by a decrease in student numbers in Chilton Cantelo, Cranbrook (closed in the year ended 31 August 2016) and Sackville (sold in the year ended 31 August 2017) schools in the United Kingdom. Asia student growth was mostly driven by the Dusit acquisition in Thailand in 2016 and continued growth in Stamford American School in Singapore and in ISHCMC in Vietnam. The growth of 5.3% in Latin America is largely due to the ongoing growth in the Chile schools with new capacity and the bilingual programme continuing to drive enrolments.

Group revenue (including 100% of the St Nicholas joint venture) increased from £330.9m in 2016 to £389.7m in 2017, an increase of 17.8% or 8.6% on a constant currency basis. Revenue attributable to new acquisitions during the year ended 31 August 2017 represented 8.6% of the increase on a constant currency basis, with the remainder due to the organic increase in student numbers and annual fee inflation.

Regional Group Adjusted EBITDA grew by 19.2% (8.0% on a constant currency basis) and represents a margin of 21.8% of revenue (2016: 21.5%). Much of this increase was derived from organic growth of 13.2% in the Asia region driven by a strong growth in all countries in the region utilising available capacity. The Asia Regional Adjusted EBITDA grew 29.9% (13.9% on a constant currency basis) on revenues that grew by 23.5% (9.3% on a constant currency basis) in the same period.

The 17.7% organic growth rate in Latin America, on a constant currency basis, was driven by a 0.5ppt improvement in the utilisation rates from 76.4% to 76.9% in the year ended 31 August 2017. The improvement in EBITDA has been most notable in Chile where a new bilingual programme continues to grow and has led to improved margins.

Europe Regional Adjusted EBITDA of £26.5m fell 1.2% (fell 18.3% on an organic basis) during the year, driven by lower EBITDA in the UK as a result of targeted investment in the educational provision and higher national insurance contributions. The EBITDA in Spain was impacted by two additional sites in Madrid for Hastings school which will drive growth in future years.

Group central costs grew 12.4% to £11.0m in the year ended 31 August 2017. This increase was primarily due to the full year impact following the transition of the executive management team.

Loss for the year before taxation

The Group's loss before tax was £17.8m (2016: £32.9m) for the year ended 31 August 2017, which was in line with management's expectations and reflective of the ongoing investment in growing the business. The £15.1m improvement in loss before taxation was largely attributable to a £12.6m increase in operating profit and a £3.2m decrease in the net finance expense.

Capital expenditure

During the year, the Group invested £134.0m in capital expenditure (2016: £124.3m) and £2.5m (2016: £1.2m) in software. The capital expenditure reported in the year represents amounts spent on the regular renewal of estate, along with amounts invested in the expansion plans of the Group's existing portfolio of schools, along with the significant investments in the Early Learning Village in Singapore and the c. £20.0m refurbishment cost for the new Hong Kong school.

Amounts invested in development capital represented £116.8m (2016: £108.0m) in total compared to operating capital expenditure of £17.2m (2016: £16.3m). Operating capital expenditure includes investment in ensuring schools maintain their standards and compliance with all regulations, whilst development capital expenditure represents investment made to expand capacity at the Group's schools and for construction and development of other facilities which do not directly result in capacity expansion.

Developments during the year

Europe

Acquisition of The English Montessori School, Madrid

On 6 September 2016, the Group acquired 100% shareholding in The English Montessori School, a school based in Madrid, Spain. The consideration was funded by a drawdown on the Revolving Credit Facility. The school is an independent British school offering education to students aged 3-18 years. The school had c. 790 students at the date of acquisition, with a current capacity of c. 1,000.

Disposal of Sackville school, Kent

On 27 January 2017, the Group disposed of Sackville school in the United Kingdom. The school was sold as a going concern and is expected to continue trading under new ownership. Cognita has retained the freehold interest in the school property. The property has been leased to the purchaser for a 25 year term and includes an option to buy. For accounting purposes, the lease is treated as a finance lease and has triggered the transfer of the property from tangible fixed assets to finance lease receivables to the value of £3.8m.

Sale and leaseback

On 1 March 2017, the Group completed a ground rent sale and leaseback of freehold properties at four UK schools. The freehold interest of Breaside Preparatory School, Clifton Lodge Preparatory School, Duncombe School and Long Close School were sold for consideration of £12.7m. The purchaser has simultaneously granted Cognita 150 year leases over the properties.

At the expiry of the leases, Cognita Schools Limited will have the option to buy back the freehold interest for £1 per property.

The proceeds of the transaction were used to partially repay the Group's Revolving Credit Facility, enhancing Cognita's liquidity.

Disposal of school properties, United Kingdom

After its closure at the end of the 2016 summer term, the Cranbrook school buildings were sold in March 2017. Proceeds from the sale were approximately £2.0m. A partial disposal of the Chilton Cantelo school buildings was completed in June 2017. Proceeds from the sale were £1.25m.

Strategic report (continued)

Acquisition of The Bushcraft Company, United Kingdom

On 12 May 2017, the Group acquired a 100% shareholding in The Bushcraft Company Limited ("Bushcraft"). The consideration includes deferred payments, of which a small amount is contingent.

Bushcraft provides outdoor adventure trips for students aged 7 to 18 into woodland environments for practical and teambuilding experiences. Last year, 24,000 students from over 300 schools participated in a Bushcraft adventure.

Acquisition of remaining 50% shareholdings of St Nicholas Preparatory School Ltd, United Kingdom

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School Limited in London, UK. The negative goodwill of £1.0m arising on acquisition was immediately recognised as non-underlying within the income statement.

Asia

Refurbishment and successful opening of the brownfield school property in Hong Kong

The Group's first school in Hong Kong (Stamford American School) opened in September 2017, with over 350 students. The Group completed the purchase of a school property in Kowloon, Hong Kong on 15 April 2016. The building acquired will have capacity for c. 800 students once work is complete. The purchase price paid, excluding fees and expenses, was HKD 673m (c. £61m). A further HKD 180m (c. £18m) was spent on refurbishing the building this year.

Successful opening of Early Learning Village in Singapore

The Group has invested SGD 209m (c. £112m) in land and buildings for the Early Learning Village in Singapore, which opened to students in July 2017, providing over 2100 student places for 18 month to 6 year olds. As at 31 August 2017, SGD 200m (c. £108m) had been invested in this project, with SGD 119m (c. £68m) incurred in the year ended 31 August 2017.

Construction of new campus in Vietnam

Construction is on track to complete in December 2017 on a 900 seat campus which will house the secondary school of the International School Ho Chi Minh City (ISHCMC), doubling the capacity of the school. This is a USD 16.2m (c. £12m) investment by the Group which is jointly funded with a local developer, and will open in January 2018. It will allow ISHCMC to continue to grow enrolments which currently stand at c. 1,100.

Acquisition of Avondale Grammar School, Singapore

On 13 July 2017, the Group acquired 100% of the share capital of Avondale Grammar School Pte Ltd. The acquisition was funded from existing cash resources. The school had c. 250 students at the date of acquisition.

Latam

Acquisition of 49% minority interest in Chile

The Group formally notified the exercise of a call option to purchase the remaining 49% interest in the Chile schools business via its shareholding in Desarrollos Educacionales, SA on 29 July 2016. Completion took place on 26 September 2016.

Expansion plans for GayLussac school, Brazil

Work to expand the GayLussac school in Brazil is due to complete in December 2017. The project will provide enhanced facilities and nine new classrooms, creating incremental capacity for c. 260 students, bringing total school capacity for students and the Bilingual programme to c. 1,950. The new facilities will be opened for the new academic year in February 2018.

Strategic report (continued)

Group

Funding secured to support Group growth

On 4 October 2016, an additional £45m of Senior Secured Loan Notes (the "Notes") were issued via a private placement at a premium of £2m to par value. This additional funding followed a £20m increase to the Super Senior Revolving Credit Facility on 19 September 2016, taking the total facility to £100m.

The Group issued an additional £50m of Notes on 8 May 2017 via a private placement. These Notes, which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2.25m to par value was recognised upon the issuance of these instruments.

The proceeds of the offering were used to repay amounts outstanding under the Group's existing Revolving Credit Facilities and to pay any related accrued interest, transaction costs and expenses, with any remaining amounts to be used for general corporate purposes.

The Group continues to monitor and review its exposure to foreign exchange risk in relation to the Notes denoted in pounds sterling.

British referendum on Europe

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

Currency exposure: Fluctuations in exchange rates will impact Group results which are reported in pounds sterling. Approximately 64% of Group revenue, 80% of Group EBITDA and 92% of Group capital expenditure are denominated in foreign currency. The Group has entered into forward exchange contracts in respect of the Notes as disclosed in the final section of this report.

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

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

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

Serious Case Review

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

Strategic report (continued)

The Group continues to invest in safeguarding and has a governance model which combines both internal and external review in every school. Since implementing a new approach, Cognita has been identified as a leader in this area. It is notable that in Cognita's school inspections since October 2015, all schools have been deemed compliant and all but one have scored Outstanding for Welfare, Health and Safety, including Southbank International School.

Catalonia independence referendum

The Group has one school in Catalonia, Spain, the British School of Barcelona. The political situation in Spain is being closely monitored and steps have been taken to ensure continuity of operations should the situation escalate. Management do not expect the situation to have a material impact on the Group.

System Implementations

NetSuite, a global ERP system, has been successfully introduced into all regions during the year. NetSuite will provide additional functionality, visibility and enable improved cost control management going forward.

The implementation of Group wide systems for human resources and admissions is also underway.

Future developments

The Group will continue to invest in its existing schools, with some strategic development projects planned for the year ended 31 August 2018 and beyond. The Group will continue to develop opportunities in all regions.

Statement of Going Concern

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

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

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

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

The Group issued an additional £50.0m of Notes on 8 May 2017 via a private placement. These Notes, which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2.25m to par value was recognised upon the issuance of these instruments.

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

Strategic report (continued)

Controlling parties and ultimate parent undertaking

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

Principal Risks and Uncertainties

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

Child protection and safeguarding

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

Authorisation to operate as an education provider

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

Health and safety

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

Market forces

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

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

Political environment

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

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

Strategic report (continued)

Principal Risks and Uncertainties (continued)

ICT systems and infrastructure

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

Cyber risk and data protection

The Group collects and retains personal data and unauthorised disclosure of this data due to a systems failure or otherwise could have a damaging effect on the business. The Group has policies and procedures in place which are aligned to regulatory standards and are well prepared for the introduction of the EU General Data Protection Regulation.

Human resources

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

Supporting growth

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

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

Financial capital risk

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

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

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

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

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

Macroeconomic environment

Our operations are affected by the general economic conditions in each of the countries in which we operate. These macroeconomic conditions are monitored on an ongoing basis along with the impact on our current and

Strategic report (continued)

Principal Risks and Uncertainties (continued)

future financial performance. Risks identified during the year included the potential impact of the British referendum on the EU, slower than historical growth in the Asia region, driven by global macroeconomic environment changes, and political developments in Catalonia, Spain.

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

Liquidity risk

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

The Group is supported by its ultimate parent, whose policy has been to ensure continuity of funding. In 2015, the Group secured funding by issuing £280m of Senior Secured Loan Notes. In October 2016 and May 2017, the Group issued an additional £45m and £50m respectively of Loan Notes through a private placement. Additionally, the Super Senior Revolving Credit Facility was increased by £20m to £100m during the year ended 31 August 2017.

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

The maturity of borrowings at the Balance Sheet date is set out in note 19 to the financial statements. In total, the Cognita Bondco Parent Limited Group has access to committed borrowing facilities of £515.5m (2016: £402.7m), of which £296.3m mature beyond 2020.

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

Foreign exchange risk

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

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

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

Interest rate risk

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

Credit risk

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

Strategic report (continued)

Principal Risks and Uncertainties (continued)

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

By Order of the Board

/s/ M Uzielli

M Uzielli
Director
7 December 2017

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

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2017

Report of the Directors

The Directors submit their report together with the audited financial statements of Cognita Bondco Parent Limited for the year ended 31 August 2017.

Results and dividends

The Group loss for the financial year amounted to £24,195,000 (2016: £39,619,000).

The Company loss for the financial year amounted to £1,809,500 (2016: £3,501,000).

The Directors do not recommend the payment of a final dividend (2016: £nil).

Directors

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

D Villa
C Jansen
M Uzielli

Directors' third party indemnity insurance

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

Directors' biographies

Chris Jansen was appointed as Group Chief Executive Officer in October 2015. Mr Jansen has over 20 years' experience in competitive consumer products and service businesses having served as CEO of the AA as well as working in senior executive roles at Centrica and British Airways.

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

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

Political contributions

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

Independent auditor and disclosure of information to auditor

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

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

Report of the Directors (continued)

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

By order of the board

/s/ M Uzielli

M Uzielli
Director
7 December 2017

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

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of Cognita Bondco Parent Limited (the "Company") for the year ended 31 August 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 August 2017 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on F-85, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

/s/ D Neale

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

8 December 2017

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 August 2017

	Note	2017 Underlying £000	2017 Non-underlying £000	2017 Total £000	2016 Underlying £000	2016 Non-underlying £000	2016 Total £000
Revenue	*1,3*	**385,160**	**—**	**385,160**	326,045	—	326,045
Employee benefits expense	*5,7,8*	**(204,965)**	**(245)**	**(205,210)**	(175,426)	(3,954)	(179,380)
Other operating (expenses)/income		**(107,311)**	**275**	**(107,036)**	(90,397)	39	(90,358)
Acquisitions and business exploration	*5*	**—**	**(7,759)**	**(7,759)**	—	(4,575)	(4,575)
Restructuring costs	*5*	**—**	**(7,105)**	**(7,105)**	—	(7,138)	(7,138)
Adjusted EBITDA		**72,884**	**(14,834)**	**58,050**	60,222	(15,628)	44,594
Impairment	*5*	**—**	**(2,623)**	**(2,623)**	—	(8,172)	(8,172)
Depreciation and amortisation of other intangibles	*6*	**(32,172)**	**—**	**(32,172)**	(25,756)	—	(25,756)
		40,712	**(17,457)**		34,466	(23,800)	
Operating profit				**23,255**			10,666
Finance income	*10*			**9,430**			29,489
Finance expense	*10*			**(50,202)**			(73,483)
Share of (loss)/profit of joint venture	*14*			**(303)**			454
Loss before taxation				**(17,820)**			(32,874)
Taxation	*11*			**(6,375)**			(6,745)
Loss for the year				**(24,195)**			(39,619)
Loss attributable to:							
Equity holders of the parent				**(24,122)**			(40,215)
Non-controlling interest				**(73)**			596
Loss for the year				**(24,195)**			(39,619)
Other comprehensive expense							
Items that are or may be reclassified to profit or loss:							
Foreign operations:-							
Foreign currency translation differences				**114**			10,769
Total comprehensive loss for the year				**(24,081)**			(28,850)
Attributable to:							
Equity holders of the parent				**(24,008)**			(29,446)
Non-controlling interest				**(73)**			596
Total comprehensive loss for the year				**(24,081)**			(28,850)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
at 31 August 2017

	Note	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	*12*	**632,085**	529,783
Intangible assets	*13*	**104,689**	82,459
Trade and other receivables	*17*	**17,107**	8,804
Investments in equity-accounted investees	*14*	**—**	2,851
Deferred tax assets	*15*	**7,691**	7,705
		761,572	631,602
Current assets			
Inventories	*16*	**444**	430
Tax receivable		**371**	823
Trade and other receivables	*17*	**60,707**	51,092
Cash and cash equivalents	*18*	**83,265**	60,973
Assets held for sale	*12*	**608**	—
		145,395	113,318
Total assets		**906,967**	744,920
Current liabilities			
Bank overdrafts	*18*	**—**	—
Other interest-bearing loans and borrowings	*19*	**(39,859)**	(51,569)
Trade and other payables	*20*	**(107,794)**	(76,755)
Deferred revenue		**(142,483)**	(126,923)
Tax payable		**(5,608)**	(5,691)
Provisions	*23*	**(1,242)**	(871)
Other financial liabilities	*21*	**—**	—
		(296,986)	(261,809)
Non-current liabilities			
Other interest-bearing loans and borrowings	*19*	**(475,593)**	(351,118)
Other payables	*20*	**(11,409)**	(8,515)
Deferred revenue		**(14,209)**	(3,481)
Provisions	*23*	**(5,326)**	(2,636)
Other financial liabilities	*21*	**(59,178)**	(43,985)
Deferred tax liabilities	*15*	**(5,068)**	(2,686)
		(570,783)	(412,421)
Total liabilities		**(867,769)**	(674,230)
Net assets		**39,198**	70,690
Equity attributable to equity holders of the parent			
Share capital	*24*	**—**	—
Share premium	*24*	**1,669**	1,669
Other reserves		**(387,389)**	(387,748)
Retained earnings		**425,154**	450,041
		39,434	63,962
Non-controlling interest		**(236)**	6,728
Total equity		**39,198**	70,690

These financial statements were approved by the board of Directors on 7 December 2017 and were signed on its behalf by:

/s/ M Uzielli

M Uzielli
Director

Company registered number: 09669246

The accompanying notes form part of these financial statements.

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2017

Company Balance Sheet
at 31 August 2017

	Note	2017 £000	2016 £000
Non-current assets			
Investments in subsidiaries	*32*	**864,290**	766,962
Trade and other receivables	*17*	**—**	60
Total assets		**864,290**	767,022
Non-current liabilities			
Other interest bearing loans and borrowings	*19*	**(370,542)**	(271,465)
Total liabilities		**(370,542)**	(271,465)
Net assets		**493,748**	495,557
Equity attributable to equity holders of the parent			
Share capital	*24*	**—**	—
Share premium	*24*	**1,669**	1,669
Retained earnings		**492,079**	493,888
Total equity		**493,748**	495,557

These financial statements were approved by the board of directors on 7 December 2017 and were signed on its behalf by:

/s/ M Uzielli

M Uzielli
Director

Company registered number: 09669246

The accompanying notes form part of these financial statements.

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2017

Consolidated Statement of Changes in Equity

Group

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

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

Group

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Equity reserve £000	Retained deficit £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2016	—	1,669	(400,065)	8,363	3,954	450,041	**63,962**	6,728	**70,690**
Total comprehensive expense for the year									
Loss for the year	—	—	—	—	—	(24,122)	**(24,122)**	(73)	**(24,195)**
Other comprehensive income	—	—	—	114	—	—	**114**	—	**114**
Total comprehensive expense for the year	**—**	**—**	**—**	**114**	**—**	**(24,122)**	**(24,008)**	**(73)**	**(24,081)**
Transactions with owners, recorded directly in equity									
Equity-settled share based payment transactions	—	—	—	—	245	—	**245**	—	**245**
Total contributions by and distributions to owners	**—**	**—**	**—**	**—**	**245**	**—**	**245**	**—**	**245**
Changes in ownership interest in subsidiaries									
Acquisition of non-controlling interest without a change in control	**—**	**—**	**—**	**—**	**—**	**(765)**	**(765)**	**(6,891)**	**(7,656)**
Balance at 31 August 2017	**—**	**1,669**	**(400,065)**	**8,477**	**4,199**	**425,154**	**39,434**	**(236)**	**39,198**

The accompanying notes form part of these financial statements.

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2017

Statement of Changes in Equity

Company

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

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 September 2016	—	1,669	493,888	495,557
Total comprehensive expense for the year				
Loss for the year	—	—	(1,809)	(1,809)
Total comprehensive expense for the year	**—**	**—**	**(1,809)**	**(1,809)**
Transactions with owners, recorded directly in equity				
Capital reduction	—	—	—	—
Total contributions by owners	**—**	**—**	**—**	**—**
Balance at 31 August 2017	**—**	**1,669**	**492,079**	**493,748**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 August 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Cash flows from operating activities					
Loss for the year		**(24,195)**		(39,619)	
Adjustments for:					
Depreciation, amortisation and impairment		**34,795**		33,928	
Interest expense		**50,202**		73,483	
Financing income		**(9,430)**		(29,489)	
Gain from sale of property, plant and equipment		**(275)**		(39)	
Effect of exchange rate change		**10,912**		7,312	
Share of loss/(profit) of equity-accounted investee, net of tax		**303**		(454)	
Equity settled share based payment expense		**245**		3,954	
Tax expense		**6,375**		6,745	
Operating profit before changes in working capital and provisions			**68,932**		55,821
Increase in trade and other receivables		**(17,600)**		(5,877)	
Decrease in inventories		**86**		289	
Increase in trade and other payables		**675**		1,613	
Decrease in provisions		**(755)**		(351)	
Increase in deferred revenue		**22,580**		6,877	
			73,918		58,372
Tax paid			**(4,932)**		(5,787)
Net cash inflow from operating activities			**68,986**		52,585
Cash flows from investing activities					
Interest received		**964**		1,216	
Dividends received from joint venture		**600**		—	
Acquisition of subsidiary, net of cash acquired		**(19,009)**		(6,687)	
Acquisition of property, plant and equipment		**(105,025)**		(115,853)	
Proceeds from sale of property, plant and equipment		**1,090**		96	
Net cash outflow from investing activities			**(121,380)**		(121,228)
Cash flows from financing activities					
Proceeds from new loan		**184,841**		104,099	
Interest paid		**(32,228)**		(29,682)	
Refinancing transaction costs		**(2,853)**		(2,888)	
Repayment of borrowings		**(89,603)**		(25,975)	
Proceeds from sale and leaseback		**12,700**		—	
Net cash inflow from financing activities			**72,857**		45,554
Net increase/(decrease) in cash and cash equivalents			**20,463**		(23,089)
Cash and cash equivalents at 1 September	*18*		**60,973**		74,445
Effect of exchange rate fluctuations on cash held			**1,829**		9,617
Cash and cash equivalents at 31 August 2017	*18*		**83,265**		60,973

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

General information

Cognita Bondco Parent Limited (the "Company") is a company incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Cognita Midco Limited. The ultimate controlling party is Cognita Topco Limited, a company incorporated in Jersey which is owned by The Bregal Fund III LP and KKR European Fund III LP who each own 50% of the issued share capital.

