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**NORD ANGLIA
EDUCATION PLC**

INTERIM REPORT 2005
SIX MONTHS ENDED 28 FEBRUARY



NORD ANGLIA EDUCATION IS A LEADING PROVIDER OF EDUCATION, TRAINING AND CHILDCARE

WE ARE STRATEGICALLY POSITIONED IN KEY SECTORS OF THE EDUCATION MARKET TO DELIVER QUALITY LEARNING EXPERIENCES TO PEOPLE AT EVERY STAGE OF THEIR LIVES. NORD ANGLIA IS THE ONLY COMPANY FOCUSED SOLEY ON EDUCATION TO BE QUOTED ON THE LONDON STOCK EXCHANGE AND OPERATES NURSERIES, INTERNATIONAL SCHOOLS AND WORKS IN PARTNERSHIP WITH THE PUBLIC SECTOR.

FINANCIAL HEADLINES

GROUP TURNOVER £M

2004	2005
45.5	55.5

OPERATING PROFIT £M

2004	2005
0.97	2.12

PROFIT BEFORE TAXATION £M

2004	2005
4.14	1.13

**DILUTED EPS EXCLUDING EXCEPTIONALS
AND GOODWILL PENCE**

2004	2005
3.29	2.75

HEADLINES

NURSERIES

The UK's market-leading provider of nursery care following acquisitions of Leapfrog and Jigsaw in June/July 2004.

Corporate sales team established to take advantage of new childcare tax incentives.

INTERNATIONAL SCHOOLS

Strong performance during period and further uplift in pupil registrations for spring term.

Divisional management team strengthened.

OUTSOURCING

Performance in line with expectations.

8 April: Ofsted inspection contract won, worth £26m over four years.

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FINANCIAL RESULTS

Turnover (including our share of joint ventures) increased by 21.9% to £55.5m (2004: £45.5m) whilst operating profit increased to £2.12m (2004: £0.97m). The increase in turnover and operating profit is largely attributable to the acquisition of the Leapfrog and Jigsaw nursery businesses during June/July 2004 and, in the case of operating profit, also reflects the stabilisation of our joint venture with Amey PLC, EduAction Limited.

Interest charges increased to £1.84 million (2004: £0.31 million), reflecting the increased borrowings taken on to finance a proportion of the consideration for the acquisitions. Profits before taxation were lower at £1.13 million (2004: £4.14 million), largely as a result of exceptional profits on disposal of discontinued operations in 2004. Diluted earnings per share, adjusted for goodwill amortisation and exceptional items were 2.75 pence (2004: 3.29 pence).

On 11 March the Company announced that there had been a sudden and marked decline in occupancy levels within the Nurseries Division and, as a result, that profits for the current financial year would be significantly lower than market expectations. Management identified the cause of the shortfall in occupancy to be a supply-demand imbalance in the nursery market in combination with difficulties experienced by the Group integrating three separate nursery chains into one operating division.

Group net debt at the period end was £47.2m, which was higher than our original forecasts. It was also announced on 11 March that the Group was in discussions with its principal lender as a result of the existing and anticipated shortfall in operating performance. The lenders have remained supportive throughout and I am pleased to report that, having reviewed the Group's banking requirements in conjunction with the principal lender, we have now put in place updated facilities. The aggregate facilities are unchanged at £55m, but capital repayment dates and covenants have been adjusted to accommodate the updated financial position of the Group. There has also been an increase in the interest margin due on the facilities of 0.5%.

The Board does not recommend the payment of an interim dividend (2004 1.43p per share). The Board will keep the dividend policy under review, having regard to the future trading performance of the Group.

TRADING REVIEW NURSERIES

Following the acquisition of the Leapfrog business in June 2004 and the subsequent acquisition of 28 Jigsaw nurseries from the administrator in July, Nord Anglia became the UK's market-leading provider of nursery care with 101 nurseries offering approximately 10,000 places. Management's first task was the integration of all processes and procedures across the enlarged estate and this is now largely complete. However, the scale of the task

faced by management in integrating the three nursery chains led to a reduction in the focus placed on sales and marketing during a period which also saw an acceleration in the creation of new capacity in the nursery market. Furthermore, we had already geared up our cost base in anticipation of higher levels of revenue. The consequence was a significant shortfall in operating performance within the Division by comparison with our original internal forecasts.