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

Basis of preparation

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

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

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

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

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

Basis of consolidation

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

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

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

1 Accounting policies (continued)

Going concern

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

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

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

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

Foreign currency

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

i) Foreign currency transactions

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

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

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

ii) Foreign operations

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Classification of financial instruments

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

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

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

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

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

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

Non-derivative financial instruments

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

Investments in equity securities

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

Cash and cash equivalents

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

Trade and other receivables

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

Trade and other payables

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

Interest-bearing borrowings

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

1 Accounting policies (continued)

Derivative financial instruments and hedging

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

Property, plant and equipment

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

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

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

Depreciation

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

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

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

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

Business combinations

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

When the Group obtains control of a previously jointly controlled entity, the transaction is recorded as a disposal of the investment in the jointly controlled entity and the acquisition of a subsidiary. The profit or loss on disposal of the jointly controlled entity is the fair value of the original holding less its carrying amount.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus

1 Accounting policies (continued)

Business combinations (continued)

- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

Acquisitions and disposals of non-controlling interests

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

Assets held for sale

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

Goodwill and Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the net assets acquired. Where the total of consideration transferred and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

Intangible assets

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

Amortisation

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Goodwill and Intangible assets (continued)

The estimated useful lives of other intangibles are as follows:

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

Inventories

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

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

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

Non-financial assets

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

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

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

The discount rate applied is based on the post-tax weighted average cost of capital of the Group's operations in the country the asset sits. Estimated future cash flows are based on Board approved budgets which represent our best estimate of future performance, supported by historical trends, known operating margins and achievable growth or cost saving targets. An inflationary growth rate of 2.25% was used to extrapolate beyond the most recent forecasts for all regions with the exclusion of Brazil where 4.95% was used, representing the inflation rate for the business based on latest economic information.

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

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGU"). Impairment testing is performed at the lowest level at which goodwill is monitored for

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Impairment excluding inventories and deferred tax assets (continued)

internal reporting purposes. Therefore a CGU represents an individual school or group of schools purchased as one business acquisition transaction. No individual CGU's are considered significant in comparison to the total carrying value of goodwill.

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

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

Revenue

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

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

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

- **Tuition fees**

These are recognised on a straight line basis over the period of the service provision. The fee will be recognised over the full 12 months of that academic year. Annual fee rates are used as the basis for calculating the monthly fee recognised.

- **Application/enrolment fees**

These fees relate to the processing of new applications and where successful, a formal offer of a place within one of the Group's schools is made. These fees are recognised at the point at which an application is processed.

- **Development/facility fees/capital levies**

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

- **Holiday camp revenue**

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

1 Accounting policies (continued)

Revenue (continued)

- **Other revenue**

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

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

Employee benefits

Defined contribution plans

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

Multi-employer plans

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

Short-term benefits

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

Share based payment transactions

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

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

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

Provisions

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Provisions (continued)

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

Expenses

Operating lease payments

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

Finance lease payments

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

Financing income and expenses

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

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

Taxation

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

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Non-underlying items

Non-underlying items are disclosed separately in order to provide comparability between periods. They comprise income and expenditure which is not related to the Group's core operating activities, including acquisition and business exploration costs, restructuring costs, impairment of assets, profit and loss on disposal of fixed assets, school pre-opening losses and non-cash share based payment expense.

Standards issued but not yet effective

The material new standards and interpretations that are endorsed by the EU but not yet effective up to the date of issuance of the Group's financial statements are disclosed below and will be adopted where applicable when they become effective.

IFRS 9, 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and liabilities and replaces the guidance provided by IAS 39 'Financial Instruments: Recognition and Measurement' with effect for the year ending 31 August 2019. Early application is permitted. The key change for the Group arising from IFRS 9 is in the requirement to use an expected loss model for recognition of bad debt provisions across the whole Group, however, the impact on the Group is not expected to be material.

IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and focuses on the nature, amount, timing and uncertainty of revenue and its related cash flows. IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' with effect for the year ending 31 August 2019. Early application is permitted. The Group expects to see changes to the timing of revenue recognition as a result of the standard with tuition and associated fees being recognised on a term time basis. This will lead to a one-off increase in equity on adoption, however, annual revenue will not change materially.

IFRS 16, 'Leases' considers the definition of a lease, recognition and measurement of leases and also deals with the disclosure of useful information relating to leasing activities. The standard replaces IAS 17 'Leases' and a key change is that most operating leases held by lessees will be accounted for on the balance sheet. IFRS 16 is effective for the year ending 31 August 2020, with early adoption permitted, as long as the standard is not adopted prior to IFRS 15. On adoption, a one-off decrease in equity will be recognised along with higher EBITDA, offset by higher interest costs.

Gearing will increase as a result of new operating lease liabilities, however, this will be offset by equal and opposite right of use assets.

The consequences of the adoption of IFRS 9, IFRS 15 and IFRS 16 is currently being considered in detail by management and the full impact has not yet been determined.

2 Acquisitions of subsidiaries

Acquisitions in the current period

During the year the Group completed four acquisitions. The English Montessori School S.A. in Madrid, Spain, The Bushcraft Company Limited in the UK, Avondale Grammar School Pte Ltd in Singapore and St Nicholas Preparatory School Limited in the UK.

The Group incurred costs related to these acquisitions of £434,000 relating to legal and financial due diligence and transaction costs during the year ended 31 August 2017 (2016: £932,000). These costs have been included in non-underlying costs in the Group's Consolidated Statement of Comprehensive Income.

Goodwill recognised on acquisition is mainly attributable to the value of synergies of integrating the operations of the business with those of the Group as well as the skills and knowledge of the employees of the schools acquired. None of the goodwill recognised is expected to be deductible for tax purposes.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

Cash outflows from acquisitions are reflected in the Consolidated Cash flow Statement on F-94. Cash outflows relating to acquisitions are shown net of cash acquired and include deferred consideration paid in respect of prior year investments.

If all of the acquisitions had occurred on 1 September 2016, the Group revenue would have been £392,970,000 and the Group net loss would been £27,966,000. In determining these amounts, management has assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition occurred on 1 September 2016.

More detail is provided on each acquisition below:

The English Montessori School, Spain

On 6 September 2016, the Group acquired a 100% shareholding in The English Montessori School S.A. for a total consideration of €11.4m.

The school is an independent British curriculum school located in the outskirts of Madrid, Spain, offering education to students aged 3-18 years. The school had c. 790 students at the date of acquisition, with a current capacity of c. 1,000. The acquisition of the school expands the Group's educational offering in Madrid and provides a good opportunity to grow student numbers in Spain.

In the period from acquisition to 31 August 2017, The English Montessori School contributed £6,098,000 of revenue and £332,000 profit to the consolidated net loss for the year.

Effect of acquisitions

The acquisition of The English Montessori School S.A. had the following effect on the Group's assets and liabilities.

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	1,562	—	**1,562**
Fair value of intangible assets:			
Customer contracts	—	2,943	**2,943**
Trade and other receivables	1,149	—	**1,149**
Cash and cash equivalents	336	—	**336**
Trade and other payables	(1,594)	—	**(1,594)**
Deferred tax liabilities	—	(717)	**(717)**
Net identifiable assets acquired	**1,453**	**2,226**	**3,679**
Cash consideration relating to business combination and acquisition payment			**6,105**
Deferred consideration at fair value			**2,742**
Total consideration			**8,847**
Value of consideration in excess of net assets acquired attributed to Goodwill			**5,168**

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

The Bushcraft Company

On 12 May 2017, the Group acquired a 100% shareholding in The Bushcraft Company Limited ("Bushcraft") along with its holding companies Educational Activity Group Limited and Educational Activity Limited, for consideration of £5.2m. The consideration includes deferred payments, of which a small amount is contingent. The expected liability of c. £1.0m is due to crystallise in three years.

Bushcraft offers residential school trips, taking students aged 7-18 into UK woodland settings and giving them a back-to-nature experience. The purpose of the acquisition was to compliment our educational offering in the UK market.

In the period from acquisition to 31 August 2017, Bushcraft contributed £2,927,000 of revenue and £931,000 net profit to the consolidated net loss for the year.

Effect of acquisitions

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

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	477	—	**477**
Fair value of intangible assets			
Customer contracts	—	4,520	**4,520**
Inventories	94	—	**94**
Trade and other receivables	191	—	**191**
Cash and cash equivalents	982	—	**982**
Deferred tax assets	93	—	**93**
Trade and other payables	(716)	—	**(716)**
Deferred tax liabilities	—	(759)	**(759)**
Provisions	(50)	—	**(50)**
Deferred income	(2,473)	—	**(2,473)**
Net identifiable assets acquired	**(1,402)**	**3,761**	**2,359**
Cash consideration relating to business combination and acquisition payment			**4,012**
Deferred consideration at fair value			**488**
Contingent consideration at fair value			**723**
Total consideration			**5,223**
Value of consideration in excess of net assets acquired attributed to Goodwill			**2,864**

Avondale Grammar School, Singapore

On 13 July 2017, the Group acquired 100% of the share capital of Avondale Grammar School Pte Ltd ("Avondale"), an independent Australian curriculum school in Singapore, for total consideration of SGD 10.5m (c. £5.9m).

The purpose of the acquisition was to obtain full control of the Australian curriculum market in Singapore, as the Group already owns the only other school in the country who provide this. At the date of acquisition, the school had 250 students.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

In the period from acquisition to 31 August 2017, Avondale contributed £581,000 of revenue and £2,797,000 of loss (of which £2,665,000 relating to a restructuring provision) to the consolidated net loss for the year.

Effect of acquisitions

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

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	188	—	**188**
Fair value of intangible assets			
Customer contracts	—	293	**293**
Trade and other receivables	632	—	**632**
Cash and cash equivalents	2,344	—	**2,344**
Trade and other payables	(676)	—	**(676)**
Deferred tax liabilities	—	(49)	**(49)**
Deferred income	(918)	—	**(918)**
Net identifiable assets acquired	**1,570**	**244**	**1,814**
Total consideration			**5,919**
Value of consideration in excess of net assets acquired attributed to Goodwill			**4,105**

St Nicholas Preparatory School

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School Limited in London, UK for a total consideration of £1.3m. Prior to the acquisition, the Group owned 50% of the company and this increase in shareholding has been treated as a stepped acquisition in line with IFRS 3 resulting in the disposal of the joint venture and the acquisition of a 100% owned subsidiary. Negative goodwill of £1.0m arising on the acquisition was immediately recognised in the income statement within acquisition and business exploration costs (see note 5). This was offset by a loss on disposal of the joint venture of £1.4m (see note 14).

St Nicholas Preparatory school is an independent Montessori nursery and preparatory school providing education of children aged 3 months—11 years with 175 students at the date of acquisition. The acquisition gives the Group full control of the school.

As the acquisition took place so close to the year end, the amount of revenue and loss included within the consolidated net loss for the year was not material.

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

Effect of acquisitions

The acquisition of St Nicholas Preparatory School Limited had the following effect on the Group's assets and liabilities.

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	215	—	215
Fair value of intangible assets			
Trade and other receivables	1,298	—	1,298
Cash and cash equivalents	5,131	—	5,131
Trade and other payables	(3,228)	—	(3,228)
Deferred income	(1,176)	—	(1,176)
Net identifiable assets acquired	**2,240**	—	**2,240**
Cash consideration relating to business combination and acquisition payment			**150**
Fair value of previously held stake			**1,120**
Total consideration			**1,270**
Value of consideration shortfall against net assets acquired			**(970)**

3 Revenue

	2017 £000	2016 £000
School fees and related services	**384,093**	325,205
Sale of goods	**1,067**	840
Total revenue	**385,160**	326,045

4 Operating Segments

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

At the year end the Group operated 67 (2016: 67) schools across Europe, Asia and Latin America. The Directors consider these three segments as the Group's reportable segments under IFRS 8.

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

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

4 Operating Segments (continued)

Segment revenues and results

Operating Segment	**Revenue**	Revenue	**Underlying Adjusted EBITDA**	Underlying Adjusted EBITDA
	31 August 2017 £000	31 August 2016 £000	**31 August 2017 £000**	31 August 2016 £000
Europe	**178,077**	162,479	**14,483**	15,816
Asia	**159,322**	128,954	**48,708**	37,504
Latin America	**47,761**	34,612	**9,693**	6,902
Total	**385,160**	326,045	**72,884**	60,222
Depreciation and amortisation of other intangibles			**(32,172)**	(25,756)
Underlying operating profit			**40,712**	34,466
Non-underlying costs (note 5)			**(17,457)**	(23,800)
Finance income			**9,430**	29,489
Finance expense			**(50,202)**	(73,483)
Share of (loss)/profit of joint venture			**(303)**	454
Loss before Taxation			**(17,820)**	(32,874)

Segment Assets

Operating segment	**Total assets 2017 £000**	Total assets 2016 £000
Europe	**481,711**	407,153
Asia	**341,292**	266,791
Latin America	**83,964**	70,976
Segment assets	**906,967**	744,920

5 Non-underlying items

	2017 £000	2016 £000
Impairment	**2,623**	8,172
Acquisition and business exploration costs*	**7,759**	4,575
Restructuring costs**	**7,105**	7,138
Share based payments charge	**245**	3,954
Gain on disposal of fixed assets	**(275)**	(39)
	17,457	23,800

* Includes negative goodwill on acquisition of joint venture £970,000 (note 2) and pre-opening costs of £5,876,000 (2016: £1,930,000)

** Includes loss on disposal of interest in joint venture £1,428,000 (note 14).

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

5 Non-underlying items (continued)

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

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

Restructuring costs mainly relate to employment cessation and associated legal costs. These costs are incurred annually but relate to different projects and by their nature will only occur once. During the year ended 31 August 2016, two schools were closed in the UK with costs of £2.2m relating to the closures disclosed within this category.

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

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

The tax effect of the non-underlying costs in 2017 was a credit of £449,000 (2016: £262,000).

6 Expenses and auditor's remuneration

Expenses:	**2017 £000**	2016 £000
Cost of inventories recognised as expense	**191**	490
Impairment loss recognised on trade receivables	**968**	661
Depreciation of owned property, plant and equipment	**24,944**	19,830
Depreciation of property, plant and equipment on finance leases	**5,524**	4,801
Amortisation of other intangibles	**1,704**	1,125
Impairment of property, plant and equipment	**2,516**	2,662
Impairment of goodwill	**107**	6,628
Operating lease costs	**12,503**	9,855

Auditor's remuneration:

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

Notes to the Financial Statements (continued)

6 Expenses and auditor's remuneration (continued)

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

	2017 £000	2016 £000
Audit of these financial statements	**76**	72
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**428**	439
Audit-related assurance services	**56**	35
Taxation compliance services	**80**	114
Other tax advisory services	**39**	3
All other services	**326**	43
	1,005	706

7 Staff numbers and costs

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

	Number of employees	
	2017	2016
Number of teachers	**4,609**	4,189
Number of administrative staff	**1,866**	1,645
	6,475	5,834

The aggregate payroll costs of these staff were as follows:

	2017 £000	2016 £000
Wages and salaries	**182,761**	156,454
Share based payments (See note 9)	**245**	3,954
Social security costs	**14,343**	12,071
Contributions to defined contribution plans	**7,861**	6,901
	205,210	179,380

8 Directors' remuneration

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

	2017 £000	2016 £000
Aggregate emoluments and fees (including benefits in kind)	**1,555**	2,190
Performance bonuses (inc. social security) and other emoluments	**1,115**	1,041
Amounts paid as compensation for loss of office	**—**	991
	2,670	4,222
Share based payments	**131**	50
	2,801	4,272

8 Directors' remuneration (continued)

No Directors have benefits accruing under defined benefit or defined contribution pension schemes. Under arrangements for selected individuals to subscribe for equity settled shares, a charge has been made to the income statement of £245,000 (2016: £3,954,000) in respect of Directors and managers within non-underlying operating costs. Of this charge, £nil (2016: £2,959,000) relates to arrangements which have vested during the periods ended 31 August 2016 and 31 August 2017.

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

	2017 £000	2016 £000
Aggregate emoluments and fees (including benefits in kind)	**703**	615
Performance bonuses (inc. social security) and other emoluments	**626**	501
	1,329	1,116
Share based payments	**—**	21
	1,329	1,137

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

	2017	2016
Has awards received in form of shares under management incentive plan	**3**	4

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

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

The borrower may prepay the loan in full or in part, under certain circumstances. No prepayments had been made against the loan principal at 31 August 2017.

9 Share based payments

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

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

In 2013, certain senior managers were also granted loans by Cognita Topco Limited in respect of their purchase of class C1 shares. The settlement or repayment of these loans by the employees is triggered at the same time as vesting of C shares being by a future sale, partial sale, winding up, distribution or listing of the shares in Cognita Topco Limited. The loans accrue interest at 4% per annum on a compound basis. The fair value of the loans and the C shares awarded as a single share-based payment arrangement was calculated, taking account of the expected settlement event and timing, at £8.7m for the Group and this amount was being charged to the Consolidated Income Statement of the Group over the expected vesting period of 5 years and 3 months.

Notes to the Financial Statements (continued)

9 Share based payments (continued)

The Group undertook a full review of the MIP during the year ended 31 August 2016 and identified that a number of the participants had left employment. As a result, the charge relating to these employees was accelerated such that the full remaining fair value had been recognised through the Consolidated Income Statement of the Group and was treated as non-underlying.

In the year, the vesting period remained unchanged with an anticipated vesting date in 2020.

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

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

The following assumptions applied in determining the fair value:

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

10 Finance income and expense

Recognised in income statement

	2017 £000	2016 £000
Finance income:		
Bank interest	**1,152**	1,222
Other interest receivable	**396**	101
Derivatives gain	**—**	16
Dividend receivable	**600**	—
Exchange gains	**7,282**	28,150
Total finance income	**9,430**	29,489

	Group 2017 £000	**Company 2017 £000**	Group 2016 £000	Company 2016 £000
Finance expense:				
Interest payable on bank borrowings	**2,617**	**—**	3,291	—
Other similar charges payable	**3,280**	**2**	2,070	—
Interest payable to Group companies	**—**	**27,893**	—	23,163
Finance charges in respect of finance leases	**283**	**—**	117	—
Interest payable on Revolving Credit Facility	**28,773**	**—**	24,020	—
Loss on fair value of forward contracts	**15,249**	**—**	43,985	—
Total finance expense	**50,202**	**27,895**	73,483	23,163

10 Finance income and expense (continued)

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

11 Taxation

Recognised in the income statement

	2017 £000	2016 £000
Current tax expense		
Current year	**5,757**	6,541
Adjustments for prior years	**(380)**	39
Current tax expense	**5,377**	6,580
Origination and reversal of temporary differences	**1,116**	131
Reduction in tax rate	**—**	(594)
Recognition of previously unrecognised tax losses	**(118)**	628
Deferred tax expense	**998**	165
Total tax expense	**6,375**	6,745

	2017 £000	2016 £000 (restated)
Loss excluding taxation	**(17,820)**	(32,874)
Tax using the UK corporation tax rate of 19.58 % (2016: 20.00%)	**(3,489)**	(6,575)
Effect of tax rates in foreign jurisdictions	**(1,177)**	(1,255)
Reduction in tax rate on deferred tax balances	**372**	98
Non-deductible expenses	**6,019**	11,893
Recognition of previously unrecognised tax losses	**(118)**	(23)
Current year losses for which no deferred tax asset was recognised	**4,753**	1,558
(Over)/under provided in prior years	**(483)**	667
Unrelieved withholding tax	**467**	498
Group relief outside consolidation	**52**	—
Consortium relief	**(21)**	(116)
Total tax expense	**6,375**	6,745

The prior year tax reconciliation has been amended to reallocate an item more appropriately.

In March 2016, the UK Government announced its intention to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020.

Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods at this reduced rate.

This rate change was substantively enacted at the balance sheet date. Deferred tax assets and liabilities have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

Notes to the Financial Statements (continued)

12 Property, plant and equipment—Group

	Freehold land and buildings £000	Short leasehold land and buildings £000	Fixtures, fittings and equipment £000	Computer equipment £000	Assets under construction £000	Total £000
Cost						
Balance at 1 September 2015	151,921	247,378	62,294	27,945	15,520	505,058
Acquisitions through business combinations	—	595	95	25	—	715
Additions	4,377	73,022	7,280	3,927	35,729	124,335
Disposals	(27)	(1)	(869)	(1,372)	—	(2,269)
Asset reclassification	6,020	3,448	(2,563)	67	(6,972)	—
Effect of movements in foreign exchange	12,651	45,057	5,351	2,260	5,677	70,996
Balance at 31 August 2016	174,942	369,499	71,588	32,852	49,954	698,835
Balance at 1 September 2016	**174,942**	**369,499**	**71,588**	**32,852**	**49,954**	**698,835**
Acquisitions through business combinations	**1,420**	**186**	**678**	**155**	**—**	**2,439**
Additions	**609**	**13,123**	**10,219**	**6,838**	**103,198**	**133,987**
Disposals	**(28,652)**	**(1,910)**	**(12,841)**	**(13,667)**	**(2,640)**	**(59,710)**
Asset reclassification	**(6,046)**	**98,191**	**4,497**	**(13)**	**(96,629)**	**—**
Effect of movements in foreign exchange	**6,430**	**6,289**	**1,821**	**610**	**176**	**15,326**
Balance at 31 August 2017	**148,703**	**485,378**	**75,962**	**26,775**	**54,059**	**790,877**
Depreciation and impairment						
Balance at 1 September 2015	32,369	53,200	26,715	19,786	—	132,070
Depreciation charge for year	2,456	13,591	4,527	4,057	—	24,631
Impairment losses	2,662	—	—	—	—	2,662
Disposals	(26)	—	(831)	(1,355)	—	(2,212)
Effect of movements in foreign exchange	1,003	6,763	2,826	1,309	—	11,901
Balance at 31 August 2016	38,464	73,554	33,237	23,797	—	169,052
Balance at 1 September 2016	**38,464**	**73,554**	**33,237**	**23,797**	**—**	**169,052**
Depreciation charge for year	**3,444**	**14,572**	**7,191**	**5,261**	**—**	**30,468**
Impairment losses	**—**	**2,441**	**75**	**—**	**—**	**2,516**
Disposals	**(18,365)**	**(1,910)**	**(12,351)**	**(13,403)**	**—**	**(46,029)**
Effect of movements in foreign exchange	**542**	**1,002**	**854**	**387**	**—**	**2,785**
Balance at 31 August 2017	**24,085**	**89,659**	**29,006**	**16,042**	**—**	**158,792**
Net book value						
At 1 September 2015	119,552	194,178	35,579	8,159	15,520	372,988
At 31 August 2016	136,478	295,945	38,351	9,055	49,954	529,783
At 31 August 2017	**124,618**	**395,719**	**46,956**	**10,733**	**54,059**	**632,085**

During the year, the Group wrote down £2,516,000 (year ended 31 August 2016: £2,662,000) of property, plant and equipment following a review for impairment. The impairment calculation was performed in line with the Group's impairment accounting policy. Further details of the key assumptions and sensitivities within this calculation are given in note 13. The impairment loss for the year ended 31 August 2017 is allocated against Freehold land and buildings, whilst in the year ended 31 August 2016, the impairment loss was allocated between Freehold and Short leasehold land and buildings and is included in operating loss within the Statement of Comprehensive Income.