I am pleased to report however that the sales and marketing campaign launched in February, which offered price incentives for new starters, generated 614 new full time equivalent pupils by the time it ended in April. During the campaign occupancy grew by over 6% points and returned to a level in line with last year, although revenue per child has been impacted by the price incentives offered under the campaign in the current year. We plan to maintain sales momentum with further marketing initiatives, the next of which will be launched this summer, and the experience gained during this year's promotional campaigns will help to develop increasingly sophisticated demand management techniques. In addition, a corporate sales team has been put in place to take advantage of new childcare tax incentives introduced in April and we have seen a dramatic increase in enquiries from both parents and employers. Looking forward there is evidence that the rate of supply growth for the sector has slowed in the first quarter of the year. We are using our market-leading position to engage in constructive discussions with Government regarding the structural implications of the ten-year childcare strategy.

INTERNATIONAL SCHOOLS

The International Schools Division operates in eight cities worldwide and is focused on the delivery of high quality British-style education. This Division has performed well throughout the period. There was a further uplift in pupil registrations for the spring term and we expect the business to continue to perform strongly for the remainder of the financial year.

We are restructuring our operations in Moscow, which in the past has been our largest and most profitable school, and negotiations to this effect are underway with our local partner.

We see Asia and the Middle East as two key growth areas for our International Schools business. Registrations at our new 700-place school in Puxi, Shanghai are encouraging, and we are close to reaching an agreement that will further enhance facilities at our Pudong, Shanghai campus.

In partnership with ETA Star Schools we will open the first Star British School in the United Arab Emirates in September. The school at Al Tawr will provide high quality education to 520 children from the expatriate and local communities. A second school is scheduled for launch in 2006 and a third in 2007. Nord Anglia will act as a managing consultant for the schools in the Middle East.

THE SCHOOLS DIVISION HAS PERFORMED WELL AND OUTSOURCING HAS PERFORMED IN LINE WITH OUR EXPECTATIONS

WHILST WE FACE CONTINUING OPERATIONAL CHALLENGES
WITHIN EACH OF OUR DIVISIONS WE ARE MORE CONFIDENT
THAT THE PERFORMANCE OF THE GROUP IS NOW STABILISING.

The schools management team has been strengthened to ensure that we are well placed to take advantage of the excellent opportunities available for the development of our International Schools business. Future growth will be achieved through organic expansion in existing markets and targeted entry into new markets that offer the potential for sustainable profitable growth.

OUTSOURCING

The Outsourcing Division, which works in partnership with the public sector delivering a wide range of education and training solutions to young people, continued to perform in line with expectations. This performance is very pleasing against the backdrop of pressures on our Connexions contracts, historically a major contributor to Group profits. In common with other major providers, we have seen some Connexions contracts re-nationalised and others have been subject to significant margin erosion through best value review.

We were delighted to announce on 8 April that the Company has been selected by Ofsted to deliver inspection services to 2,718 schools in the North of England and 387 Further Education Colleges and School Sixth Forms throughout England. Both contracts, which together will generate revenues of £26 million over four years, commence in September 2005 and represent a major expansion of our market presence in inspection services.

EduAction has returned to profitability and is responsible for developing strategies and delivering services covering school improvement, management support, social inclusion and special educational needs within the London Borough of Waltham Forest. In March the Company reported that EduAction's work in the Borough had made a significant contribution towards the substantially improved Local Education Authority's Ofsted rating of 'highly satisfactory'.

BOARD CHANGES

In January 2005, Kevin McNeany stepped down from his role as Non-Executive Chairman to pursue other interests and the Board agreed to my appointment as Non-Executive Chairman of the Company.

On 27 April 2005, Nord Anglia announced that its Group Finance Director Lorene Simpson had left the Company. Lorene had been with Nord Anglia since its flotation in 1997, and on behalf of the Board I would like to wish her every success in the future.

Stephen Hyde has been appointed as Interim Group Finance Director. Stephen has 20 years' experience in financial management and accounting, 13 of which were at Divisional Director level within Tesco plc. The Board will shortly commence the process to recruit a permanent Group Finance Director.

IMPAIRMENT REVIEW

The Board has commenced a goodwill impairment review in respect of the nursery businesses acquired in 2004 as required by accounting standards. Although this division has not achieved expected levels of profitability, the Board considers that the period to date has been too short to judge adequately whether goodwill has been impaired. Therefore, the review will continue through to the year end and, should any adjustments be required, they will be made in the accounts for the year ending 31 August 2005.

During the last month an independent valuation of our nursery freehold and long leasehold units was undertaken, the results of which support the carried value of these assets in the Group accounts.

OUTLOOK

The period in review has been difficult for the Company. A changing marketplace and the shortfall in occupancy rates have adversely affected the performance of our Nurseries Division. Whilst we are encouraged by the recent uplift in occupancy achieved through the sales and marketing campaign, management's overall focus is on yield, cost control and profitability. However, the underperformance of the Nurseries Division against our original expectations will, without doubt, impact significantly upon Group profits for the financial year. The Schools Division has performed well and Outsourcing has performed in line with our expectations. Whilst we face continuing operational challenges within each of our Divisions we are more confident that the performance of the Group is now stabilising.

We are also pleased to have successfully completed negotiations for revisions to the Group's banking facilities. Nonetheless, the Board has concluded that the Group's borrowings are too high in the context of the current level of operating profits and cashflow. We are actively reviewing our strategy in order to reach a more acceptable balance between the Group's debt burden and its profitability. Shareholders will be kept fully informed of any material developments or initiatives.

ALAN KELSEY
CHAIRMAN
27 MAY 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
SIX MONTHS ENDED 28 FEBRUARY 2005

NORD ANGLIA EDUCATION PLC
INTERIM REPORT 2005
04

	Notes	Unaudited Six months ended 28 Feb 2005 £000	Unaudited Six months ended 29 Feb 2004 £000	Audited Year ended 31 Aug 2004 £000
Turnover				
Group and share of joint ventures		55,490	45,525	94,438
Less share of joint ventures		(5,719)	(5,774)	(11,824)
Group turnover				
Continuing operations		49,771	32,914	60,230
Acquisitions		–	–	12,968
Discontinued operations		–	6,837	9,416
		49,771	39,751	82,614
Cost of sales		(11,402)	(13,972)	(32,641)
Gross profit		38,369	25,779	49,973
Administrative expenses		(36,453)	(24,269)	(46,704)
Group operating profit				
Continuing operations		1,916	1,194	2,665
Acquisitions		–	–	491
Discontinued operations		–	316	113
		1,916	1,510	3,269
Share of operating profit/(loss) in joint ventures		200	(536)	–
Total operating profit: Group and share of joint ventures		2,116	974	3,269
Exceptional item: profit on disposal of fixed assets	2	–	–	1,088
Exceptional item: profit on disposal of discontinued operations	2	700	3,382	341
Profit on ordinary activities before interest		2,816	4,356	4,698
Interest receivable and similar income (Group)		151	75	134
Interest receivable and similar income (share of joint ventures)		–	21	25
Interest payable and similar charges		(1,841)	(312)	(1,438)
Profit on ordinary activities before taxation		1,126	4,140	3,419
Tax on profit on ordinary activities	3	(311)	(356)	(835)
Profit on ordinary activities after taxation		815	3,784	2,584
Minority interests		(110)	(74)	(135)
Profit for the period		705	3,710	2,449
Dividends		–	(379)	(1,537)
Retained profit		705	3,331	912
Basic earnings per share	4	1.87p	14.38p	8.53p
Diluted earnings per share	4	1.86p	14.21p	8.47p
Adjusted basic earnings per share	4	2.76p	3.33p	10.07p
Adjusted diluted earnings per share	4	2.75p	3.29p	10.01p