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

During the year, the Group completed a ground rent sale and leaseback of freehold properties at four UK schools—see note 19. The carrying value of the leased assets as at 31 August 2017 was £12,500,000.

12 Property, plant and equipment—Group (continued)

Following the partial disposal of the Chilton Cantelo school buildings in June 2017, the remaining buildings have been transferred to assets held for sale. The sale of the buildings is considered highly probable and they are being actively marketed. As at 31 August 2017, the total amount classified as assets held for sale was £608,000 (2016: £nil), being the net book value of the property prior to its transfer to assets held for sale.

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

Notes to the Financial Statements (continued)

13 Intangible assets—Group

	Goodwill £000	Other intangibles: Software £000	Other intangibles: Favourable leases £000	Other intangibles: Customer contracts £000	Other intangibles: Brands and licences £000	Other intangibles: Other £000	Total £000
Cost							
Balance at 1 September 2015	152,056	1,016	—	3,193	548	152	156,965
Acquisitions through business combinations	2,170	—	1,415	1,083	101	—	4,769
Additions	—	1,173	—	—	—	—	1,173
Effect of movements in foreign exchange	4,047	188	163	1,021	123	1	5,543
Balance at 31 August 2016	158,273	2,377	1,578	5,297	772	153	168,450
Balance at 1 September 2016	**158,273**	**2,377**	**1,578**	**5,297**	**772**	**153**	**168,450**
Additions	**—**	**2,524**	**—**	**—**	**—**	**—**	**2,524**
Acquisitions through business combinations	**12,137**	**3**	**—**	**7,756**	**—**	**—**	**19,896**
Disposals	**—**	**(141)**	**—**	**—**	**—**	**—**	**(141)**
Asset reclassification	**—**	**153**	**—**	**—**	**—**	**(153)**	**—**
Effect of movements in foreign exchange	**1,560**	**59**	**106**	**466**	**27**	**—**	**2,218**
Balance at 31 August 2017	**171,970**	**4,975**	**1,684**	**13,519**	**799**	**—**	**192,947**
Amortisation and impairment							
Balance at 1 September 2015	75,625	759	—	523	93	132	77,132
Amortisation for the year	—	230	39	751	88	17	1,125
Impairment charge	6,628	—	—	—	—	—	6,628
Effect of movements in foreign exchange	858	137	4	99	8	—	1,106
Balance at 31 August 2016	83,111	1,126	43	1,373	189	149	85,991
Balance at 1 September 2016	**83,111**	**1,126**	**43**	**1,373**	**189**	**149**	**85,991**
Amortisation for the year	**—**	**723**	**36**	**873**	**72**	**—**	**1,704**
Impairment charge	**107**	**—**	**—**	**—**	**—**	**—**	**107**
Disposals	**—**	**(141)**	**—**	**—**	**—**	**—**	**(141)**
Asset reclassification	**—**	**149**	**—**	**—**	**—**	**(149)**	**—**
Effect of movements in foreign exchange	**482**	**63**	**2**	**48**	**2**	**—**	**597**
Balance at 31 August 2017	**83,700**	**1,920**	**81**	**2,294**	**263**	**—**	**88,258**
Net book value							
At 1 September 2015	76,431	257	—	2,670	455	20	79,833
At 31 August 2016	75,162	1,251	1,535	3,924	583	4	82,459
At 31 August 2017	**88,270**	**3,055**	**1,603**	**11,225**	**536**	**—**	**104,689**

Goodwill and other intangible assets are spread across the Group's regions. The carrying value of intangible assets is monitored by reference to Cash Generating Units ("CGUs"). A CGU is typically a school or limited company for non-school business units. The key assumptions for the value in use calculations are discount and growth rates. The Group considers that all CGU's operate in a similar sector being education, but acknowledge that the countries in which the Group operates need to be considered in the calculation of discount rate. Therefore this year's impairment reviews adopted discount rates ranging between 9.4% and 14.6%. For all CGU's a growth rate of 2.25% is applied with the exclusion of those in Brazil where a rate of 4.95% was used.

Notes to the Financial Statements (continued)

13 Intangible assets—Group (continued)

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

As part of the review for impairment, the carrying value of goodwill in two schools in UK (2016: UK and Brazil) were identified as being impaired and an adjustment of £107,000 (2016: £6,628,000) was made by the Group to write down the value of intangible consolidated goodwill.

Sensitivity analysis

Following the impairment losses recognised in the Group's UK schools and reported in tangible and intangible assets respectively, recoverable amounts were equal to carrying amounts.

On the basis of the above, a range of sensitised trading scenarios, carried out on all impairment reviews and for a reasonably possible range of sensitivities, the discounted future cash flows at 31 August 2017 exceeded the valuation of tangible and intangible assets.

Impairment calculations are, however, more sensitive to changes in the discount rate. An increase of 1% in the discount rate, with all other assumptions held constant, would give rise to an additional impairment charge of £4.9m (2016: £8.9m) in the Group CGU's.

14 Share of profit of joint venture

	2017 £000	2016 £000
At beginning of period	**2,851**	2,397
Interest in joint venture arising in year	**(303)**	454
Disposal of joint venture	**(2,548)**	—
At end of period	**—**	2,851
Fair value of 50% stake in joint venture previously held	**1,120**	
Carrying amount of interest	**(2,548)**	
Loss on disposal charged directly to income statement	**(1,428)**	

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

The joint venture was structured as a separate vehicle and the Group had a residual interest in the net assets. The Group owned 50% of the share capital and the articles of association required unanimous consent amongst the two owners for resolutions to be passed.

On 25 August 2017, the Group acquired the remaining 50% interest in its joint venture, St Nicholas Preparatory School in London, UK for a total consideration of £1.3m. The negative goodwill of £1.0m arising on acquisition was immediately recognised in the income statement (see note 2).

Notes to the Financial Statements (continued)

14 Share of profit of joint venture (continued)

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

	2016 £000
Non-current assets	2,677
Current assets	6,216
Non-current liabilities	(8)
Current liabilities	(3,573)
Net Assets (100%)	5,312
Group's share of net assets (50%)	2,656
Goodwill	195
Carrying amount of interest in joint venture	2,851
Income	4,888
Expenses	(3,758)
Profit before tax	1,130
Tax	(222)
Profit after tax	908
Group's share of profit and total comprehensive income (50%)	454

15 Deferred tax assets and liabilities—Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Property, plant and equipment	**4,125**	3,568	**(4,879)**	(3,383)
Intangible assets	**16**	16	**(1,924)**	(790)
Provisions	**1,958**	2,541	**(27)**	(11)
Tax losses	**1,138**	834	**—**	—
Other	**2,383**	2,244	**(167)**	—
Tax assets/(liabilities)	**9,620**	9,203	**(6,997)**	(4,184)
Net of tax (liabilities)/assets	**(1,929)**	(1,498)	**1,929**	1,498
Net tax assets/(liabilities)	**7,691**	7,705	**(5,068)**	(2,686)

Notes to the Financial Statements (continued)

15 Deferred tax assets and liabilities—Group (continued)

Movement in deferred tax during the year:

	1 September 2016 £000	Recognised on acquisition £000	Recognised in income statement £000	31 August 2017 £000
Property, plant and equipment	**185**	**(33)**	**(906)**	**(754)**
Intangible assets	**(774)**	**(1,616)**	**482**	**(1,908)**
Provisions	**2,530**	**—**	**(599)**	**1,931**
Tax value of loss carry-forwards utilised	**834**	**124**	**180**	**1,138**
Other	**2,244**	**—**	**(28)**	**2,216**
	5,019	**(1,525)**	**(871)**	**2,623**
Foreign exchange movement			**(127)**	
Total expense recognised in income statement			**(998)**	

Movement in deferred tax during the prior year:

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

The deferred tax asset not recognised is approximately £14,849,000 (2016: £7,552,000) and remains available to offset against future taxable profits.

16 Inventories

	Group	
	2017 £000	2016 £000
Goods for resale	**444**	430
	444	430

Notes to the Financial Statements (continued)

17 Trade and other receivables

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Non-current				
Other receivables	**9,423**	2,799	**—**	—
Prepayments and accrued income	**3,922**	6,005	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**—**	60
Amounts receivable in respect of finance leases	**3,762**	—	**—**	—
	17,107	8,804	**—**	60
Current				
Trade receivables	**45,426**	42,971	**—**	—
Other receivables	**9,434**	4,093	**—**	—
Prepayments and accrued income	**5,696**	3,705	**—**	—
Amounts owed by joint venture	**—**	323	**—**	—
Amounts receivable in respect of finance leases	**151**	—	**—**	—
	60,707	51,092	**—**	—

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

On 26 January 2017, the Group disposed of Sackville School, UK, leasing the land and buildings to a third party, thereby creating a finance lease receivable at an initial value of £3,750,000. The terms of the lease provide for a rent free period until 31 August 2019, during which period finance lease interest will accrue. Interest accruing from the date of transaction to 31 August 2017 amounted to £12,000.

18 Cash and cash equivalents

	Group	
	2017 £000	2016 £000
Cash and cash equivalents per balance sheet	**83,265**	60,973
Cash and cash equivalents per cash flow statement	**83,265**	60,973

Notes to the Financial Statements (continued)

19 Other interest-bearing loans and borrowings

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

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Non-current liabilities				
Secured bank loans	**91,931**	79,244	**—**	—
Finance lease liabilities	**15,614**	3,335	**—**	—
Loans from subsidiary undertakings	**—**	—	**370,542**	271,465
Senior Secured Loan Notes	**368,048**	268,539	**—**	—
	475,593	351,118	**370,542**	271,465
Current liabilities				
Secured bank loans	**5,150**	4,879	**—**	—
Finance lease liabilities	**55**	39	**—**	—
Senior Secured Loan Notes	**1,860**	2,762	**—**	—
Revolving Credit Facility	**32,794**	43,889	**—**	—
	39,859	51,569	**—**	—
Total interest-bearing loans and borrowings	**515,452**	402,687	**370,542**	271,465

Cognita Financing plc issued Senior Secured Loan Notes of £280m during the year ended 31 August 2015 and undertook two subsequent issues of loan notes, one in October 2016 totalling £45m at a premium of £2m and one in May 2017 totalling £50m at a premium of £2.2m.

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

Included in non-current liabilities within Senior Secured Loan Notes is £9,296,000 (2016: £9,214,000) of debt issue costs and £3,728,000 (2016: £nil) premium on issue.

Included in current liabilities within Senior Secured Loan Notes is accrued interest of £476,000 (2016: £515,000).

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

Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2017 £000	Carrying amount 2016 £000
Secured bank loan	BRL	Fixed 12.25%/Brazil CDI +3-3.75%	Oct 18/Jun 20	**8,712**	11,902
Secured bank loans	CLP	Fixed 4.7% to 5.4%	Apr 27/ May 29	**34,208**	31,426
Secured bank loans	HKD	Hong Kong CDI +2.75-3%	Apr 21	**51,790**	40,795
Secured bank loans	EUR	Fixed 1.5%	Apr 22	**2,371**	—
Senior Secured Loan Notes	GBP	Fixed 7.75%	Aug 21	**369,908**	271,301
				466,989	355,424

Notes to the Financial Statements (continued)

19 Other interest-bearing loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Present value of minimum lease payments	Interest	Future minimum lease payments	Present value of minimum lease payments	Interest	Future minimum lease payments
	2017 £000	**2017 £000**	**2017 £000**	2016 £000	2016 £000	2016 £000
Less than one year	**245**	**502**	**747**	221	116	337
Between one and five years	**1,010**	**1,882**	**2,892**	1,225	345	1,570
More than five years	**14,414**	**44,955**	**59,369**	1,928	2,799	4,727
	15,669	**47,339**	**63,008**	3,374	3,260	6,634

On 1 March 2017, the Group completed a ground rent sale and leaseback of freehold properties at four UK schools for consideration of £12,700,000. The purchaser simultaneously granted the Group 150 year leases over the properties on the expiry of which, the Group will have the option to buy back the freehold interest for £1 per property.

The profit on disposal arising on three of the properties, totalling £2,801,000, has been deferred and will be recognised on a straight line basis over the life of the lease. The loss incurred on the remaining site of £616,000 has been recognised immediately in the Statement of Comprehensive Income.

20 Trade and other payables

	Group	
	2017 £000	2016 £000
Non-current		
Other taxes and social security	**301**	298
Other payables	**307**	—
Deferred consideration	**4,337**	3,790
Accruals	**6,328**	4,427
Deposits	**136**	—
	11,409	8,515
Current		
Trade payables	**28,809**	12,835
Other taxes and social security	**4,819**	4,337
Amounts owed to subsidiary undertakings	**—**	—
Other payables	**4,658**	3,599
Deferred consideration	**4,158**	4,530
Accruals	**53,363**	40,448
Deposits	**11,987**	11,006
	107,794	76,755

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

21 Other financial liabilities

	2017 £000	2016 £000
Non-current		
Financial liabilities designated as fair value through profit or loss	**59,178**	43,985
	59,178	43,985

There are no current financial liabilities

Other financial liabilities for the year ended 31 August 2017 relate to the forward currency contracts which were entered into following the completion of the refinancing in August 2015 and subsequent additional financings in 2016 and 2017. The forward currency contracts were entered into to mitigate the Group's exposure to future fluctuations in the Euro/GBP and Singapore Dollar/GBP exchange rates, respectively:

Provider	Contract Amount Local currency		Trade Date	Maturity Date	Contract Amount £000	Fair value 2017 £000	Fair value 2016 £000
HSBC	EUR	25,664,000	6 October 2015	8 October 2020	20,000	**4,315**	2,636
HSBC	SGD	226,496,500	7 October 2015	8 October 2020	100,000	**25,615**	20,622
Morgan Stanley	SGD	226,694,000	9 October 2015	8 October 2020	100,000	**25,725**	20,727
Nomura	EUR	17,241,107	3 March 2017	8 October 2020	15,000	**1,294**	—
Nomura	SGD	27,777,004	7 March 2017	8 October 2020	15,000	**405**	—
Nomura	EUR	5,484,561	11 August 2017	8 October 2020	5,000	**196**	—
Nomura	SGD	75,060,000	11 August 2017	8 October 2020	40,000	**1,628**	—
					295,000	**59,178**	43,985

22 Employee benefits—Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £7,861,000 (2016: £6,901,000) (see note 7).

Multi-employer defined benefit plan

Teachers' Pension Scheme

The Group participates in the TPS for its teaching staff. The defined contribution pension charge for the period includes contributions payable to the TPS of £5,369,000 (2016 £5,457,000) and at the year end £4,000 (2016: £698,000) was accrued in respect of contributions to this scheme.

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

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

22 Employee benefits—Pension plans (continued)

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

23 Provisions

Group

	Property £000	Severance Allowance and Non-compulsory insurance £000	Other £000	Total £000
Balance at 1 September 2016	**414**	**1,131**	**1,962**	**3,507**
Amounts arising from acquisitions	**54**	**—**	**125**	**179**
Provisions made during the year	**393**	**413**	**2,691**	**3,497**
Provisions used during the year	**—**	**(283)**	**(451)**	**(734)**
Foreign exchange movement	**—**	**10**	**109**	**119**
Balance at 31 August 2017	**861**	**1,271**	**4,436**	**6,568**
Non-current	**861**	**1,271**	**3,194**	**5,326**
Current	**—**	**—**	**1,242**	**1,242**
	861	**1,271**	**4,436**	**6,568**

Group

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

Property

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

Notes to the Financial Statements (continued)

23 Provisions (continued)

Severance allowance and non-compulsory insurance

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

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

Other

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

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

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

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

24 Capital and reserves

Share capital

Authorised called up and fully paid

Class of share	Number 2017	Number 2016	Nominal value per share £	Total share nominal value 2017 £	Total share nominal value 2016 £	Share consideration 2017 £000	Share consideration 2016 £000
Ordinary	1	1	1	—	300	1,669	1,669
				—	**300**	**1,669**	**1,669**

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

Rights of share

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

Merger reserve

The merger reserve arose as a result of common control accounting upon the Company acquisition of Cognita Holdings Limited and its subsidiaries during the year ended 31 August 2016. The merger reserve represents the cumulative reserves of that group prior to the acquisition date.

Notes to the Financial Statements (continued)

24 Capital and reserves (continued)

Equity reserve

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

Translation reserve

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

25 Financial instruments

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

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

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

a) Fair values of financial instruments

Fair values

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

	Carrying amount		Fair value	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Group—Carrying amount and fair value				
IAS 39 categories of financial assets				
Loans and receivables (including cash and cash equivalents)	**151,461**	111,159	**151,461**	111,159
Total financial assets	**151,461**	111,159	**151,461**	111,159
Financial liabilities measured at amortised cost				
Bank overdraft (note 18)	**—**	—	**—**	—
Interest-bearing loans and borrowings (note 19)	**515,452**	402,687	**535,661**	427,579
Trade and other payables excluding accruals and deferred consideration (note 20)	**45,900**	27,439	**45,900**	27,439
Provisions (note 23)	**6,568**	3,507	**6,568**	3,507
Financial liability measured at fair value				
Forward currency contracts and interest rate swaps (note 21)	**59,178**	43,985	**59,178**	43,985
Total financial liabilities	**627,098**	477,618	**647,307**	502,510
Total net financial instruments	**475,637**	366,459	**495,846**	391,351

Notes to the Financial Statements (continued)

25 Financial instruments (continued)

a) Fair values of financial instruments (continued)

Effect of change of inputs used in fair value measurement

The carrying amount of interest bearing trade and other receivables and trade and other payables is deemed to be a reasonable approximation of fair value. The fair value of interest-bearing loans and borrowings is determined by reference to the quoted price for the Senior Secured Loan Notes on the Luxembourg Stock Exchange—Euro MTF Market.

b) Credit risk

Financial risk management

Group

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

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

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

Company

The Company had no external receivables at the year end (2016: £nil) and so has no exposure to credit risk.

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

Group	Gross	Impairment loss provision	Total	Gross	Impairment loss provision	Total
	2017 £000	**2017 £000**	**2017 £000**	2016 £000	2016 £000	2016 £000
Not past due	**32,880**	**(71)**	**32,809**	35,347	—	35,347
Past due 0-30 days	**7,453**	**(30)**	**7,423**	5,268	(170)	5,098
Past due 31-120 days	**4,391**	**(449)**	**3,942**	2,442	(467)	1,975
Past due by more than 120 days	**6,862**	**(5,610)**	**1,252**	4,897	(4,346)	551
	51,586	**(6,160)**	**45,426**	47,954	(4,983)	42,971

The Company had no trade receivables at 31 August 2017 (2016: £nil).

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

	2017 £000	2016 £000
Balance at 1 September	**(4,983)**	(4,104)
Provisions made during the year	**(973)**	(632)
Provisions used during the year	**46**	337
Provisions reversed during the year	**5**	(29)
Amounts arising from acquisition/disposal	**(55)**	—
Amounts written off	**1**	—
Foreign exchange movement	**(201)**	(555)
Balance at 31 August	**(6,160)**	(4,983)

25 Financial instruments (continued)

b) Credit risk (continued)

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

c) Liquidity risk

Financial risk management

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

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

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

On 4 October 2016, an additional £45m of Senior Secured Loan Notes were issued via a private placement at a premium of £2.0m to par value.

The Group issued an additional £50m of Senior Secured Loan Notes on 8 May 2017 via a private placement. These Notes, which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2.25m to par value was recognised upon the issuance of these instruments.

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

The Group secured a £60m Super Senior Revolving Credit Facility to fund future borrowing requirements which can be drawn down in a number of different currencies as required. During the year ended 31 August 2016 the Super Senior Revolving Credit Facility was increased by £20m to £80m with a further increase of £20m in September 2016, bringing the total facility to £100m.

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

25 Financial instruments (continued)

c) Liquidity risk (continued)

Liquidity risk—*Group*

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

			2017 Phasing of contractual cash flows		
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**2 to 5 years £000**	**More than 5 years £000**
Non-derivative financial liabilities					
Secured bank loans	**466,989**	**626,762**	**70,668**	**538,407**	**17,687**
Finance leases	**15,669**	**15,669**	**234**	**1,022**	**14,413**
Revolving Credit Facility	**32,796**	**32,796**	**32,796**	**—**	**—**
Trade and other payables*	**119,203**	**119,203**	**119,203**	**—**	**—**
	634,657	**794,430**	**222,901**	**539,429**	**32,100**

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

* Excludes derivatives (shown in note 20).

d) Market risk

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

Market risk—Foreign exchange risk

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

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

25 Financial instruments (continued)

d) Market risk (continued)

Group

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

31 August 2017

	Sterling £000	**Euro £000**	**Singapore Dollar £000**	**Chilean Peso £000**	**Brazilian Real £000**	**Vietnamese Dong £000**	**Thailand Baht £000**	**Hong Kong Dollar £000**	**Total £000**
Cash and cash equivalents	**13,152**	**8,485**	**21,926**	**1,674**	**3,530**	**18,661**	**6,329**	**9,508**	**83,265**
Trade receivables	**29,154**	**356**	**1,689**	**10,821**	**219**	**388**	**1,151**	**1,648**	**45,426**
Other receivables	**6,909**	**863**	**3,233**	**1,267**	**157**	**9,869**	**130**	**342**	**22,770**
Prepayments	**3,886**	**373**	**544**	**79**	**95**	**3,484**	**727**	**430**	**9,618**
Trade payables	**(3,010)**	**(1,358)**	**(14,673)**	**(629)**	**(1,474)**	**(354)**	**(512)**	**(6,799)**	**(28,809)**
Other payables	**(599)**	**(1,673)**	**(1,680)**	**(120)**	**(42)**	**(646)**	**(193)**	**(12)**	**(4,965)**
Tax	**(2,370)**	**(747)**	**(468)**	**(329)**	**(547)**	**(577)**	**(82)**	**—**	**(5,120)**
Provisions	**(778)**	**(781)**	**(3,004)**	**—**	**(492)**	**(1,270)**	**(106)**	**(137)**	**(6,568)**
Accruals	**(13,624)**	**(5,547)**	**(21,230)**	**(4,193)**	**(2,747)**	**(4,210)**	**(4,818)**	**(3,322)**	**(59,691)**
Deposits	**(10,808)**	**(497)**	**(26)**	**—**	**—**	**(206)**	**(586)**	**—**	**(12,123)**
External loans < 1 year	**(18,141)**	**(72)**	**(16,533)**	**(1,842)**	**(3,064)**	**—**	**—**	**(207)**	**(39,859)**
External loans > 1 year	**(323,318)**	**(8,104)**	**(53,373)**	**(33,567)**	**(5,648)**	**—**	**—**	**(51,583)**	**(475,593)**
Net exposure	**(319,547)**	**(8,702)**	**(83,595)**	**(26,839)**	**(10,013)**	**25,139**	**2,040**	**(50,132)**	**(471,649)**

31 August 2016

	Sterling £000	Euro £000	Singapore Dollar £000	Chilean Peso £000	Brazilian Real £000	Vietnamese Dong £000	Thailand Baht £000	Hong Kong Dollar £000	Total £000
Cash and cash equivalents	9,984	11,212	11,507	1,522	2,362	19,232	3,815	1,339	60,973
Trade receivables	30,554	60	1,759	9,335	240	317	706	—	42,971
Other receivables	1,824	770	1,081	73	79	2,798	80	187	6,892
Prepayments	3,191	504	269	21	93	4,756	445	431	9,710
Trade payables	(2,077)	(1,301)	(7,224)	(574)	(463)	(268)	(620)	(308)	(12,835)
Other Payables	(1,004)	(204)	(1,135)	(86)	(51)	(885)	(234)	—	(3,599)
Tax	(2,432)	(542)	(387)	(285)	(436)	(526)	(27)	—	(4,635)
Provisions	(860)	(578)	(28)	—	(636)	(1,131)	(138)	(136)	(3,507)
Accruals	(14,145)	(2,584)	(14,261)	(2,630)	(2,234)	(3,051)	(5,460)	(510)	(44,875)
Deposits	(10,383)	—	(30)	—	—	(1)	(592)	—	(11,006)
External loans < 1 Year	(25,291)	(9,615)	(11,752)	(1,814)	(2,913)	—	—	(184)	(51,569)
External loans > 1 Year	(226,505)	(2,636)	(41,349)	(31,029)	(8,988)	—	—	(40,611)	(351,118)
Net exposure	(237,144)	(4,914)	(61,550)	(25,467)	(12,947)	21,241	(2,025)	(39,792)	(362,598)

25 Financial instruments (continued)

d) Market risk (continued)

Company

The Company had no exposure to foreign currency risk at 31 August 2017 or at 31 August 2016.

Sensitivity analysis—Group

If sterling had been 10% stronger / weaker at 31 August 2017, Group equity would have decreased / increased by £590,000 (2016: £8,735,000). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Market risk—Interest rate risk

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

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2017 is shown in the table below. The table includes trade debtors and creditors which do not attract interest but are subject to fair value interest rate risk.

	Interest rate—2017				Interest rate—2016			
	Fixed £000	**Floating £000**	**Zero £000**	**Total £000**	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets:								
Cash	**—**	**83,265**	**—**	**83,265**	—	60,973	—	60,973
Trade receivables	**—**	**—**	**64,283**	**64,283**	—	—	49,863	49,863
Financial liabilities:								
Bank loans	**—**	**(97,081)**	**—**	**(97,081)**	—	(84,123)	—	(84,123)
Trade and other payables	**—**	**—**	**(40,795)**	**(40,795)**	—	—	(23,841)	(23,841)
Revolving Credit Facility	**—**	**(32,794)**	**—**	**(32,794)**	—	(43,889)	—	(43,889)
Senior Secured Loan Notes	**(369,908)**	**—**	**—**	**(369,908)**	(271,301)	—	—	(271,301)
Finance leases	**(15,669)**	**—**	**—**	**(15,669)**	(3,374)	—	—	(3,374)

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

Sensitivity analysis

At 31 August 2017, the Group had exposure to interest rate sensitivity in respect of variable rate loans held in Brazil. In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have increased / decreased the result for the year by £423,000 (2016: £306,000).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates. The analysis is performed on the same basis for 2016.

25 Financial instruments (continued)

e) Capital management

Group and Company

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

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

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

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Property	**Other**	**Total**	Property	Other	Total
	2017 £000	**2017 £000**	**2017 £000**	2016 £000 (restated)	2016 £000 (restated)	2016 £000 (restated)
Less than one year	**12,836**	**113**	**12,949**	9,543	286	9,829
Between one and five years	**47,642**	**188**	**47,830**	45,637	468	46,105
More than five years	**198,122**	**7**	**198,129**	199,314	—	199,314
	258,600	**308**	**258,908**	254,494	754	255,248

Analysis between Property and Other leases has been restated for year ended 31 August 2016 to correct a mis-classification between categories.

Group

During the year £12,503,000 was recognised as an expense in the income statement in respect of operating leases (2016: £9,855,000).

27 Capital Commitments

Group

During the year, the Group entered into contracts to purchase property, plant and equipment for £9,756,000 (2016: £11,671,000). These commitments are expected to be settled within twelve months of the balance sheet date.

The Group entered into a development contract for the Early Learning Village at Lorong Chuan campus in Singapore, which opened in July 2017. As at 31 August 2017, a commitment of £11,241,000 (2016: £58,750,000) remains.

The Group entered into a contract in Hong Kong for a brownfield school development during the prior year. The development opened in September 2017 with initial refurbishment work due to be completed in January 2018. As at 31 August 2017 there was a capital commitment of £10,722,000 (2016: £3,699,000).

In December 2014, the Group entered into a promise to purchase agreement with a real estate developer to construct a school in Chile. The development was completed and opened to students in March 2016. Under the

27 Capital Commitments (continued)

terms of the agreement, the Group will be required to purchase the school and the freehold property should certain performance criteria be met, the aggregate contractual commitment at 31 August 2017 is £7,141,000 (2016: £6,431,000).

28 Contingencies

Group Guarantees

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

The total gross exposure in relation to the Senior Secured Loan Notes was £379.2m (2016: £280.5m) including accrued interest, transaction costs and premiums on issue at the end of the year. The Guarantors also grant a senior guarantee of a Super Senior Revolving Credit Facility agreement concurrently with the Senior Secured Loan Notes guarantee. The Group also guarantees the loan facilities and deferred consideration in Brazil, Chile and Hong Kong, with a total exposure of £100.0m (2016: £94.0m).

Reinstatement of leased land

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

It has been estimated that the maximum liability at 31 August 2017 should a reinstatement be required would be £6,670,000 (2016: £6,544,000 (restated)). This estimated contingent liability represents the cost of demolition of the entire area of construction including substructure, extraction of piles, back filling to original levels and re-turfing.

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

Litigation

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

Tax claims

The Group has received assessments from HMRC in the aggregate amount of £1,280,000 with respect to PAYE and NI in connection with the operation of a former management securities plan in the four accounting periods ended 31 August 2010 to 2013. The net exposure arising from the assessment is deemed to be £500,000. The Group has appealed these assessments on the basis of guidance from our advisors and no provision has been made.

Notes to the Financial Statements (continued)

29 Related parties

Group

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

	Sales to 2017 £000	Sales to 2016 £000	**Expenses incurred from 2017 £000**	Expenses incurred from 2016 £000
Joint venture	**70**	57	**—**	—
Joint venture—consortium relief payments	**—**	—	**135**	116
	70	57	**135**	116

	Payables outstanding 2016 £000
Joint venture	323
	323

Company

During the year ended 31 August 2017, subsidiary undertaking Cognita Financing plc loaned £370,542,000 (2016: £271,381,000) to the Company. The loan carries a fixed rate of interest of 8.25% and is repayable in August 2021.

During the year ended 31 August 2016, subsidiary undertaking Cognita Holdings Limited loaned £83,208 to the Company and this has been repaid in full as at 31 August 2017. The loan was non-interest bearing.

30 Ultimate parent company and parent company of larger group

The immediate parent company is Cognita Midco Limited, a company registered in England and Wales. The ultimate parent company is Cognita Topco Limited, a company registered in Jersey.

The ultimate controlling parties are The Bregal Fund III LP and KKR European Fund III LP who each own 50% of Cognita Topco Limited.

31 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group’s accounting policies

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

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

Classification of Singapore land lease—decommission liability

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

Revenue recognition—Development/facility fees

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

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

Key sources of estimation uncertainty

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

Share based payments

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

Fair value of assets and liabilities attributable to business combinations

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

Impairment of goodwill

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

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

Notes to the Financial Statements (continued)

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

Provisions

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

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

Recoverability of trade receivables

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

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

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

Deferred tax assets

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

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

32 Investments in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
Balance at 1 September 2016	766,962
Investments during the year	97,328
Balance at 31 August 2017	**864,290**

Notes to the Financial Statements (continued)

32 Investments in subsidiaries (continued)

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

Subsidiary undertaking	Class of share capital held	% held	Registered Office (Appendix)	Country of incorporation	Nature of business
Cognita Financing plc*	Ordinary	100%	1	England & Wales	Loan issuing Company
Cognita Holdings Limited*#	Ordinary	100%	1	England & Wales	Holding/ Loan issuing Company
Cognita UK Holdings Limited#	Ordinary	100%	1	England & Wales	Holding Company
Cognita Limited#	Ordinary	100%	1	England & Wales	Management/ Holding Company
Cognita Schools Limited	Ordinary	100%	1	England & Wales	Education
Cognita International Holdings Limited#	Ordinary	100%	1	England & Wales	Holding Company
Super Camps Limited#	Ordinary	100%	1	England & Wales	Education
The Bushcraft Company Limited#	Ordinary	100%	1	England & Wales	Education
Educational Activity Group Limited	Ordinary	100%	1	England & Wales	Holding Company
Educational Activity Limited	Ordinary	100%	1	England & Wales	Holding Company
St Nicholas Preparatory School Limited	Ordinary	100%	1	England & Wales	Education
Cognita Funding 1 Limited#	Ordinary	100%	1	England & Wales	Holding Company
Cognita UK Mexico Holdings Limited#	Ordinary	100%	1	England & Wales	Holding Company
Cognita UK Brazil Holdings Limited#	Ordinary	100%	1	England & Wales	Holding Company
Cognita Spain Holdings S.L.	Ordinary	100%	2	Spain	Management/ Holding Company
British School of Barcelona S.L.***	Ordinary	100%	2	Spain	Education
ELIS Cognita S.L.	Ordinary	100%	2	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	2	Spain	Holding Company
Cognita BSB Property S.L.	Ordinary	100%	2	Spain	Property
Cognita Hastings Property S.L.	Ordinary	100%	2	Spain	Property
Cognita Hastings Holdings S.L.***	Ordinary	100%	2	Spain	Holding Company
The English Montessori School S.A.	Ordinary	100%	3	Spain	Education
Cognita Singapore Holdings Pte Limited	Ordinary	100%	4	Singapore	Management Company
Cognita Centre for Leadership and Learning Limited	Ordinary	100%	4	Singapore	Education
Australian International School Pte Limited	Ordinary	100%	4	Singapore	Education
Cognita Asia Holdings Pte Limited	Ordinary	100%	4	Singapore	Holding Company
Stamford American International School Pte Limited	Ordinary	100%	5	Singapore	Education
Camp Asia Cognita Pte Limited	Ordinary	100%	6	Singapore	Education
Avondale Grammar School Pte Limited	Ordinary	100%	7	Singapore	Education
St Andrews Dusit Thailand Pte Limited	Ordinary	100%	8	Singapore	Management /Holding Company
St Andrews Dusit Campus Company Limited**	Ordinary	70%	9	Thailand	Education
British Education Management Systems Company Limited	Ordinary	100%	10	Thailand	Education

Notes to the Financial Statements (continued)

32 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held	Registered Office (Appendix)	Country of incorporation	Nature of business
Silom Education Company Limited	Ordinary	100%	11	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	12	Thailand	Education
Cognita Brasil Participacoes Ltda	Ordinary	100%	13	Brazil	Holding Company
Cognita Brasil Locadora de Imoveis Ltda	Ordinary	100%	13	Brazil	Property
Cognita Brasil Locadora de Imoveis 2 Ltda	Ordinary	100%	13	Brazil	Property
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	14	Brazil	Education
GRS2 Empreendimentos Imobiliarios S/A	Ordinary	100%	15	Brazil	Property
Escola Cidade Jardim—Playpen Ltda	Ordinary	100%	16	Brazil	Education
Cognita Chile SPA	Ordinary	100%	17	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	17	Chile	Holding Company
Desarrollos Educacionales, SA	Ordinary	100%	18	Chile	Management/ Holding Company
Soc. Educacional Heuchubura, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Penalolen, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Temuco, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Puerto Montt, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Valle Lo Campino, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Ciudad Del Este, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Lo Aguirre, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Chicureo, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Curuama, SA	Ordinary	100%	18	Chile	Education
Soc. Educacional Chicauma, SA	Ordinary	100%	18	Chile	Education
Immobiliaria Tierra Fertil, SA	Ordinary	100%	18	Chile	Holding Company
Servicos Educacionales, SA	Ordinary	100%	18	Chile	Holding Company
Gestion Educativa, SA	Ordinary	100%	18	Chile	Holding Company
Bauhinia Education and Training Company Limited	Ordinary	100%	19	Hong Kong	Holding Company
Stamford American School of Hong Kong Limited	Ordinary	100%	19	Hong Kong	Holding Company
Spring Blossom Education Limited	Ordinary	100%	20	Hong Kong	Education
Flora Education Limited	Ordinary	100%	20	Hong Kong	Holding Company
Cognita MH SA de CV	Ordinary	100%	21	Mexico	Holding Company
Cognita Mexico Service Provider SC	Ordinary	100%	21	Mexico	Management Company
Vanguard Era Investments Limited	Ordinary	100%	22	British Virgin Islands	Holding Company
VOF PE Holding 1 Limited	Ordinary	100%	23	British Virgin Islands	Holding Company
International Schools Limited	Ordinary	100%	24	British Virgin Islands	Holding Company
International Education Corporation Joint Stock Company	Ordinary	100%	25	Vietnam	Education

Notes to the Financial Statements (continued)

32 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held	Registered Office (Appendix)	Country of incorporation	Nature of business
Lotus Education and Training Company (ISSP)	Ordinary	100%	26	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	27	Vietnam	Holding Company
Global Education Network Lotus Company Limited	Ordinary	100%	27	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	99.99%	27	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	96%	27	Vietnam	Holding Company

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

* Directly held

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

*** During the year, Cognita BSB Sitges S.L. and Cognita Hastings School S.L. were merged into British School of Barcelona S.L. and Cognita Hastings Holdings S.L. respectively.

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

33 Acquisition of Non-controlling interest

In September 2016, the Group exercised a call option to purchased the remaining 49% interest in the Chile schools business via its shareholding in Desarrollos Educacionales, SA (DDEE) for a consideration of CLP 6.6bn (c. £7.7m). The carrying amount of DDEE's net assets in the Group's financial statements on the date of acquisition was £14,263,200. The Group recognised a decrease in NCI of £6,891,000, an increase in retained earnings of £765,000.

	2017 £000
Carrying amount of NCI acquired (£14,063,200 x 49%)	6,891
Consideration paid to NCI	7,656
An increase in equity attributable to owners of the group	**765**

Appendix—List of registered offices

1. EMW, Seebeck House, 1 Seebeck Place, Knowlhill, Milton Keynes, MK5 8FR
2. Plaza del Doctor Letamendi 1-2, 4ª planta (08007 Barcelona - Spain)
3. Calle La Salle C/N 28023, Madrid
4. 60 Anson Road #18-04 Mapletree Anson, Singapore 079914
5. 1 Lorong Chuan, Singapore 556818
6. 1 Woodleigh Lane, Singapore, 357684
7. 318 Tanglin Road, Block A, Singapore 247979
8. 3 Raffles Place, #06-01, Bharat Building, Singapore, 048617
9. 253 Ratchawithi Road, Kwaeng Suan Chitlada, Khet Dusit, Bangkok
10. 7 Sukhumvit 107, Bang Na, Bangkok 10260, Thailand
11. 9 Convent Road, Silom, Bang Rak, Bangkok 10550, Thailand
12. 1M. 7 Ban Chang- Makhamkhoo Road Samnak Thon, Ban Chang, Rayong, 21130 Thailand
13. Av. Lineu de Paula Machado, 1490 - Cidade Jardim - São Paulo - SP - 05601-000
14. Rua Maria Caldas, 35 - São Francisco - Niterói - RJ - 24365-050
15. Rua Coronel João Brandão, 95 - São Francisco - Niterói - RJ - 24365-060
16. Praça Professor Américo de Moura, 101 - Cidade Jardim - São Paulo - SP - 05670-060
17. Avda. Andres Bello, 2711 - Piso 19 - Las Condes - Santiago - Chile - 8320000
18. Marchant Pereira 10, Piso 14. Providencia, Santiago
19. 14 Hutchison House, 10 Harcourt Road, Hong Kong
20. Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
21. Manzanillo, 64 - Colonia Roma - Delegacion Cuauhtemoc - Ciudad de México - D.F. - México - 06760
22. Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands
23. Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands
24. International Trust Company B.V.I Limited, P.O. Box 659, Road Town, Tortola, British Virgin Islands
25. No. 649A, Vo Truong Toan Street, An Phu Ward, District 2, Ho Chi Minh City
26. 92 Nguyen Huu Canh, Ward 22, Binh Thanh District, Ho Chi Minh City, Vietnam
27. Level 4, VietComReal Building, 68 Nguyen Hue St., Ben Nghe Ward, District 1, HCMC, Vietnam

Cognita Bondco Parent Limited
Financial Statements

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31 August 2016

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2016

Company Information
for the year ended 31 August 2016

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

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2016

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Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2016

Strategic report

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

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

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

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

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

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

Principal activity and review of the year

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

Our Strategy

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

Results and performance

The results of the Group for the year are set out on pages F-158 to F-164. Group revenue for the year was £326.0m.

Underlying Employee benefits expense was £175.4m.

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

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

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

Strategic report (continued)

Loss for the year before taxation

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

Capital expenditure

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

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

Developments during the year

Acquisition of brownfield school property in Hong Kong

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

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

Construction of Early Childhood Facility in Singapore

The Group is investing £102.0m in land and buildings to develop a new facility dedicated to early childhood learning in Singapore. The new facility is scheduled to open in August 2017 and will provide over 2,100 additional seats. As at 31 August 2016, c. £38.4m, in total, had been invested in this project, with c. £26.7m incurred in the year ended 31 August 2016.

Acquisitions in Spain and Thailand

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

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

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

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

Strategic report (continued)

Construction of new campus in Vietnam

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

New school and bilingual education offering in Chile

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

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

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

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

School Closures

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

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

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

Creation of distributable reserves

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

British referendum on Europe

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

Strategic report (continued)

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

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

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

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

Serious Case Review

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

Funding Secured to support Group growth

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

Post balance sheet events

Acquisition of The English Montessori School, Madrid

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

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

Acquisition of 49% minority interest in Chile

The Group formally notified the exercise of a call option to purchase the remaining 49% interest in the Chile schools business via its shareholding in Desarrollos Educacionales, SA on 29 July 2016. Completion took place on 26 September 2016 at an agreed price of CLP 6.6bn (c. £7.7m).

Funding Secured to support Group growth

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

Strategic report (continued)

Future developments

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

Statement of Going Concern

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

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

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

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

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

Controlling parties and ultimate parent undertaking

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

Principal Risks and Uncertainties

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

Child protection and safeguarding

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

Strategic report (continued)

Principal Risks and Uncertainties (continued)

Health and safety

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

Market forces

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

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

Political environment

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

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

ICT systems and infrastructure

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

Cyber risk and data protection

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

Human resources

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

Supporting growth

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

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

Strategic report (continued)

Principal Risks and Uncertainties (continued)

Financial capital risk

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

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

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

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

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

Macroeconomic environment

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

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

Liquidity risk

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

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

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

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

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

Strategic report (continued)

Principal Risks and Uncertainties (continued)

Foreign exchange risk

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

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

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

Interest rate risk

The Group finances its operations through fixed rate Senior Secured Loan Notes, bank borrowings and Revolving Credit Facilities. The Group's exposure to interest rate fluctuations on its bank borrowings is managed by the use of hedging or fixed interest rate instruments. It is the Group's policy to use fixed interest rate instruments or to use fixed rate hedging instruments to ix interest rates on at least 50% of its bank borrowings.

Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk therefore arises from its trade receivables.

In order to manage credit risk, management sets limits for customers in accordance with prudent general practice in the independent education sector. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

By Order of the Board

/s/ M Uzielli

M Uzielli
Director
1 December 2016

Registered Office Address: Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, MK5 8FR.

Report of the Directors

The Directors submit their report together with the audited financial statements of Cognita Bondco Parent Limited for the year ended 31 August 2016.

Results and dividends

The Group loss for the financial year amounted to £39,619,000 (period ended 31 August 2015: £8,566,000).

The Company loss for the financial year amounted to £3,500,800 (period ended 31 August 2015: £1,519,000).

The Directors do not recommend the payment of a final dividend (period ended 31 August 2015: £nil).

Directors

The Directors who served throughout the year and to the date of this report (except as noted) were as follows:

D Villa	
C Jansen	(appointed 14 December 2015)
M Uzielli	(appointed 17 June 2016)
R Withers	(resigned 14 December 2015)
D Pearce	(appointed 2 November 2015, resigned 28 April 2016)
M Adams	(resigned 2 November 2015)

Directors' third party indemnity insurance

Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors' biographies

Chris Jansen was appointed as Group Chief Executive Officer on 19 October 2015, replacing Rees Withers who retired from the role on 31 December 2015. Mr Jansen has over 20 years' experience in competitive consumer products and service businesses having served as CEO of the AA as well as working in senior executive roles at Centrica and British Airways.

Michael Uzielli joined Cognita as Group Chief Financial Officer on 13 June 2016, replacing David Pearce who resigned in April 2016. Prior to joining Cognita, Mr Uzielli was Chief Financial Officer for Heathrow Airport Holdings, having previously worked in a range of sectors from banking to aviation, including the role of Finance Director for British Gas.