CONSOLIDATED BALANCE SHEET
SIX MONTHS ENDED 28 FEBRUARY 2005

NORD ANGLIA EDUCATION PLC
INTERIM REPORT 2005
05

	Unaudited 28 Feb 2005 £000	Unaudited 29 Feb 2004 £000	Audited 31 Aug 2004 £000
Fixed assets			
Intangible assets	24,311	6,114	24,939
Tangible assets	86,912	49,669	86,089
Investment in joint ventures			
Share of gross assets	6,740	4,344	4,996
Share of gross liabilities	(7,409)	(4,172)	(5,865)
	(669)	172	(869)
	110,554	55,955	110,159
Current assets			
Debtors	18,581	10,720	17,684
Bank deposits	-	105	-
Cash at bank and in hand	5,879	5,667	11,011
	24,460	16,492	28,695
Creditors			
Amounts falling due within one year	(23,015)	(20,152)	(26,211)
	1,445	(3,660)	2,484
Net current assets/(liabilities)			
Total assets less current liabilities	111,999	52,295	112,643
Creditors			
Amounts falling due after more than one year	(50,083)	(8,713)	(51,818)
Provision for liabilities and charges	-	(203)	-
Net assets	61,916	43,379	60,825
Capital and reserves			
Shareholders' funds	61,174	42,765	60,151
Minority interests	742	614	674
	61,916	43,379	60,825

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 28 FEBRUARY 2005

NORD ANGLIA EDUCATION PLC
INTERIM REPORT 2005
06

	Unaudited Six months ended 28 Feb 2005 £000	Unaudited Six months ended 29 Feb 2004 £000	Audited Year ended 31 Aug 2004 £000
Net cash inflow from operating activities	821	1,876	6,458
Returns on investments and servicing of finance	(1,613)	(264)	(1,492)
Taxation	(101)	(757)	(1,000)
Capital expenditure and financial investment	(1,497)	1,094	4,437
Acquisitions and disposals	(922)	(2,107)	(68,179)
Equity dividends paid	(1,160)	(612)	(997)
Management of liquid resources	–	–	105
Cash outflow before financing	(4,472)	(770)	(60,668)
Financing	(660)	4,328	69,570
(Decrease)/Increase in cash in the period	(5,132)	3,558	8,902

Reconciliation of net cash flow to movement in net debt

(Decrease)/Increase in cash	(5,132)	3,558	8,902
Cash outflow from increase in liquid resources	–	–	(105)
Cash outflow from decrease in debt and lease financing	677	9,053	24,634
Change in funds resulting from cash flows	(4,455)	12,611	33,431
New long term loans	–	(3,775)	(63,163)
Finance leases disposed with subsidiary	–	–	60
New finance leases	–	–	(33)
Movement in debt in the period	(4,455)	8,836	(29,705)
Net debt at beginning of the period	(42,752)	(13,047)	(13,047)
Net debt at end of the period	(47,207)	(4,211)	(42,752)

Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	1,916	1,510	3,269
Exceptional items	–	(223)	(308)
Depreciation and amortisation charges	2,132	1,558	3,338
Loss on sale of fixed assets	31	85	108
Increase in debtors	(2,009)	(1,626)	(1,475)
(Decrease)/increase in creditors	(1,249)	572	1,526
Net cash inflow from operating activities	821	1,876	6,458

1 Basis of preparation

The Interim Report has been prepared on a basis consistent with the accounting policies adopted in the Annual Report and Accounts for the year ended 31 August 2004.