Dean Villa has served as the Group's Chief Operating Officer and Real Estate Officer since 2004. Mr. Villa was appointed as a Director of the Company on 3 July 2015.

Political contributions

Neither the Company nor the Group made any political donations and did not incur any political expenditure during the year.

Independent auditor and disclosure of information to auditor

Each of the Directors as at the date of approval of this annual report has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Report of the Directors (continued)

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

/s/ M Uzielli

M Uzielli
Director
1 December 2016

Registered Office Address: Seebeck House, One Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2016

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Cognita Bondco Parent Limited

We have audited the group and parent company financial statements of Cognita Bondco Parent Limited for the year ended 31 August 2016 set out on F-158 to F-206. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on F-155, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Cognita Bondco Parent Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

/s/ D Neale

David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
8 December 2016

Consolidated statement of comprehensive income
for the year ended 31 August 2016

	Note	2016 Underlying £000	2016 Non-underlying £000	2016 Total £000	60 day period ended 31 August 2015 Underlying £000	60 day period ended 31 August 2015 Non-underlying £000	60 day period ended 31 August 2015 Total £000
Revenue	*1,3*	**326,045**	**—**	**326,045**	35,976	—	35,976
Employee benefits expense	*5,7,8*	**(175,426)**	**(3,954)**	**(179,380)**	(19,797)	(187)	(19,984)
Other operating expenses		**(90,397)**	**39**	**(90,358)**	(10,593)	—	(10,593)
Acquisitions and business exploration	*5*	**—**	**(4,575)**	**(4,575)**	—	(1,760)	(1,760)
Restructuring costs and exceptional advisory costs	*5*	**—**	**(7,138)**	**(7,138)**	—	(336)	(336)
Adjusted EBITDA		**60,222**	**(15,628)**	**44,594**	5,586	(2,283)	3,303
Impairment	*5*	**—**	**(8,172)**	**(8,172)**	—	(445)	(445)
Depreciation and amortisation of other intangibles	*6*	**(25,756)**	**—**	**(25,756)**	(2,763)	—	(2,763)
		34,466	**(23,800)**		2,823	(2,728)	
Operating profit				**10,666**			95
Finance income	*10*			**29,489**			171
Finance expense	*10*			**(73,483)**			(8,675)
Share of profit of joint venture	*14*			**454**			60
Loss before tax				**(32,874)**			(8,349)
Taxation	*11*			**(6,745)**			(217)
Loss for the year				**(39,619)**			(8,566)
Loss attributable to:							
Equity holders of the parent				**(40,215)**			(8,652)
Non-controlling interest				**596**			86
Loss for the year				**(39,619)**			(8,566)
Other comprehensive expense							
Items that are or may be reclassified to profit or loss:							
Foreign operations:-							
Foreign currency translation differences				**10,769**			(1,288)
Total comprehensive loss for the year				**(28,850)**			(9,854)
Attributable to:							
Equity holders of the parent				**(29,446)**			(9,940)
Non-controlling interest				**596**			86
Total comprehensive loss for the year				**(28,850)**			(9,854)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
at 31 August 2016

	Note	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	12	**529,783**	372,988
Intangible assets	13	**82,459**	79,833
Trade and other receivables	17	**8,804**	8,793
Investments in equity-accounted investees	14	**2,851**	2,397
Deferred tax assets	15	**7,705**	7,679
		631,602	471,690
Current assets			
Inventories	16	**430**	630
Tax receivable		**823**	493
Trade and other receivables	17	**51,092**	47,212
Cash and cash equivalents	18	**60,973**	75,952
Other financial assets		**—**	3
		113,318	124,290
Total assets		**744,920**	595,980
Current liabilities			
Bank overdrafts	18	**—**	(1,507)
Other interest-bearing loans and borrowings	19	**(51,569)**	(5,139)
Trade and other payables	20	**(76,755)**	(58,075)
Deferred revenue		**(126,923)**	(104,207)
Tax payable		**(5,691)**	(3,896)
Provisions	23	**(871)**	(92)
Other financial liabilities	21	**—**	(17)
		(261,809)	(172,933)
Non-current liabilities			
Other interest-bearing loans and borrowings	19	**(351,118)**	(306,056)
Other payables	20	**(8,515)**	(11,040)
Deferred revenue		**(3,481)**	(3,991)
Provisions	23	**(2,636)**	(1,837)
Other financial liabilities	21	**(43,985)**	—
Deferred tax liabilities	15	**(2,686)**	(3,322)
		(412,421)	(326,246)
Total liabilities		**(674,230)**	(499,179)
Net assets		**70,690**	96,801
Equity attributable to equity holders of the parent			
Share capital	24	**—**	—
Share premium	24	**1,669**	500,577
Other reserves		**(387,748)**	(401,353)
Retained deficit		**450,041**	(8,652)
		63,962	90,572
Non-controlling interest		**6,728**	6,229
Total equity		**70,690**	96,801

These financial statements were approved by the board of Directors on 1 December 2016 and were signed on its behalf by:

/s/ M Uzielli

M Uzielli
Director

Company registered number: 09669246

The accompanying notes form part of these financial statements.

Company Balance Sheet
at 31 August 2016

	Note	2016 £000	2015 £000
Non-current assets			
Investments in subsidiaries	*32*	**766,962**	766,962
Trade and other receivables	*17*	**60**	6,628
Total assets		**767,022**	773,590
Non-current liabilities			
Other interest bearing loans and borrowings	*19*	**(271,465)**	(274,532)
Total liabilities		**(271,465)**	(274,532)
Net assets		**495,557**	499,058
Equity attributable to equity holders of the parent			
Share capital	*24*	**—**	—
Share premium	*24*	**1,669**	500,577
Profit and loss account		**493,888**	(1,519)
Total equity		**495,557**	499,058

These financial statements were approved by the board of directors on 1 December 2016 and were signed on its behalf by:

/s/ M Uzielli

M Uzielli
Director

Company registered number: 09669246

The accompanying notes form part of these financial statements.

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2016

Consolidated Statement of Changes in Equity

Group

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Retained deficit £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Total comprehensive (expense)/ income for the period								
(Loss)/profit	—	—	—	—	(8,652)	(8,652)	86	(8,566)
Other comprehensive expense	—	—	—	(1,288)	—	(1,288)	—	(1,288)
Total comprehensive (expense)/ income for the period	**—**	**—**	**—**	**(1,288)**	**(8,652)**	**(9,940)**	**86**	**(9,854)**
Transactions with owners, recorded directly in equity								
Issue of share capital	—	500,577	—	—	—	500,577	—	500,577
Total contributions by and distributions to owners	**—**	**500,577**	**—**	**—**	**—**	**500,577**	**—**	**500,577**
Changes in ownership interests								
Common control acquisition	—	—	(400,065)	—	—	(400,065)	6,143	(393,922)
Balance at 31 August 2015	**—**	**500,577**	**(400,065)**	**(1,288)**	**(8,652)**	**90,572**	**6,229**	**96,801**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

Group

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Equity reserve £000	Retained deficit £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 September 2015	—	500,577	(400,065)	(1,288)	—	(8,652)	90,572	6,229	96,801
Total comprehensive income/(expense) for the year									
(Loss)/profit	—	—	—	—	—	(40,215)	(40,215)	596	(39,619)
Other comprehensive income	—	—	—	10,769	—	—	10,769	—	10,769
Total comprehensive income/(expense)	**—**	**—**	**—**	**10,769**	**—**	**(40,215)**	**(29,446)**	**596**	**(28,850)**
Transactions with owners, recorded directly in equity									
Capital reduction	—	(498,908)	—	—	—	498,908	—	—	—
Equity-settled share based payment transactions	—	—	—	—	3,954	—	3,954	—	3,954
Impairment of grandfathered goodwill	—	—	—	(1,118)	—	—	(1,118)	—	(1,118)
Total contributions by and distributions to owners	**—**	**(498,908)**	**—**	**(1,118)**	**3,954**	**498,908**	**2,836**	**—**	**2,836**
Changes in ownership interest in subsidiaries									
Acquisition of a subsidiary with non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(97)**	**(97)**
Balance at 31 August 2016	**—**	**1,669**	**(400,065)**	**8,363**	**3,954**	**450,041**	**63,962**	**6,728**	**70,690**

The accompanying notes form part of these financial statements.

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2016

Statement of Changes in Equity

Company

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Total comprehensive income for the period				
Loss for the period	—	—	(1,519)	(1,519)
Total comprehensive income for the period	**—**	**—**	**(1,519)**	**(1,519)**
Transactions with owners, recorded directly in equity				
Issue of shares	—	500,577	—	500,577
Total contributions by owners	**—**	**500,577**	**—**	**500,577**
Balance at 31 August 2015	**—**	**500,577**	**(1,519)**	**499,058**

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 September 2015	—	500,577	(1,519)	499,058
Total comprehensive income for the year				
Loss for the year	—	—	(3,501)	(3,501)
Total comprehensive expense for the year	**—**	**—**	**(3,501)**	**(3,501)**
Transactions with owners, recorded directly in equity				
Capital reduction	—	(498,908)	498,908	—
Total contributions by owners	**—**	**(498,908)**	**498,908**	**—**
Balance at 31 August 2016	**—**	**1,669**	**493,888**	**495,557**

The accompanying notes form part of these financial statements.

Cognita Bondco Parent Limited
Financial Statements
Year ended 31 August 2016

Consolidated Cash Flow Statements
for year ended 31 August 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Cash flows from operating activities					
Loss for the year		**(39,619)**		(8,566)	
Adjustments for:					
Depreciation, amortisation and impairment		**33,928**		3,208	
Interest expense		**73,483**		8,675	
Financing income		**(29,489)**		(171)	
Gain from sale of property, plant and equipment		**(39)**		—	
Effect of exchange rate change		**7,312**		(257)	
Share of profit of equity-accounted investee, net of tax		**(454)**		(60)	
Equity settled share based payment expense		**3,954**		187	
Tax expense		**6,745**		41	
Operating profit before changes in working capital and provisions			**55,821**		3,057
Increase in trade and other receivables		**(5,877)**		(11,803)	
Decrease in inventories		**289**		95	
Decrease in financial assets		**—**		(3)	
Increase/(decrease) in trade and other payables		**1,613**		(24,374)	
Decrease in provisions		**(351)**		—	
Increase in deferred revenue		**6,877**		35,930	
			58,372		2,902
Taxation paid			**(5,787)**		(617)
Net cash inflow from operating activities			**52,585**		2,285
Cash flows from investing activities					
Interest received		**1,216**		171	
Acquisition of subsidiary, net of cash acquired		**(6,687)**		—	
Acquisition of property, plant and equipment		**(115,853)**		(10,474)	
Proceeds from sale of property, plant and equipment		**96**		—	
Net cash outflow from investing activities			**(121,228)**		(10,303)
Cash flows from financing activities					
Proceeds from new loan		**104,099**		280,000	
Interest paid		**(29,682)**		(5,492)	
Refinancing transaction costs		**(2,888)**		(10,783)	
Repayment of borrowings		**(25,975)**		(298,039)	
Net cash (outflow)/inflow from financing activities			**45,554**		(34,314)
Net decrease in cash and cash equivalents			**(23,089)**		(42,332)
Cash and cash equivalents at 1 September	*18*		**74,445**		—
Cash acquired in common control transactions			**—**		116,777
Effect of exchange rate fluctuations on cash held			**9,617**		—
Cash and cash equivalents at 31 August 2016	*18*		**60,973**		74,445

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

General information

Cognita Bondco Parent Limited (the "Company") is a Company incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Cognita Midco Limited. The ultimate controlling party is Cognita Topco Limited, a company incorporated in Jersey which is jointly controlled by The Bregal Fund III LP and Crimson Cayman Holding Limited which is controlled by KKR European Fund III LP.

The principal activity of the Company and its subsidiaries (together referred to as the "Group") during the period was the operation of private-pay K-12 schools and related education activities. These financial statements are for this Company and the Group.

Basis of preparation

Both the Company and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements are prepared on the historical cost basis with the exception of the following assets and liabilities which are stated at their fair value in accordance with the relevant Adopted IFRSs:

- Derivative financial instruments
- Liabilities for equity-settled share based payments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company (its subsidiaries) and the Group's interest in its jointly controlled entity. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interests having a deficit balance.

The governance of a jointly controlled entity is established by contractual agreement which requires the venturers' unanimous consent for strategic, financial and operating decisions. Therefore the Group has joint control of the entities activities. The equity method is used to account for the jointly controlled entity. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

1 Accounting policies (continued)

Basis of consolidation (continued)

Common control accounting has been applied in respect of the acquisition of the Cognita Holdings Limited Group in the period ended 31 August 2015, on the basis that both entities were under the common ownership of the ultimate parent company, Cognita Topco Limited.

The income statement effect of common control accounting is to combine the post-acquisition results of the acquired company with the results of the Company. Goodwill is not calculated under this method of accounting. The balance sheet is brought into the consolidation at book values with any pre-acquisition reserves of the acquired company being held in a merger reserve.

Going concern

The Group has continued to expand both organically and via acquisitions during the year. The growth has been funded from operating cash flow and short and long term borrowings (see note 19). Future growth will be funded from suitable financing arrangements as well as cash flows generated from operations.

The information disclosed in the Strategic Report explains the Directors' assessment of risk within the Group. The Group is structured to enable sharing of resources where possible, including banking arrangements and liquid assets between Group companies. The Directors believe the Group is well placed to manage these business risks in the current economic climate.

The Directors have performed a review of the Group and have a reasonable expectation that the business has adequate resources to continue into the foreseeable future. The Directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

The principal accounting policies are set out below. They have remained unchanged from the previous period.

Foreign currency

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the Group.

i) Foreign currency transactions

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement, which are recognised directly in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

ii) Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Foreign currency (continued)

presentational currency at foreign exchange rates prevailing on the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising are reported as an item of other comprehensive income and accumulated in the translation reserve, attributed to non-controlling interests as appropriate.

Exchange differences arising from monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Classification of financial instruments

The Group classifies non-derivative financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Held to maturity financial assets
- Loans and receivables

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as proceeds received, net of direct issue costs.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, cash and cash equivalents, trade and other receivables, trade and other payables, and other interest bearing loans and borrowings.

Investments in equity securities

Investments in subsidiaries are carried at cost less impairment in the parent company accounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. In the cash flow statement, cash and cash equivalents includes bank overdrafts that are repayable on demand.

Trade and other receivables

Trade and other receivables are recognised initially at fair value less any impairment losses. Due to their short-term nature, the carrying value of trade and other receivables approximates their fair value. A provision for impairment of receivables is applied where there is empirical evidence that the Group will not be able to recover

1 Accounting policies (continued)

Trade and other receivables (continued)

the contracted cash inflows. When certainty is obtained that a receivable is not recoverable, the specific receivable is written off.

Trade and other payables

Trade and other payables are recognised initially at fair value. Due to their short-term nature, the carrying value of trade and other receivables approximates their fair value.

Interest-bearing borrowings

Senior Secured Loan Notes and bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Where amortised cost using straight line amortisation approximates the outcome under the effective interest method, the straight line method is adopted.

Derivative financial instruments and hedging

The Group uses forward contracts and interest rate swaps to hedge its exposure to fluctuations in exchange and interest rates of bank borrowings. Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps are based on Mark to Market values provided by the issuing financial institutions. These values are mid-market levels as at close of business on the balance sheet date. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. The Group has not adopted hedge accounting in relation to these instruments.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, using the straight-line method over the useful economic life of that asset. Land is not depreciated. The estimated useful lives of property, plant and equipment are as follows:

Freehold buildings	– 20 to 60 years
Short leasehold land buildings	– the remaining life of the lease
Fixtures, fittings and equipment	– 1 to 10 years
Computer equipment	– 2 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

Assets in the course of construction are not depreciated. Upon completion the asset will be transferred into the relevant category of property, plant and equipment and will be depreciated over its estimated useful life.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Business combinations

All business combinations are accounted for by applying the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Goodwill and Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Intangible assets

Intangible assets acquired as part of a business combination are capitalised separately from goodwill at fair value if those assets are separately identifiable and their fair value can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangibles with an indefinite useful life are not amortised but are tested for impairment at each balance sheet date. Capitalised software and other intangible assets are amortised from the date they are available for use.

The estimated useful lives of other intangibles are as follows:

Computer software	– 3 years
Customer contracts	– average tenure of a student at relevant school
School licences	– over the length of the licence
Brands	– 20 years
Favourable leases	– over the remaining length of the lease

1 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is assessed for impairment at the end of the first full financial year after acquisition and subsequently at each reporting date.

Indications of impairment are identified by reviewing events or changes in circumstance which suggest that the carrying amount of an asset is not recoverable. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is deemed to be the higher of net realisable value (fair value less costs to sell) and value in use.

Value in use is calculated by discounting estimated future post-tax cash flows to their present value using a post-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

The discount rate applied is based on the post-tax weighted average cost of capital of the Group's operations in the country the asset sits. Estimated future cash flows are based on Board approved budgets which represent our best estimate of future performance, supported by historical trends, known operating margins and achievable growth or cost saving targets. An inflationary growth rate of 2.25% was used to extrapolate beyond the most recent forecasts, representing the inflation rate for the business based on latest economic information.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGU"). Impairment testing is performed at the lowest level at which goodwill is monitored for internal reporting purposes. Therefore a CGU represents an individual school or group of schools purchased as one business acquisition transaction. No individual CGU's are considered significant in comparison to the total carrying value of goodwill.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, an impairment loss in recognised in the income statement. Impairment losses in respect of a CGU are initially allocated against the carrying amount of goodwill allocated to the units and then subsequently against the carrying amounts of other assets within the CGU.

Impairment losses recognised in respect of goodwill are irreversible. Impairment losses recognised against other assets can be subsequently reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses recognised in prior periods are therefore assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Revenue

Revenue represents the fair value of consideration received or receivable for services or goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is recognised based on the following criteria:

- it is probable that the economic benefits of the transaction will flow to the Group
- the revenue can be measured reliably
- the costs incurred or to be incurred in respect of the transaction can be measure reliably

Revenue is generated from the provision of educational services and the sale of related services and goods. The recognition of material revenue streams is detailed below:

- **Tuition fees**

These are recognised on a straight line basis over the period of the service provision. The fee will be recognised over the full 12 months of that academic year. Annual fee rates are used as the basis for calculating the monthly fee recognised.

- **Application/enrolment fees**

These fees relate to the processing of new applications and where successful, a formal offer of a place within one of the Group's schools is made. These fees are recognised at the point at which an application is processed.

- **Development/facility fees**

This is a fee for the provision of the facilities made available to a student during their tenure at a Group school. These fees are dependent upon the provision of tuition services and are therefore directly linked. The revenue is recognised over the expected tenure of a student within the school. The expected tenure is considered on a school by school basis and this estimate is reconsidered on an annual basis.

- **Holiday camp revenue**

Fees payable for holiday camp services are recognised on a straight line basis over the period of the service provision.

- **Other revenue**

This represents a number of income streams including fees for information technology, transportation, clubs, trips and income from the sale of books, uniforms and canteen sales. Revenue is recognised upon the provision of services or upon sale of goods.

All revenue is presented net of discounts, the recognition of which is consistent with the related revenue stream.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Employee bene its (continued)

Multi-employer plans

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), in respect of certain teaching staff. This is a multi-employer defined benefit pension plan and it is not possible for the Group to use defined benefit accounting as sufficient information is not available. Accordingly no provision can be made for any under or over provision of funding within the plan as required under IAS 19. For further detail on the TPS see note 22.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payment transactions

Share based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group.

Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 9.

The fair-value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with the corresponding adjustment to equity reserves.

Provisions

A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Expenses (continued)

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Standards issued but not yet effective

The Group has considered all new standards and interpretations that are endorsed but not yet effective at the year end and views that there will be no significant impact on the financial statements next year.

2 Acquisitions of subsidiaries

Acquisitions in the current period

During the year the Group acquired two schools, one in Spain and one in Thailand. The Group incurred costs related to these acquisitions of £932,000 relating to legal and financial due diligence and transaction costs during the year ended 31 August 2016. These costs have been included in non-underlying costs in the Group's consolidated statement of comprehensive income.

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

In the period from acquisition to 31 August 2016, the schools contributed £275,000 net loss to the consolidated net loss for the year. If the acquisition had occurred on 1 September 2015, the impact on Group revenue would have been an increase of £3,908,000 and the impact on the Group net loss would been an estimated £553,600. In determining these amounts, management have assumed that the fair value adjustment that arose on the date of acquisition would have been the same if the acquisition occurred on 1 September 2015.

More detail is provided on each acquisition below:

Spain

On 1 January 2016, the Group acquired 100% of the trade and assets of the International School of Barcelona, Sitges.

The primary reason for the business combination is to facilitate further expansion of the British School of Barcelona (BSB), by integrating the acquired site and providing service provision across both campuses. The acquired school already has an established reputation and academic track record and historically has been one of BSB's main competitors.

Effect of acquisitions

The acquisition had the following effect on the Group's assets and liabilities.

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	42	—	42
Fair value of intangible assets:			
Customer contracts	—	692	692
Favourable lease	—	469	469
Inventories	111	(111)	—
Trade and other receivables	37	(19)	18
Trade and other payables	(40)	14	(26)
Provisions	(26)	26	—
Deferred income	(744)	344	(400)
Net identifiable (liabilities)/assets acquired	**(620)**	**1,415**	**795**
Cash consideration relating to business combination and acquisition payment			**1,806**
Deferred consideration at fair value			**364**
Total consideration			**2,170**
Value of consideration in excess of net assets acquired attributed to Goodwill			**1,375**

Thailand

On 26 February 2016, the Group acquired 70% of the share capital of St. Andrews Dusit Co., Ltd for a total consideration of THB 100m (c. £2m).

Notes to the Financial Statements (continued)

2 Acquisitions of subsidiaries (continued)

Acquisitions in the current period (continued)

The entity acquired holds the trade and assets of a school based in Bangkok, Thailand, branded as St Andrews International School Bangkok Dusit Campus. The primary reason for the business combination is that it complements the Group's existing portfolio. The acquired school already has an established reputation and is located in central Bangkok in a high growing catchment area. There is high demand for places at the school and Cognita will enable capacity expansion whilst further building the reputation and academic record of the school.

Effect of acquisitions

The acquisition had the following effect on the Group's assets and liabilities.

	Book values recognised on acquisition £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	689	—	689
Fair value of intangible assets			
Customer contracts	—	274	274
School licence	—	71	71
Favourable lease	—	663	663
Inventories	7	—	7
Trade and other receivables	19	—	19
Cash and cash equivalents	361	—	361
Trade and other payables	(1,257)	—	(1,257)
Provisions	(1)	—	(1)
Deferred income	(142)	—	(142)
Net (liabilities)/assets acquired	**(324)**	**1,008**	**684**
Purchase consideration			**2,008**
Total consideration			**2,008**
Net liabilities attributable to minority interest (30%)			**205**
Value of consideration in excess of net assets acquired attributed to Goodwill			**1,529**

Goodwill arising on acquisitions in Spain and Thailand represents value arising from intangible assets that are not separately identifiable under IFRS3. These items include the value of synergies of combining the operations of the business with those of the Group as well as the skills and knowledge of the employees of the schools acquired.

Cash outflows from acquisitions are reflected in the consolidated cash flow statement on F-164. Cash outflows relating to acquisitions are shown net of cash acquired and include deferred consideration paid in respect of prior year investments.

3 Revenue

	2016 £000	60 day period ended 31 August 2015 £000
School fees and related services	**325,205**	35,884
Sale of goods	**840**	92
Total revenue	**326,045**	35,976

4 Operating Segments

The Group's principal activity during the year was the operation of private schools and related education activities.

At the year end the Group operated 67 (2015: 66) schools across Europe, Asia and Latin America. The Directors consider these three segments as the Group's reportable segments under IFRS 8.

This segmental analysis shows the results of these divisions. Revenue is income earned by the Group from third parties and is stated net of intersegmental revenue, in line with the reports reviewed by the chief decision makers. Intersegmental revenue mainly includes management charges.

The Group analyses its results at Adjusted EBITDA level on an underlying basis with separate disclosure of non-underlying costs in arriving at its results before tax. Adjusted EBITDA is the performance measure observed by the chief decision makers and is defined as underlying operating profit before depreciation, amortisation and impairment charges. Profit/loss before tax is not reviewed on an operating segment basis by the chief decision makers, therefore a reconciliation of Adjusted EBITDA to Profit/loss before tax is shown below for completeness. Refer to note 5 for an analysis of non-underlying items.

Segment revenues and results

Operating Segment	**Revenue**	Revenue	**Underlying Adjusted EBITDA**	Underlying Adjusted EBITDA
	31 August 2016 £000	60 day period ended 31 August 2015 £000	**31 August 2016 £000**	60 day period ended 31 August 2015 £000
Europe	**162,479**	19,740	**15,816**	1,706
Asia	**128,954**	12,610	**37,504**	3,160
Latin America	**34,612**	3,626	**6,902**	720
Total	**326,045**	35,976	**60,222**	5,586
Depreciation and amortisation of other intangibles			**(25,756)**	(2,763)
Underlying operating profit			**34,466**	2,823
Non-underlying costs (note 5)			**(23,800)**	(2,728)
Finance income			**29,489**	171
Finance expense			**(73,483)**	(8,675)
Share of profit of joint venture			**454**	60
Loss before tax			**(32,874)**	(8,349)

Segment Assets

Operating segment	**Total assets 2016 £000**	Total assets 2015 £000
Europe	**407,153**	362,955
Asia	**266,791**	137,359
Latin America	**70,976**	95,666
Segment assets	**744,920**	595,980

Notes to the Financial Statements (continued)

5 Non-underlying items

	2016 **£000**	60 day period ended 31 August 2015 £000
Impairment	**8,172**	445
Acquisition and business exploration costs	**4,575**	1,760
Restructuring and exceptional advisory costs	**7,138**	336
Share based payments charge	**3,954**	187
Gain on disposal of fixed assets	**(39)**	—
	23,800	**2,728**

Non-underlying items are items of income or expenditure which for the Board and financial statement reporting purposes are disclosed separately because in management's judgement, due to their nature, size or incidence, they distort an understanding of the Group's financial performance and comparability between periods. The items of expenditure which management designate as being non-underlying include acquisition and business exploration costs, restructuring and exceptional advisory costs, impairments of assets, profit and losses on disposal of fixed assets and share based payment schemes.

Impairment costs relate to the write down of assets identified as being impaired. Each year all CGU's and their associated assets are reviewed for indicators of impairment, if identified as being impaired, an impairment charge will be made to the income statement. The impairment charge for an individual CGU, which does not result in a cash cost to the business, is generally one-off in nature and therefore is not considered to be a recurring item. In the event that an impairment loss is subsequently reversed, the reversal is treated consistently with the initial write down and would be recognised within non-underlying items.

Acquisition and business exploration costs are expenses incurred to seek out and acquire new schools or expansion opportunities including future business development into new countries and regions. These include any legal and due diligence fees relating to potential or actual acquisitions. Although costs relating to projects can span multiple financial years, key components of expenditure for specific projects are non-recurring, for example financial due diligence, legal due diligence, market surveys. These costs have no relation to the operational results of existing schools and are split out to enable the reader of the financial statements to gain greater clarity of the underlying business performance.

Restructuring costs mainly relate to employment cessation and associated legal costs. These costs are incurred annually but relate to different projects and by nature will only occur once. Exceptional advisory costs relate to advisory fees with respect to the review and assessment of the Group's child safeguarding policies and procedures. During the year ended 31 August 2016, two schools were closed in the UK. Costs of £2.2m relating to the closures are disclosed within this category.

Share based payment costs represent the income statement charge relating to the management incentive plan (MIP). This charge relates to the MIP put in place in June 2013, described in note 9. This charge does not result in a cash cost to the business and has therefore been shown as non-underlying.

All accounting policies are applied consistently between periods unless disclosures are made in the financial statements to the effect that there has been an accounting policy change, in which case, the impact of such change on the comparative numbers will be disclosed.

The tax effect of the non-underlying costs in 2016 was a credit of £262,400 (2015: £334,200).

Notes to the Financial Statements (continued)

6 Expenses and auditor's remuneration

Expenses:	2016 £000	60 day period ended 31 August 2015 £000
Cost of inventories recognised as expense	**490**	66
Impairment loss recognised on trade receivables	**661**	402
Depreciation of owned property, plant and equipment	**19,830**	2,683
Depreciation of property, plant and equipment on finance leases	**4,801**	—
Amortisation of other intangibles	**1,125**	80
Impairment of freehold land and buildings	**2,662**	445
Impairment of goodwill	**6,628**	—
Operating lease costs	**9,855**	1,032

Auditor's remuneration:

Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

The remuneration to the Group's auditors reflected in these financial statements is shown below:

	2016 £000	60 day period ended 31 August 2015 £000
Audit of these financial statements	**72**	40
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**439**	383
Audit-related assurance services	**35**	16
Taxation compliance services	**114**	18
Other tax advisory services	**3**	3
All other services	**43**	11
	706	471

7 Staff numbers and costs

The average number of staff employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	60 day period ended 31 August 2015
Number of teachers	**4,189**	4,072
Number of administrative staff	**1,645**	1,558
	5,834	5,630

7 Staff numbers and costs (continued)

The aggregate payroll costs of these staff were as follows:

	2016 £000	60 day period ended 31 August 2015 £000
Wages and salaries	**156,454**	17,661
Share based payments (See note 9)	**3,954**	187
Social security costs	**12,071**	1,448
Contributions to defined contribution plans	**6,901**	688
	179,380	19,984

8 Directors' remuneration

The remuneration paid or payable to the Directors of the Group, as part of their service contract with Cognita Holdings Limited was:

	2016 £000	60 day period ended 31 August 2015 £000
Aggregate emoluments and fees (including benefits in kind)	**2,190**	116
Performance bonuses (inc. social security) and other emoluments	**1,041**	56
Amounts paid as compensation for loss of office	**991**	—
	4,222	172
Share based payments	**50**	89
	4,272	261

No Directors have benefits accruing under defined benefit or defined contribution pension schemes. Under arrangements for selected individuals to subscribe for equity settled shares, a charge has been made to the income statement of £3,954,000 (Period ended 31 August 2015: £187,000) in respect of Directors and managers within non-underlying operating costs. Of this charge, £2,959,000 relates to arrangements which have vested during the periods ended 31 August 2015 and 31 August 2016.

The above emoluments include amounts paid to the highest paid Director as follows:

	2016 £000	60 day period ended 31 August 2015 £000
Aggregate emoluments and fees (including benefits in kind)	**615**	58
Performance bonuses (inc. social security) and other emoluments	**501**	31
	1,116	89
Share based payments	**21**	68
	1,137	157

Number of Directors who had awards receivable in the form of shares under a long-term incentive plan:

	2016	2015
Has awards received in form of shares under management incentive plan	4	2

On 31 March 2016, the Group provided an interest free, unsecured loan of £400,089 to M Uzielli, a Director of the Company, to enable him to participate in the Cognita Group Management Incentive Plan.

8 Directors' remuneration (continued)

The loan becomes repayable, in cash, at the earlier of the Director leaving the employment of the Group and the future sale, partial sale, winding up, distribution or listing of the shares in Cognita Topco Limited. In the event of default, the borrower will be charged and required to pay interest calculated daily at base rate plus 4% The borrower may prepay the loan in full or in part, under certain circumstances. No prepayments had been made against the loan principal at 31 August 2016.

9 Share based payments

The Group was acquired by Cognita Topco Limited during the year ended 31 August 2013. As part of the restructuring, a management incentive plan (MIP) was introduced whereby certain Directors and senior managers were granted C shares in Cognita Topco Limited. The C shares have limited rights and there is no entitlement to dividends.

The rewards associated with the MIP are achieved by meeting specific IRR hurdles on the future sale, partial sale, winding up, distribution or listing of shares in Cognita Topco Limited. These rewards are incremental and will increase based on the IRR that is achieved by the main shareholders of Cognita Topco Limited. Should the specific hurdles be achieved, the rewards will be payable to the participants of the MIP.

Certain senior managers were also granted loans by Cognita Topco Limited in respect of their purchase of these C shares. The settlement or repayment of these loans by the employees is triggered at the same time as vesting of C shares being by a future sale, partial sale, winding up, distribution or listing of the shares in Cognita Topco Limited. The loans accrue interest at 4% per annum on a compound basis. The fair value of the loans and the C shares awarded as a single share-based payment arrangement was calculated, taking account of the expected settlement event and timing, at £8.7m for the Group and this amount was being charged to the Consolidated Income Statement of the Group over the expected vesting period of 5 years and 3 months.

The Group undertook a full review of the MIP during the year ended 31 August 2016 and identified that a number of the participants had left employment. As a result, the charge relating to these employees was accelerated such that the full remaining fair value had been recognised through the Consolidated Income Statement of the Group and has been treated as non-underlying. The vesting period was also reviewed and updated leading to an expected vesting period of 7 years and 3 months from the date of the initial issuance in June 2013.

A number of new participants were granted shares in the incentive plan in the year ended 31 August 2016. The nature and rewards attached to the C shares granted remain consistent with the initial issuance in the year ended 31 August 2013. New participants to the MIP scheme in the year ended 31 August 2016, were also eligible to acquire B shares in Cognita Topco Limited, these shares rank pari passu with one another and entitle the B shareholders to participate in the profits of the Company. The terms associated with these shares under the MIP are consistent with those relating to the C shares.

Valuations were performed by an independent third party at each of the grant dates during the year. Due to the complex features of the awards, the fair value of these shares at the grant date were derived using an approach called Quadrature.

The following assumptions applied in determining the fair value:

- An assumed equity value was estimated at grant date
- A realisation event was assumed to occur at 31 August 2020
- A risk free rate of return ranging from 0.66% to 1.14%, depending on grant date was used for modelling purposes
- A future volatility rate of 43% was estimated based on the historical volatility of comparable public companies adjusted for unique or significant events not expected to affect future volatility
- An annual employee exit rate of 0% has been factored into the assumptions, as shares are transferred to other participants

Notes to the Financial Statements (continued)

10 Finance income and expense

Recognised in income statement

	2016 £000	60 day period ended 31 August 2015 £000
Finance income:		
Bank interest	**1,222**	138
Other Interest receivable	**101**	5
Derivatives gain	**16**	28
Exchange gains	**28,150**	—
Total finance income	**29,489**	171

	Group 2016 £000	Company 2016 £000	Group 60 day period ended 31 August 2015 £000	Company 60 day period ended 31 August 2015 £000
Finance expense:				
Interest payable on bank borrowings	**3,291**	**—**	2,661	—
Other similar charges payable	**2,070**	**—**	1,942	1,519
Interest payable to Group companies	**—**	**23,163**	—	—
Finance charges in respect of finance leases	**117**	**—**	—	—
Exchange losses	**—**	**—**	508	—
Interest payable on Senior Secured Loan Notes	**—**	**—**	1,427	—
Payment in kind note interest	**—**	**—**	2,137	—
Interest payable on bonds and Revolving Credit Facility	**24,020**	**—**	—	—
Loss on fair value of forward contracts	**43,985**	**—**	—	—
Total finance expense	**73,483**	**23,163**	8,675	1,519

Interest payable on bank borrowing represents interest payable on bank loans held around the Group. Interest accrues at different rates, on a fixed or floating basis, according to the currency and drawdown date of the debt. Further information can be found in note 19.

11 Taxation

Recognised in the income statement

	Group 2016 £000	Group 60 day period ended 31 August 2015 £000
Current tax expense		
Current year	**6,541**	403
Adjustments for prior years	**39**	—
Current tax expense	**6,580**	403
Origination and reversal of temporary differences	**131**	(186)
Reduction in tax rate	**(594)**	—
Recognition of previously unrecognised tax losses	**628**	—
Deferred tax expense/(income)	**165**	(186)
Total tax expense	**6,745**	217

Notes to the Financial Statements (continued)

11 Taxation (continued)

	Group 2016 £000	60 day period ended 31 August 2015 £000
Loss excluding taxation	**(32,874)**	(8,349)
Tax using the UK corporation tax rate of 20.00 % (2015: 20.00%)	**(6,575)**	(1,670)
Effect of tax rates in foreign jurisdictions	**496**	(46)
Reduction in tax rate on deferred tax balances	**98**	3
Non-deductible expenses	**10,142**	1,995
Tax exempt revenues	**—**	(75)
Recognition of previously unrecognised tax losses	**(23)**	(93)
Current year losses for which no deferred tax asset was recognised	**1,558**	103
Under provided in prior years	**667**	—
Unrelieved withholding tax	**498**	—
Consortium relief	**(116)**	—
Total tax expense	**6,745**	217

Reductions on the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015. The deferred tax asset at 31 August 2016 has been calculated based on these rates.

An additional reduction to 17% (effective April 2020) was substantially enacted on 6 September 2016. This will reduce the company's future current tax charge and deferred tax asset accordingly.

Notes to the Financial Statements (continued)

12 Property, plant and equipment—Group

	Freehold land and buildings £000	Short leasehold land and buildings £000	Fixtures, Fittings and equipment £000	Computer equipment £000	Assets under construction £000	Total £000
Cost						
Balance at 3 July 2015	—	—	—	—	—	—
Acquisitions through business combinations	151,921	244,582	60,152	26,708	11,221	494,584
Additions	—	2,796	2,142	1,237	4,299	10,474
Balance at 31 August 2015	151,921	247,378	62,294	27,945	15,520	505,058
Balance at 1 September 2015	**151,921**	**247,378**	**62,294**	**27,945**	**15,520**	**505,058**
Acquisitions through business combinations	**—**	**595**	**95**	**25**	**—**	**715**
Additions	**4,377**	**73,022**	**7,280**	**3,927**	**35,729**	**124,335**
Disposals	**(27)**	**(1)**	**(869)**	**(1,372)**	**—**	**(2,269)**
Asset reclassification	**6,020**	**3,448**	**(2,563)**	**67**	**(6,972)**	**—**
Effect of movements in foreign exchange	**12,651**	**45,057**	**5,351**	**2,260**	**5,677**	**70,996**
Balance at 31 August 2016	**174,942**	**369,499**	**71,588**	**32,852**	**49,954**	**698,835**
Depreciation and impairment						
Acquisitions through business combinations	31,860	52,010	25,746	19,326	—	128,942
Depreciation charge for the period	307	1,190	726	460	—	2,683
Impairment losses	202	—	243	—	—	445
Balance at 31 August 2015	32,369	53,200	26,715	19,786	—	132,070
Balance at 1 September 2015	**32,369**	**53,200**	**26,715**	**19,786**	**—**	**132,070**
Depreciation charge for the year	**2,456**	**13,591**	**4,527**	**4,057**	**—**	**24,631**
Impairment losses	**2,662**	**—**	**—**	**—**	**—**	**2,662**
Disposals	**(26)**	**—**	**(831)**	**(1,355)**	**—**	**(2,212)**
Effect of movements in foreign exchange	**1,003**	**6,763**	**2,826**	**1,309**	**—**	**11,901**
Balance at 31 August 2016	**38,464**	**73,554**	**33,237**	**23,797**	**—**	**169,052**
Net book value						
At 3 July 2015	—	—	—	—	—	—
At 31 August 2015	119,552	194,178	35,579	8,159	15,520	372,988
At 31 August 2016	**136,478**	**295,945**	**38,351**	**9,055**	**49,954**	**529,783**

During the year, the Group wrote down £2,661,700 (period ended 31 August 2015: £445,400) of tangible fixed assets following a review for impairment. The impairment calculation was performed in line with the Group's impairment accounting policy. Further details of the key assumptions and sensitivities within this calculation are given in note 13. The impairment loss for the year ended 31 August 2016 is allocated against Freehold land and buildings, whilst in the period ended 31 August 2015, the impairment loss was allocated between Freehold and Short leasehold land and buildings and is included in operating loss within the Statement of comprehensive income.

Disclosure of capital commitments can be found in note 27 of the financial statements.

Certain subsidiary undertakings are guarantors over Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange—Euro MTF Market. Under this arrangement, the assets of these subsidiary undertakings are subject to a fixed and floating charge.

13 Intangible assets—Group

	Goodwill £000	Other intangibles: Software £000	Other intangibles: Favourable leases £000	Other intangibles: Customer Contracts £000	Other intangibles: Brands and Licences £000	Other intangibles: Other £000	Total £000
Cost							
Balance at 3 July 2015	—	—	—	—	—	—	—
Acquisitions through business combinations (Restated)	152,056	1,016	—	3,193	548	152	156,965
Balance at 31 August 2015 (Restated)	152,056	1,016	—	3,193	548	152	156,965
Balance at 1 September 2015 (Restated)	**152,056**	**1,016**	**—**	**3,193**	**548**	**152**	**156,965**
Additions	**—**	**1,173**	**—**	**—**	**—**	**—**	**1,173**
Acquisitions through business combinations	**2,170**	**—**	**1,415**	**1,083**	**101**	**—**	**4,769**
Effect of movements in foreign exchange	**4,047**	**188**	**163**	**1,021**	**123**	**1**	**5,543**
Balance at 31 August 2016	**158,273**	**2,377**	**1,578**	**5,297**	**772**	**153**	**168,450**
Amortisation and impairment							
Balance at 3 July 2015	—	—	—	—	—	—	—
Amortisation for the period	—	18	—	48	8	6	80
Acquisitions through common control transaction (Restated)	75,625	741	—	475	85	126	77,052
Balance at 31 August 2015 (Restated)	75,625	759	—	523	93	132	77,132
Balance at 1 September 2015 (Restated)	75,625	759	—	523	93	132	77,132
Amortisation for the year	**—**	**230**	**39**	**751**	**88**	**17**	**1,125**
Impairment charge	**6,628**	**—**	**—**	**—**	**—**	**—**	**6,628**
Effect of movements in foreign exchange	**858**	**137**	**4**	**99**	**8**	**—**	**1,106**
Balance at 31 August 2016 (Restated)	**83,111**	**1,126**	**43**	**1,373**	**189**	**149**	**85,991**
Net book value							
At 3 July 2015	—	—	—	—	—	—	—
At 31 August 2015 (Restated)	76,431	257	—	2,670	455	20	79,833
At 31 August 2016	**75,162**	**1,251**	**1,535**	**3,924**	**583**	**4**	**82,459**

The restatement represents a correction to the prior year classification of Goodwill and Other intangibles. The adjustment has no impact on the net book value and no impact in the consolidated income and other comprehensive statement of comprehensive income statement.

Goodwill and other intangible assets are spread across the Group's regions. The carrying value of intangible assets is monitored by reference to Cash Generating Units ("CGUs"). A CGU is typically a school or limited company for non-school business units. The key assumptions for the value in use calculations are discount and growth rates. The Group considers that all CGU's operate in a similar sector being education, but acknowledge that the countries in which the Group operates need to be considered in the calculation of discount rate. Therefore this year's impairment reviews adopted discount rates ranging between 8.7% and 18.0%. For all CGU's a growth rate of 2.25% is applied.

The Group monitors its post-tax weighted average Cost of Capital and those of its competitors using market data. In considering the discount rates applied to the CGU's, the Directors have considered the relative sizes and risks of its CGUs. The impairment reviews use a discount rate adjusted for pre-tax cash flows.

As part of the review for impairment, the carrying value of goodwill in two schools in Brazil were identified as being impaired and an adjustment of £6,628,000 (period ended 31 August 2015: £nil) was made by the Group to write down the value of intangible consolidated goodwill.

Notes to the Financial Statements (continued)

13 Intangible assets—Group (continued)

Sensitivity analysis

Following the impairment losses recognised in the Group's UK and Brazil schools and reported in tangible and intangible assets respectively, recoverable amounts were equal to carrying amounts. Therefore, any adverse movement in a key assumption would lead to further impairment in the UK and Brazil CGU's.

The sensitivity of goodwill carrying values to possible changes in key assumptions has been performed on the remaining CGU's in the UK and Brazil. In the UK, an increase in discount rate of 0.4% (2015: 1.5%) and a decrease in growth rate of 0.5 % (2015: 1.9%) would be required for the carrying value of further CGU's to equal their recoverable amount. In Brazil, an increase in discount rate of 1.0% and a decrease in growth rate of 1.9% would be required for the carrying value of further CGU's to be impaired.

14 Share of profit of joint venture

	2016 £000	2015 £000
At beginning of period	**2,397**	—
Acquisitions through common control transaction	**—**	2,337
Interest in joint venture arising in year	**454**	60
At end of period	**2,851**	2,397

The interest in joint venture represents the Group's contribution to the share capital of St Nicholas Preparatory School Limited (the "Joint Venture"), created with a third party to manage the St Nicholas Preparatory School.