The Interim Report has been approved by a duly appointed committee of the Board of Directors and is unaudited. The auditors have carried out a review and their report is set out on page 9. The Interim Report does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The information for the year ended 31 August 2004 is an extract from the statutory accounts to that date which have been delivered to the Registrar of Companies. Those accounts included an audit report which was unqualified and which did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

2 Exceptional profit/(loss) on disposals

	Unaudited Six months ended 28 Feb 2005 £000	Unaudited Six months ended 29 Feb 2004 £000	Audited Year ended 31 Aug 2004 £000
Profit on the disposal of fixed assets	–	–	1,088
Profit arising on the disposal of UK Schools	–	2,728	2,152
Profit/(loss) arising on the disposal of BIS Berlin	700	–	(2,282)
Profit arising from operations discontinued in previous years	–	654	471
Profit arising on disposal of discontinued operations	700	3,382	341

During the year ended 31 August 2004 the Group sold surplus properties and related fixtures with a net book value of £5.15m for net proceeds of £6.24m generating a profit on disposal of £1.1m. There was no tax charge on these disposals as the gains are offset by corporation tax losses brought forward.

During the year ended 31 August 2004 the Group disposed of its UK Schools business for net proceeds of £11.63m generating a profit on disposal of £2.15m. These disposals gave rise to a tax credit of £0.08m in respect of related redundancy and closure costs. There was no corporation tax charge arising on the disposals as the losses were either exempt from taxation or offset by corporation tax losses brought forward. In June 2004 the Company decided to close the British International School Berlin with a loss of £2.2m representing £1m in respect of the write off of fixed assets and a provision of £1.2m in respect of redundancy and onerous contracts. Subsequent to the year end the school was sold and £0.7m of the provision was not required and has been released in the period. Corporation tax relief was not available on the provision and therefore no tax charge arises on the release of the provision.

A net exceptional gain of £0.47m arose during the year ended 31 August 2004 in respect of businesses disposed of in previous years. The Company received £0.6m in respect of loans written off with the disposal of the accountancy tuition and publishing businesses in May 2002. Additional costs of £0.2m were incurred in respect of the closure of the Services Direct to Schools businesses; this gave rise to a tax credit of £0.05m.

3 Taxation

The taxation charge is calculated by applying estimated rates, based on the anticipated rate for the full year.

The taxation impact of exceptional items is discussed above. The taxation charge for the period includes £0.33m in respect of the utilisation of tax losses acquired with Leapfrog Day Nurseries (Trading) Limited.

Debtors includes a deferred tax debtor of £4.19m in respect of tax losses acquired with Leapfrog Day Nurseries (Trading) Limited. Of this approximately £3.5m is recoverable after more than one year.

4 Earnings per share

The calculation of earnings per share is based on the profits on ordinary activities after taxation and minority interests divided by the weighted average number of equity shares.

For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding has been adjusted for the dilutive effects of options outstanding.

The adjusted earnings per share is based on the adjusted earnings as calculated in the table below.

	Unaudited Six months ended 28 Feb 2005 £000	Unaudited Six months ended 29 Feb 2004 £000	Audited Year ended 31 Aug 2004 £000
Attributable earnings	705	3,710	2,449
Exceptional items	(700)	(3,382)	(1,429)
Non-recurring exceptional items	–	394	1,582
Tax on exceptional, non-recurring items and utilisation of Leapfrog's trading tax losses	330	(118)	(451)
Goodwill	706	256	743
Adjustable attributable earnings	1,041	860	2,894
Weighted average number of shares	37,752	25,802	28,720
Basic earnings per share	1.87p	14.38p	8.53p
Adjusted basic earnings per share	2.76p	3.33p	10.07p
Fully diluted weighted average number of shares	37,897	26,115	28,903
Fully diluted basic earnings per share	1.86p	14.21p	8.47p
Fully diluted adjusted earnings per share	2.75p	3.29p	10.01p

We have been instructed by the Company to review the financial information for the six months ended 28 February 2005, which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

For the reasons explained on page 3, the Company has not completed its assessment of goodwill impairment as required by Financial Reporting Standard 11. When the assessment is completed at the year end it will be possible to determine whether there has been an impairment of goodwill that should be recognised in the financial statements. The absence of an impairment review represents a limitation of scope in our review of the financial information for the six months ended 28 February 2005.

On the basis of our review, with the exception of any adjustments that might have proved necessary following the completion of an impairment review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 28 February 2005.