The Joint Venture is structured as a separate vehicle and the Group has a residual interest in the net assets. The Group owns 50% of the share capital (2015: 50%) and the articles of association require unanimous consent amongst the two owners for resolutions to be passed.

The following table summarises the financial information of St Nicholas Preparatory School Limited as included in its own financial statements, adjusted for differences in accounting framework and policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in St Nicholas Preparatory School Limited.

	2016 £000	2015 £000
Non-current assets	**2,677**	2,704
Current assets	**6,216**	5,503
Non-current liabilities	**(8)**	(18)
Current liabilities	**(3,573)**	(3,785)
Net Assets (100%)	**5,312**	4,404
Group's share of net assets (50%)	**2,656**	2,202
Goodwill	**195**	195
Carrying amount of interest in joint venture	**2,851**	2,397

Notes to the Financial Statements (continued)

14 Share of profit of joint venture (continued)

	2016 £000	60 day period ended 31 August 2015 £000
Income	**4,888**	551
Expenses	**(3,758)**	(400)
Profit before tax	**1,130**	151
Tax	**(222)**	(31)
Profit after tax	**908**	120
Group's share of profit and total comprehensive income (50%)	**454**	60

15 Deferred tax assets and liabilities—Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2016 £000	2015 £000	2016 £000	2015 £000
Property, plant and equipment	**3,568**	3,720	**(3,383)**	(4,261)
Intangible assets	**16**	—	**(790)**	(472)
Provisions	**2,541**	—	**(11)**	—
Tax losses	**834**	1,165	**—**	—
Other	**2,244**	4,445	**—**	(240)
Tax assets/(liabilities)	**9,203**	9,330	**(4,184)**	(4,973)
Net of tax (liabilities)/assets	**(1,498)**	(1,651)	**1,498**	1,651
Net tax assets/(liabilities)	**7,705**	7,679	**(2,686)**	(3,322)

Movement in deferred tax during the year

	1 September 2015 £000	Recognised in income statement £000	31 August 2016 £000
Property, plant and equipment	**(541)**	**726**	**185**
Intangible assets	**(472)**	**(302)**	**(774)**
Provisions	**—**	**2,530**	**2,530**
Tax value of loss carry-forwards utilised	**1,165**	**(331)**	**834**
Other	**4,205**	**(1,961)**	**2,244**
	4,357	**662**	**5,019**
Foreign exchange movement		**(827)**	
Total amount recognised in income		**(165)**	

Notes to the Financial Statements (continued)

15 Deferred tax assets and liabilities—Group (continued)

Movement in deferred tax during the prior period

	3 July 2015 £000	Recognised in income statement £000	31 August 2015 £000
Property, plant and equipment	(780)	239	(541)
Intangible assets	(498)	26	(472)
Tax value of loss carry-forwards utilised	1,165	—	1,165
Other	4,284	(79)	4,205
	4,171	186	4,357
Total amount recognised in income		186	

The deferred tax asset not recognised is approximately £7,551,500 (2015: £4,528,000) and remains available to offset against future taxable profits.

16 Inventories

	Group	
	2016 £000	2015 £000
Goods for resale	**430**	630
	430	630

17 Trade and other receivables

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Non-current				
Trade receivables	**—**	30	**—**	—
Other receivables	**2,799**	1,768	**—**	—
Prepayments and accrued income	**6,005**	6,031	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**60**	6,628
Financial assets	**—**	964	**—**	—
	8,804	8,793	**60**	6,628
Current				
Trade receivables	**42,971**	39,380	**—**	—
Other receivables	**4,093**	4,136	**—**	—
Prepayments and accrued income	**3,705**	3,274	**—**	—
Amounts owed by joint venture	**323**	127	**—**	—
Tax recoverable	**—**	77	**—**	—
Financial assets	**—**	218	**—**	—
	51,092	47,212	—	—

Non-current prepayments relate to operating leases held in the Asia region where amounts held on the balance sheet will be released to the income statement in more than one year from the balance sheet date.

Notes to the Financial Statements (continued)

18 Cash and cash equivalents

	Group	
	2016 £000	2015 £000
Cash and cash equivalents per balance sheet	**60,973**	75,952
Bank overdrafts	**—**	(1,507)
Cash and cash equivalents per cash flow statements	**60,973**	74,445

19 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 25.

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Non-current liabilities				
Secured bank loans	**79,244**	33,791	**—**	—
Finance lease liabilities	**3,335**	3,088	**—**	—
Loans from subsidiary undertakings	**—**	—	**271,465**	274,532
Senior Secured Loan Notes	**268,539**	269,177	**—**	—
	351,118	306,056	**271,465**	274,532
Current liabilities				
Secured bank loans	**4,879**	3,435	**—**	—
Finance lease liabilities	**39**	169	**—**	—
Senior Secured Loan Notes	**2,762**	1,535	**—**	—
Revolving Credit Facility	**43,889**	—	**—**	—
	51,569	5,139	**—**	—
Total interest-bearing loans and borrowings	**402,687**	311,195	**271,465**	274,532

Cognita Financing plc issued Senior Secured Loan Notes of £280m during the year ended 31 August 2015.

The Senior Secured Loan Notes mature on 15 August 2021 and carry a fixed rate of interest of 7.75%. The issue has been listed on the Luxembourg Stock Exchange—Euro MTF ("Multilateral Trading Facility").

Included in non-current liabilities within Senior Secured Loan Notes is £9,214,000 (2015: £10,783,000) of debt issue costs. Included in current liabilities within Senior Secured Loan Notes is accrued interest of £515,000 (2015: £1,495,000).

The loans from subsidiary undertakings is a funding loan from Cognita Financing PLC which carries a fixed rate of interest of 8.25% and is repayable in August 2021.

Notes to the Financial Statements (continued)

19 Other interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2016 £000	Carrying amount 2015 £000
Secured bank loan	BRL	Fixed 12.25%/ Brazil CDI +3-3.75%	Jun 20	**11,902**	11,622
Secured bank loans	CLP	Fixed 4.7% to 5.4%	Apr 27/ May 29	**31,426**	25,604
Secured bank loans	HKD	Hong Kong CDI +2.75-3%	Apr 21	**40,795**	—
Senior Secured Loan notes	GBP	Fixed 7.75%	Aug 21	**271,301**	270,712
				355,424	307,938

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Present value of minimum lease payments 2016 £000	Interest 2016 £000	Future minimum lease payments 2016 £000	Present value of minimum lease payments 2015 £000	Interest 2015 £000	Future minimum lease payments 2015 £000
Less than one year	**221**	**116**	**337**	169	108	277
Between one and five years	**1,225**	**345**	**1,570**	1,146	358	1,504
More than five years	**1,928**	**2,799**	**4,727**	1,942	3,441	5,383
	3,374	**3,260**	**6,634**	3,257	3,907	7,164

20 Trade and other payables

	Group 2016 £000	Group 2015 £000
Current		
Trade payables	**12,835**	6,679
Other taxes and social security	**4,337**	3,399
Other creditors	**3,599**	6,833
Deferred consideration	**4,530**	—
Accruals	**40,448**	29,536
Deposits	**11,006**	11,628
	76,755	58,075
Non-current		
Other payables	**—**	404
Deferred consideration	**3,790**	7,607
Accruals	**4,427**	2,691
Deposits	**—**	58
Other taxes and social security	**298**	280
	8,515	11,040

The Company had no trade and other payables at the end of the current or preceding year.

Notes to the Financial Statements (continued)

21 Other financial liabilities

	2016 £000	2015 £000
Non-current		
Financial liabilities designated as fair value through profit or loss	**43,985**	—
	43,985	—
Current		
Financial liabilities designated as fair value through profit or loss	**—**	17
	—	17
	43,985	17

Other financial liabilities for the year ended 31 August 2016 relate to the three forward currency contracts which were entered into following the completion of the refinancing in August 2015. The forward currency contracts were entered into to mitigate the Group's exposure to future fluctuations in the Euro/GBP and Singapore Dollar/ GBP exchange rates, respectively:

Provider	Contract Amount Local currency	Trade Date	Maturity Date	Contract Amount £000	Fair value 2016 £000
HSBC	EUR 25,664,000	6 Oct 2015	8 Oct 2020	20,000	2,636
HSBC	SGD 226,497,000	7 Oct 2015	8 Oct 2020	100,000	20,622
Morgan Stanley	SGD 226,694,000	9 Oct 2015	8 Oct 2020	100,000	20,727
				220,000	43,985

22 Employee benefits—Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plan. The assets of these schemes are held separately from those of the Group in funds under the control of the various investment companies.

The total expense relating to these plans in the current year was £6,901,000 (Period ended 31 August 2015: £688,432) (see note 7).

Multi-employer defined benefit plan

Teachers' Pension Scheme

The Group participates in the Teachers' Pension Scheme (England and Wales) ("the TPS") for its teaching staff. The pension charge for the period includes contributions payable to the TPS of £5,456,700 (Period ended 31 August 2015 £499,500) and at the year end £697,500 (2015: £589,000) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pension Scheme Regulations 2014. Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate was set following scheme valuations undertaken by the Government Actuary Department. The latest actuarial valuation of the TPS was prepared at 31 March 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%.

22 Employee benefits—Pension plans (continued)

The employer rate will be payable until the outcome of the next actuarial valuation, which was due to be prepared as at 31 March 2016 but has not yet been published. Any resulting changes to the employer rate are expected to take effect from 1 April 2019. This valuation will also determine the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

23 Provisions

Group

	Property £000	Severance Allowance and Non-compulsory insurance £000	Other £000	Total £000
Balance at 1 September 2015	**273**	**635**	**1,021**	**1,929**
Amounts arising from acquisitions	**—**	**—**	**1**	**1**
Provisions made during the year	**136**	**565**	**1,181**	**1,882**
Provisions used during the year	**—**	**(185)**	**(77)**	**(262)**
Provisions reversed during the year	**—**	**—**	**(455)**	**(455)**
Foreign exchange movement	**5**	**116**	**291**	**412**
Balance at 31 August 2016	**414**	**1,131**	**1,962**	**3,507**
Non-current	**414**	**1,131**	**1,091**	**2,636**
Current	**—**	**—**	**871**	**871**
	414	**1,131**	**1,962**	**3,507**

Group

	Property £000	Severance Allowance and Non-compulsory insurance £000	Other £000	Total £000
Amounts arising from acquisitions through common control transactions	273	635	1,021	1,929
Balance at 31 August 2015	**273**	**635**	**1,021**	**1,929**
Non-current	273	635	929	1,837
Current	—	—	92	92
	273	**635**	**1,021**	**1,929**

Property

The property provision represents the anticipated costs of returning operating lease premises to their original state as required by the terms of the related lease. The leases are due to expire within two to three years and therefore the provision is expected to be utilised within this period. The level of provision is based upon an annual review of the current condition of the building. The review is based upon internal and external examinations of the property.

Severance allowance and Non-compulsory insurance

Severance allowance is paid to certain employees in Vietnam when they terminate their employment contracts and is estimated based on a consideration of time and services rendered by employees. The provision is calculated on the basis of a half-month salary for each employee for each year of service with the relevant Group company and based on basic salary levels at the balance sheet date.

Notes to the Financial Statements (continued)

23 Provisions (continued)

The non-compulsory insurance provision represents income tax and VAT payments for non-compulsory insurance in the Asia region. The non-compulsory insurance is considered as a taxable income and personal income tax is estimated based on local tax rate.

Other

The other provisions consist of amounts recognised for a loyalty points provision in Super Camps Limited, a provision for fidelity complement in Spain and a labour litigation provision in Brazil.

The loyalty points provision represents the fair value of loyalty points awarded over the last 24 months and management anticipate that they will be utilised over the next two years.

The fidelity complement is recognised as stated by the CBA in Spain. The provision covers the extra payments that may be requested by staff if they comply with certain requirements. The level of provision has been calculated by an actuary, and the release has been estimated over the next few years.

The labour litigation provision represents an amount relating to an ex-employee in Brazil.

24 Capital and reserves

Share capital

Authorised called up and fully paid

Class of share	Number 2016	Number 2015	Nominal value per share	Total share nominal value 2016 £	Total share nominal value 2015 £	Share consideration 2016 £000	Share consideration 2015 £000
Ordinary	1	300	£1	300	300	1,669	500,577
				300	**300**	**1,669**	**500,577**

On 26 February 2016, the Company consolidated 300 ordinary shares of £1 into a single share of £300 and then transacted a reduction in nominal value to £1, transferring the proceeds to distributable reserves. At the same date, the share premium account was reduced by £498,908,000 and this amount was also transferred to distributable reserves.

Merger reserve

The merger reserve arose as a result of common control accounting upon the Company acquisition of Cognita Holdings Limited and its subsidiaries during the period ended 31 August 2015. The merger reserve represents the cumulative reserves of that group prior to the acquisition date.

Equity reserve

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of the grant and is recognised in equity. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of when the shares will vest and adjusted for the effect of non market-based vesting conditions.

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 September 2014, the transition date to Adopted IFRSs, from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Notes to the Financial Statements (continued)

24 Capital and reserves (continued)

Rights of share

Ordinary shares have attached to them full voting, dividend and capital distribution rights; they do not confer any rights of redemption.

25 Financial instruments

The Group uses various financial instruments. These include loans, cash, equity investments and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to interest rate risk, the Group enters into a number of derivative transactions including, but not limited to, variable to fixed rate interest rate swaps. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign exchange risk, and interest rate risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

a) Fair values of financial instruments

Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	2016 £000	2015 £000
Group—Carrying amount and fair value		
IAS 39 categories of financial assets		
Loans and receivables (including cash and cash equivalents)	**111,159**	122,575
Total financial assets	**111,159**	122,575

Group—carrying amounts and fair value

	2016 £000	2015 £000
Financial liabilities measured at amortised cost		
Bank overdraft (note 18)	**—**	1,507
Interest-bearing loans and borrowings (note 19)	**402,687**	311,195
Trade and other payables excluding accruals and deferred consideration (note 20)	**27,439**	25,882
Provisions (note 23)	**3,507**	1,929
Financial liability measured at fair value		
Forward currency contracts and interest rate swaps (note 21)	**43,985**	17
Total financial liabilities	**477,618**	340,530
Total net financial instruments	**366,459**	217,955

Effect of change of inputs used in fair value measurement

As the possibility of obtaining unadjusted quoted prices for identical assets in active markets is remote, no analysis of the effect of changing one or more of the inputs used in fair value measurement to another reasonably possible assumption has been prepared.

25 Financial instruments (continued)

b) Credit risk

Financial risk management

Group

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's principal financial assets are bank balances and trade receivables and the maximum exposure to credit risk at the balance sheet date is represented by the carrying value of these assets.

The credit risk associated with bank balances is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

The principal credit risk in the group therefore arises from trade receivables, which represent outstanding fees receivable. In order to limit the risk surrounding outstanding fees, student fees are reviewed on a regular basis in conjunction with debt ageing and collection history.

Company

The Company had no external receivables at the year end (2015: £nil) and so has no exposure to credit risk.

The ageing of trade receivables at the balance sheet date was:

Group	Gross 2016 £000	Impairment loss provision 2016 £000	Total 2016 £000	Gross 2015 £000	Impairment loss provision 2015 £000	Total 2015 £000
Not past due	**35,347**	**—**	**35,347**	35,655	—	35,655
Past due 0-30 days	**5,268**	**(170)**	**5,098**	974	(83)	891
Past due 31-120 days	**2,442**	**(467)**	**1,975**	1,793	(216)	1,577
Past due by more than 120 days	**4,897**	**(4,346)**	**551**	5,092	(3,805)	1,287
	47,954	**(4,983)**	**42,971**	43,514	(4,104)	39,410

The Company had no trade receivables at the balance sheet date (2015: £nil).

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016 £000	2015 £000
Balance at 1 September	**(4,104)**	(4,051)
Provisions made during the year	**(632)**	(120)
Provisions used during the year	**337**	48
Provisions reversed during the year	**(29)**	2
Foreign exchange movement	**(555)**	17
Balance at 31 August	**(4,983)**	(4,104)

The provision account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against trade receivables directly.

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.

25 Financial instruments (continued)

c) Liquidity risk (continued)

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. The Group's policy has been to ensure continuity of funding and where possible has relocated debt closer to operational activities in appropriate local currencies.

During the period ended 31 August 2015, the Group refinanced all debt other than that held in Brazil and Chile. As part of this refinancing, on 21 July 2015 Cognita Bondco Parent Limited and Cognita Midco Limited were inserted between Cognita Topco Limited and Cognita Holdings Limited. Other new companies were also incorporated including Cognita Financing plc which issued Senior Secured Loan Notes of £280m. The Group secured a £60m Super Senior Revolving Credit Facility to fund future borrowing requirements which can be drawn down in a number of different currencies as required. During the year ended 31 August 2016 the Super Senior Revolving Credit Facility was increased by £20m to £80m.

The Senior Secured Loan Notes mature on 15 August 2021 and carry a fixed rate of interest of 7.75%. The issue has been listed on the Luxembourg Stock Exchange—Euro MTF ("Multilateral Trading Facility").

The net proceeds were used to invest in equity of Cognita Holdings Limited and these funds were used to repay a number of outstanding external loans within the Group along with related accrued interest and break costs, to settle costs related to the termination of interest rate swaps and pay fees and expenses in connection with the transactions.

The Group has a strong working capital position as student contracts require cash payment in advance of tuition services, generally on an annual, termly or monthly basis. Trade payables are settled on the basis of credit terms agreed with the respective suppliers.

Liquidity risk—*Group*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

			2016 Phasing of contractual cash lows		
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**2 to 5 years £000**	**More than 5 years £000**
Non-derivative financial liabilities					
Secured bank loans	**355,424**	**477,162**	**28,695**	**427,210**	**21,257**
Other loans	**3,374**	**3,374**	**221**	**1,225**	**1,928**
Revolving Credit Facility	**43,889**	**43,889**	**43,889**	**—**	**—**
Trade and other payables*	**85,270**	**85,270**	**85,270**	**—**	**—**
	487,957	**609,695**	**158,075**	**428,435**	**23,185**

Notes to the Financial Statements (continued)

25 Financial instruments (continued)

c) Liquidity risk (continued)

			2015		
			Phasing of contractual cash lows		
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	2 to 5 years £000	More than 5 years £000
Non-derivative financial liabilities					
Secured bank loans	307,938	496,696	27,919	106,426	362,351
Other loans	3,257	7,164	277	1,504	5,383
Bank overdrafts	1,507	1,507	1,507	—	—
Trade and other payables*	69,115	69,115	69,115	—	—
	381,817	574,482	98,818	107,930	367,734

* Excludes derivatives (shown in note 20).

d) Market risk

Market risk as applicable to the Group is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Group's income or the value of its holdings of financial instruments. These two elements of Market risk are covered separately below.

Market risk—Foreign exchange risk

The Group's results are reported in pounds Sterling. Where possible, the Group seeks to manage the effect of any exposure that may arise from the translation of the foreign currency assets by borrowing funds denominated in the local currency of the entity it acquires, or will use hedging instruments to mitigate the exchange risk.

Although the Group carries out operations through a number of foreign subsidiaries, Group exposure to currency risk at a transactional level is minimal. The day to day transactions of overseas subsidiaries are usually carried out in their local currency.

25 Financial instruments (continued)

d) Market risk (continued)

Group

The Group's exposure to foreign currency risk is as follows:

31 August 2016

	Sterling £000	**Euro £000**	**Singapore Dollar £000**	**Chilean Peso £000**	**Brazilian Real £000**	**Vietnamese Dong £000**	**Thailand Baht £000**	**Hong Kong Dollar £000**	**Total £000**
Cash and cash equivalents	**9,984**	**11,212**	**11,507**	**1,522**	**2,362**	**19,232**	**3,815**	**1,339**	**60,973**
Trade receivables	**30,554**	**60**	**1,759**	**9,335**	**240**	**317**	**706**	**—**	**42,971**
Other receivables	**1,824**	**770**	**1,081**	**73**	**79**	**2,798**	**80**	**187**	**6,892**
Prepayments	**3,191**	**504**	**269**	**21**	**93**	**4,756**	**445**	**431**	**9,710**
Trade payables	**(2,077)**	**(1,301)**	**(7,224)**	**(574)**	**(463)**	**(268)**	**(620)**	**(308)**	**(12,835)**
Other payables	**(1,004)**	**(204)**	**(1,135)**	**(86)**	**(51)**	**(885)**	**(234)**	**—**	**(3,599)**
Tax	**(2,432)**	**(542)**	**(387)**	**(285)**	**(436)**	**(526)**	**(27)**	**—**	**(4,635)**
Provisions	**(860)**	**(578)**	**(28)**	**—**	**(636)**	**(1,131)**	**(138)**	**(136)**	**(3,507)**
Accruals	**(14,145)**	**(2,584)**	**(14,261)**	**(2,630)**	**(2,234)**	**(3,051)**	**(5,460)**	**(510)**	**(44,875)**
Deposits	**(10,383)**	**—**	**(30)**	**—**	**—**	**(1)**	**(592)**	**—**	**(11,006)**
External loans < 1 year	**(25,291)**	**(9,615)**	**(11,752)**	**(1,814)**	**(2,913)**	**—**	**—**	**(184)**	**(51,569)**
External loans > 1 year	**(270,490)**	**—**	**—**	**(31,029)**	**(8,988)**	**—**	**—**	**(40,611)**	**(351,118)**
Net exposure	**(281,129)**	**(2,278)**	**(20,201)**	**(25,467)**	**(12,947)**	**21,241**	**(2,025)**	**(39,792)**	**(362,598)**

31 August 2015

	Sterling £000	Euro £000	Singapore Dollar £000	Chilean Peso £000	Brazilian Real £000	Vietnamese Dong £000	Thailand Baht £000	Total £000
Cash and cash equivalents	25,838	2,168	18,481	1,914	3,516	21,100	2,935	75,952
Trade receivables	29,093	101	2,658	6,279	257	318	704	39,410
Other receivables	1,246	1,424	1,511	157	461	1,345	55	6,199
Trade payables	(1,629)	(671)	(2,831)	(482)	(412)	(414)	(240)	(6,679)
Other Payables	(1,376)	(265)	(5,059)	(29)	—	(459)	(49)	(7,237)
Tax	(2,241)	(498)	(167)	(202)	(299)	(172)	(100)	(3,679)
Provisions	(467)	(63)	(658)	—	(741)	—	—	(1,929)
Accruals	(12,367)	(1,088)	(9,436)	(1,623)	(1,474)	(2,311)	(3,928)	(32,227)
Deposits	(11,102)	—	(31)	—	—	—	(553)	(11,686)
Bank overdrafts	(1,374)	—	—	(133)	—	—	—	(1,507)
External loans < 1 Year	(1,538)	—	—	(1,447)	(2,152)	(2)	—	(5,139)
External loans > 1 Year	(271,135)	—	—	(25,450)	(9,471)	—	—	(306,056)
Net exposure	(247,052)	1,108	4,468	(21,016)	(10,315)	19,405	(1,176)	(254,578)

Company

The Company had no exposure to foreign currency risk at 31 August 2016 or at 31 August 2015.

Notes to the Financial Statements (continued)

25 Financial instruments (continued)

d) Market risk (continued)

Sensitivity analysis—Group

If sterling had been 10% stronger / weaker at 31 August, Group equity would have decreased / increased by £8,735,000 (2015: £4,073,000). This calculation assumes that the change occurred at the Balance Sheet date and had been applied to risk exposures existing at that date.

Market risk—Interest rate risk

The Group finances its operations through third party borrowings and in the form of Senior Secured Loan Notes which carry a fixed rate of interest of 7.75%. The Group's exposure to interest rate fluctuations on its variable interest rate bank borrowings is managed by the use of hedging. It is the Group's policy to use fixed interest rate hedging instruments to hedge at least 50% of its bank borrowings.

The interest rate exposure of the financial assets and liabilities of the Group as at 31 August 2016 is shown in the table below. The table includes trade debtors and creditors which do not attract interest but are subject to fair value interest rate risk.

	Interest rate—2016				Interest rate—2015			
	Fixed £000	**Floating £000**	**Zero £000**	**Total £000**	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets:								
Cash	**—**	**60,973**	**—**	**60,973**	—	75,952	—	75,952
Trade receivables	**—**	**—**	**49,863**	**49,863**	—	—	45,318	45,318
Interest rate swaps	**—**	**—**	**—**	**—**	—	3	—	3
Financial liabilities:								
Overdrafts	**—**	**—**	**—**	**—**	—	(1,507)	—	(1,507)
Bank loans	**—**	**(84,123)**	**—**	**(84,123)**	—	(37,226)	—	(37,226)
Trade and other payables	**—**	**—**	**(23,841)**	**(23,841)**	—	—	(29,281)	(29,281)
Revolving Credit Facility	**—**	**(43,889)**	**—**	**(43,889)**	—	—	—	—
Senior Secured Loan Notes	**(271,301)**	**—**	**—**	**(271,301)**	(270,713)	—	—	(270,713)
Other loans	**(3,374)**	**—**	**—**	**(3,374)**	(3,257)	—	—	(3,257)
Interest rate swaps	**—**	**—**	**—**	**—**	—	(17)	—	(17)

All financial assets and liabilities identified as fixed rate instruments in the above table are accruing interest at rates that are fixed for the life of the instrument. Interest rate swaps are disclosed above at fair value as fixed rate instruments, whilst the loans that they are hedging are disclosed as variable rate instruments.

Sensitivity analysis

At 31 August 2016, the Group had exposure to interest rate sensitivity in respect of variable rate loans held in Brazil. In respect of the floating rate loans held in Brazil, an interest rate SWAP is in place to cover exposure to interest rate fluctuations. In respect of these loans, an increase or decrease of 100 basis points in interest rates over the year would have increased / decreased the result for the year by £305,528 (2015: £279,000).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates. The analysis is performed on the same basis for 2015.

25 Financial instruments (continued)

e) Capital management

Group and Company

The Group manages its capital to safeguard its ability to operate as a going concern and to optimise returns to shareholders. Overdraft and revolving credit facilities will be used to finance the working capital cycle if required.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 19 after deducting cash and cash equivalents, and equity attributable to the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of changes in equity.

The debt and equity balance in some parts of the Group are subject to externally imposed capital requirements such as those imposed by third party loan providers. The local tax treatment is also taken into consideration when determining the most appropriate capital structure for investments in subsidiaries.

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Property 2016 £000	**Other 2016 £000**	**Total 2016 £000**	Property 2015 £000	Other 2015 £000	Total 2015 £000
Less than one year	**8,485**	**1,345**	**9,830**	8,356	795	9,151
Between one and five years	**41,226**	**4,879**	**46,105**	33,281	377	33,658
More than five years	**193,771**	**5,542**	**199,313**	115,014	—	115,014
	243,482	**11,766**	**255,248**	156,651	1,172	157,823

Group

During the year £9,855,000 was recognised as an expense in the income statement in respect of operating leases (2015: £1,032,000)

27 Capital Commitments

Group

During the year, the Group entered into contracts to purchase property, plant and equipment for £11,671,000 (2015: £7,402,000). These commitments are expected to be settled within twelve months of the balance sheet date.

The Group entered into a development contract for an early childhood facility at Lorong Chuan campus in Singapore, which is due to open in August 2017. As at 31 August 2016, a commitment of £58,750,000 (2015: £75,529,000) remains.

The Group entered into a contract in Hong Kong for a brown field school development during the year. The development is due to be completed for opening in August 2017. As at 31 August 2016 there was a capital commitment of £3,699,000.

The Group entered into a contract in Thailand for a campus development during the period ended 31 August 2015. The development was completed during the year and therefore as at 31 August 2016 there was no capital commitment (2015: £840,000).

In December 2014, the Group entered into a promise to purchase agreement with a real estate developer to construct a school in Chile. The development was completed during the year and was opened to students in March 2016. Under the terms of the agreement, the Group will be required to purchase the school and the freehold property should certain performance criteria be met, the aggregate contractual commitment at 31 August 2016 is £6,431,000 (2015: £5,700,000).

Notes to the Financial Statements (continued)

28 Contingencies

Group Guarantees

During the period ended 31 August 2015, the Group restructured its debt which involved the formation of new companies within the Group, including subsidiary undertaking Cognita Financing plc. Cognita Financing plc issued Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange—Euro MTF Market. Cognita Bondco Parent Limited and certain subsidiary undertakings are guarantors on a senior basis. Under this arrangement, the assets of the Group companies are subject to a fixed and floating charge.

The total gross exposure in relation to the Senior Secured Loan Notes was £280.5m (2015: £281.5m) including accrued interest at the end of the year. The Guarantors also grant a senior guarantee of a Super Senior Revolving Credit Facility agreement concurrently with the Senior Secured Loan Notes guarantee. The Group also guarantees the loan facilities and deferred consideration in Brazil, Chile and Hong Kong, with a total exposure of £94.0m (2015: £45.8m).

Reinstatement of leased land

The Group is disclosing a contingent liability in relation to reinstatement costs of leasehold land on which it has constructed school buildings. The terms in the lease contract provide the landlord with an option of reinstating the leased land to its original preconstruction condition.

Management have reviewed the contract from a legal perspective and considered other relevant factors in determining the likely outcome on lease expiry. As a consequence of this review, it has been concluded that whilst a requirement for reinstatement is possible upon expiry of the lease, it is not probable and therefore no provision should be recognised in this respect.

It has been estimated that the maximum liability at 31 August 2016 should a reinstatement be required would be £3,804,000 (2015: £5,516,000). This estimated contingent liability represents the cost of demolition of the entire area of construction including substructure, extraction of piles, back filling to original levels and re-turfing.

Litigation

The Group received claims in respect of a potential litigation associated with the criminal conduct of a former teacher at Southbank International School. The Group maintains insurance cover and has been advised such cover will be adequate to cover the full amount of any potential claims.

Tax claims

The Group has received assessments from HMRC in the aggregate amount of £1,179,000 with respect to PAYE and NI in connection with the operation of a former management securities plan in the tax years between 2009/2010 and 2012/2013. The net exposure arising from the assessment is deemed to be £500,000. The Group has appealed these assessments on the basis of guidance from their advisors and no provision has been made.

Notes to the Financial Statements (continued)

29 Related parties

Group

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint venture, St Nicholas Preparatory School Limited are disclosed below:

	Sales to 2016 £000	Sales to 60 day period ended 31 August 2015 £000	**Expenses incurred from 2016 £000**	Expenses incurred from 60 day period ended 31 August 2015 £000
Joint venture	**57**	—		
Joint venture—administration expenses	**—**	—	—	8
Joint venture—consortium relief payments	**—**	—	**116**	16
	57	—	**116**	24

	Payables outstanding 2016 £000	Payables outstanding 2015 £000
Joint venture	**323**	265
	323	265

Company

During the year ended 31 August 2016, subsidiary undertaking Cognita Financing PLC loaned £271,381,000 (2015: £274,532,000) to the Company. The loan carries a fixed rate of interest of 8.25% and is repayable in August 2021.

Also during the year ended 31 August 2016, subsidiary undertaking Cognita Holdings Limited loaned £83,000 to the Company (2015: £6,628,000 was loaned by the Company to the subsidiary undertaking). The loan is non-interest bearing.

30 Ultimate parent company and parent company of larger group

The immediate parent company is Cognita Midco Limited, a company registered in England and Wales which is a wholly owned subsidiary of Cognita Topco Limited, a company registered in Jersey.

The ultimate controlling parties are The Bregal Fund III LP and Crimson Cayman Holding Limited, who jointly control the Company. On 9 October 2015, a share rebalancing agreement was executed between the ultimate parent company's shareholders Crimson Cayman Holding Limited, which is controlled by KKR European Fund III LP and The Bregal Fund III LP. The effect of this agreement was to both equalise the economic and voting rights in the Company between these shareholders.

31 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are set out and described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the Financial Statements (continued)

31 Critical accounting judgements and key sources of estimation uncertainty (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Classification of Singapore land lease—decommission liability

The Group has entered into two land leases in Singapore, upon which school buildings have been constructed. Note 28 describes the reinstatement clauses included in the lease contracts. Significant judgement is required in determining the likelihood that reinstatement of the land will be required upon expiry of the lease. In making its judgement, management considered the detailed criteria for the recognition of provisions and contingent liabilities set out in IAS 37. Following this work management are satisfied that reinstatement costs are not probable and therefore it is most appropriate to disclose a contingent liability in the financial statements. Consequently an estimate of the cost of dismantling and removing the building and restoring the site to its original state at the end of the lease term has been obtained.

Revenue recognition—Development/facility fees

The Group recognises development and facility fees over the tenure or expected tenure of a student within a school. The Group's management determines the estimated tenure of a student in order to recognise development and facility fee revenue over the period of service provision. The estimated tenure is calculated on a school by school basis using an analytical method based on historical statistics, adjusted for known or anticipated trends.

In making its judgement to apply this recognition basis, management considered the detailed criteria for the recognition of revenue in the context of linked transactions set out in IAS 18 Revenue, in particular, the considerations surrounding the length of service provision. Estimates made by management regarding the calculation of tenure or expected tenure are discussed below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Share based payments

In accordance with IFRS 2, share based payments are measured at fair value at the date of grant. The valuation requires a number of assumptions to be made based on factors outside the Group's control, such as vesting period and employee leavers.

Fair value of assets and liabilities attributable to business combinations

All business acquisitions made following the transition to IFRS are accounted for in accordance with IFRS 3 which requires that all assets and liabilities acquired are recorded at their respective fair value at the date of acquisition. In addition the Group performs a purchase price allocation for each acquisition which identified the separable intangible assets acquired as part of each business combination. To establish the fair value of these separable intangible assets, the Group has to make assumptions in relation to the potential future cash flows relating to these assets which involved assumptions relating to potential future revenues, appropriate discount rates and the useful life of such assets.

31 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of goodwill

The Group is required to perform an impairment test of goodwill at least annually. This requires the Group to estimate the value in use of the cash-generating unit (CGU) to which the goodwill has been allocated. The value in use calculation requires an estimate of the amount and timing of future cash flows expected to arise from the CGU and the selection and application of an appropriate discount rate.

Management's estimation of cash flows is based upon the current budgets and forecasts which are established using management's best estimate of the likely outcome. The estimation of discount rate is considered on a case by case basis and is achieved using a number of different methodologies which consider current market assessments of the time value of money and the risks specific to the individual CGU.

Provisions

The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date. The amount of provision recognised is dependent upon management's estimation of the likely outcome. At the balance sheet date, provisions included amounts for lease dilapidations and employee termination.

Provisions are reviewed on a regular basis, according to management's best current estimates and are adjusted accordingly. Due to the inherent estimates and assumptions required upon the recognition of a provision, the amount required to settle a provision can be different to the provision recognised at the balance sheet date.

Recoverability of trade receivables

An estimation is required to determine the recoverability of fees receivable when collection of the full amount is not considered virtually certain. At the balance sheet date, all schools assess the recoverability of trade receivables and records a provision for doubtful debts based on knowledge of individual circumstances as well as historic empirical evidence of recoverability based on relative ageing of fees receivable.

Where there is evidence that a fee will not be recovered, the fee receivable asset will be derecognised and a bad debt charge will be recognised in the income statement.

Due to the use of estimates, sometimes there will be a difference between amounts collected in future periods related to fees receivable recognised at the balance sheet date. The difference between the carrying amount of the fee receivable on the balance sheet and the amount actually collected in a future period is recognised in the consolidated statement of income.

Deferred tax assets

In order to determine the recoverability and therefore recognition of deferred tax assets, the Group must estimate the probable future taxable profits, against which the temporary timing differences can be utilised. This estimate requires the use of current budgets and forecasts to determine future taxable profits and the timing of when these will be realised.

Management evaluates the recoverability of deferred tax assets at each balance sheet date and if it is considered probable that all, or a part of the deferred tax asset will not be utilised within 5 years, the asset is derecognised.

32 Investments in subsidiaries

	Shares in subsidiary undertakings £000
Cost	
Balance at 1 September 2015 and 31 August 2016	**766,962**

Notes to the Financial Statements (continued)

32 Investments in subsidiaries (continued)

A full list of the Company's subsidiary undertakings are set out below:

Subsidiary undertaking	Class of share capital held	% held	Country of incorporation	Nature of business
Cognita Financing PLC*	Ordinary	100%	England & Wales	Loan issuing Company
Cognita Holdings Limited*	Ordinary	100%	England & Wales	Holding/ Loan issuing Company
Cognita UK Holdings Limited	Ordinary	100%	England & Wales	Holding Company
Cognita Limited	Ordinary	100%	England & Wales	Management/ Holding Company
Cognita Schools Limited	Ordinary	100%	England & Wales	Education
Cognita International Holdings Limited	Ordinary	100%	England & Wales	Holding Company
Super Camps Limited	Ordinary	100%	England & Wales	Education
Cognita Funding 1 Limited	Ordinary	100%	England & Wales	Holding Company
Cognita UK Mexico Holdings Ltd	Ordinary	100%	England & Wales	Holding Company
Cognita UK Brazil Holdings Ltd	Ordinary	100%	England & Wales	Holding Company
Cognita Spain Holdings S.L.	Ordinary	100%	Spain	Management/Holding Company
British School of Barcelona S.L.	Ordinary	100%	Spain	Education
Cognita BSB Sitges S.L.	Ordinary	100%	Spain	Education
ELIS Cognita S.L.	Ordinary	100%	Spain	Education
Cognita Spain Holdings 2 S.L.	Ordinary	100%	Spain	Holding Company
Cognita BSB Property S.L.	Ordinary	100%	Spain	Property
Cognita Hastings Property S.L.	Ordinary	100%	Spain	Property
Cognita Hastings School S.L.	Ordinary	100%	Spain	Education
Cognita Hastings Holdings S.L.	Ordinary	100%	Spain	Holding Company
Cognita Singapore Holdings Pte Limited	Ordinary	100%	Singapore	Management Company
Cognita Centre for Leadership and Learning Limited	Ordinary	100%	Singapore	Education
Australian International School Singapore Pte Limited	Ordinary	100%	Singapore	Education
Cognita Asia Holdings Pte Limited	Ordinary	100%	Singapore	Holding Company
Stamford American International School Pte Limited	Ordinary	100%	Singapore	Education
Camp Asia Cognita Pte Limited	Ordinary	100%	Singapore	Education
Silom Education Company Limited	Ordinary	100%	Thailand	Education
Rayong Education Company Limited	Ordinary	100%	Thailand	Education
British Education Management Systems Company Limited	Ordinary	100%	Thailand	Education
St Andrews Dusit Thailand Pte Limited	Ordinary	100%	Thailand	Education
St Andrews Dusit Campus Company Limited***	Ordinary	70%	Thailand	Management /Holding Company
International Education Corporation Joint Stock Company	Ordinary	100%	Vietnam	Education
Cognita Brasil Participacoes Ltda	Ordinary	100%	Brazil	Holding Company
Cognita Brasil Locadora de Imoveis Ltda	Ordinary	100%	Brazil	Property

Notes to the Financial Statements (continued)

32 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held	Country of incorporation	Nature of business
Cognita Brasil Locadora de Imoveis 2 Ltda	Ordinary	100%	Brazil	Property
GayLussac Empreendimentos Educacionais Ltda	Ordinary	100%	Brazil	Education
GRS2 Empreendimentos Imobiliarios S/A	Ordinary	100%	Brazil	Property
Escola Cidade Jardim—Playpen Ltda	Ordinary	100%	Brazil	Education
Cognita Chile SPA	Ordinary	100%	Chile	Holding Company
Cognita Chile Limitada	Ordinary	100%	Chile	Holding Company
Desarrollos Educacionales, SA**	Ordinary	51%	Chile	Management/ Holding Company
Soc. Educacional Heuchubura, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Penalolen, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Temuco, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Puerto Montt, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Valle Lo Campino, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Ciudad Del Este, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Lo Aguirre, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Chicureo, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Curuama, SA**	Ordinary	51%	Chile	Education
Soc. Educacional Chicauma, SA**	Ordinary	51%	Chile	Education
Immobiliaria Tierra Fertil, SA**	Ordinary	51%	Chile	Holding Company
Servicos Educacionales, SA**	Ordinary	51%	Chile	Holding Company
Gestion Educativa, SA**	Ordinary	51%	Chile	Holding Company
Bauhinia Education and Training Company Limited	Ordinary	100%	Hong Kong	Holding Company
Spring Blossom Education Limited	Ordinary	100%	Hong Kong	Education
Flora Education Limited	Ordinary	100%	Hong Kong	Holding Company
Cognita MH SA de CV	Ordinary	100%	Mexico	Holding Company
Cognita Mexico Service Provider SC	Ordinary	100%	Mexico British Virgin	Management Company
Vanguard Era Investments Limited	Ordinary	100%	Islands British Virgin	Dormant
VOF PE Holding 1 Limited			Islands	
	Ordinary	100%	British Virgin	Dormant
International Schools Limited	Ordinary	100%	Islands	Dormant
Lotus Education and Training Company (ISSP)	Ordinary	100%	Vietnam	Education
Global Education Network Company Limited	Ordinary	100%	Vietnam	Holding Company

Notes to the Financial Statements (continued)

32 Investments in subsidiaries (continued)

Subsidiary undertaking	Class of share capital held	% held	Country of incorporation	Nature of business
Global Education Network Lotus Company Limited	Ordinary	100%	Vietnam	Holding Company
Pioneer Service Joint Stock Company	Ordinary	99.99%	Vietnam	Holding Company
Global Education Network Hue Joint Stock Company	Ordinary	96%	Vietnam	Holding Company

Overseas companies operate and are incorporated in the countries in which they are based.

* Directly held

** The Group holds 51% in Desarrollos Educacionales, S.A.,a company incorporated in Chile. The non-controlling interest held the remaining 49% of the share capital at 31 August 2016 and is also incorporated in Chile. Desarrollos Educacionales, S.A. holds a number of wholly owned subsidiary undertakings which are detailed above. Adjustment has been made for the 49% minority interests of these undertakings, where applicable. Following the year end, Cognita Chile Limitada acquired the remaining 49% and Desarrollos Educacionales, S.A. became a wholly owned subsidiary.

*** St Andrews Dusit Thailand Pte Limited holds 45% in St Andrews Dusit Campus Company Limited, a company incorporated in Thailand. A further 25% is held by British Education Management Systems Company Limited, also incorporated in Thailand.

33 Joint Ventures

The Group also participated in a Joint Venture during the year:

Joint Venture	Class of share capital held	% held	Country of incorporation	Nature of business
St Nicholas Preparatory School Limited	Ordinary	50%	England & Wales	Education

34 Post balance sheet events

On 6 September 2016, the Group acquired 100% shareholding in The English Montessori School, a school based in Madrid, Spain. The consideration, which was funded following a drawdown on the Revolving Credit Facility, was approximately €10.1m (c. £8.6m).

The school is an independent British school offering education to students aged 3-18 years. The schools had c.790 students at the date of acquisition, with a current capacity of c.1,000.

On 19 September 2016, the Super Senior Revolving Credit Facility was increased by £20m from £80m at 31 August 2016 to £100m.

On 26 September 2016, the Cognita Group acquired the remaining 49% of share capital in the Desarrollos Educacionales group. This led to a £7.7m increase in the company investment in Cognita Funding 1 Limited.

On 4 October 2016, Cognita Financing plc, a Cognita Group subsidiary undertaking, made a further issue of £45m of Senior Secured Loan Notes which are listed on the Luxembourg Stock Exchange—Euro MTF Market. These Loan Notes, which carry the same maturity and fixed interest rate of 7.75% were issued under the same indenture as the initial issuance. A premium of £2.0m to par value was recognised upon the issuance of these instruments. The guarantor status of the company applies to both the initial and subsequent issuances.

APPENDIX A—RECONCILIATIONS

Adjusted Operating Free Cash Flow

The following table presents a reconciliation of operating cashflow to Adjusted Operating Free Cash Flow:

	Fiscal Year Ended August 31,		
	2016	2017	2018
		Audited (£ in millions)	
Cash inflow from operating activities	52.6	66.5	70.9
Taxation paid	5.8	4.9	7.2
Cash inflow from operating activities before tax	58.4	71.4	78.1
Operating capital expenditure	(17.5)	(22.6)	(27.0)
Adjusted Operating Free Cash Flow	**40.8**	**48.8**	**51.1**

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Lernen Bondco Plc

€255,300,000 % Senior Notes due 2026

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