

INTERIM RESULTS PRESENTATION

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GROUP HIGHLIGHTS

- Significant progress in H1
- Simplified business with clarity of purpose
- De-gearred balance sheet with net cash
- Debt facilities in place to facilitate growth
- Organisation structured to capitalise on opportunities



H1 GROUP FINANCIAL HIGHLIGHTS

- Revenue for continuing operations increased 29% to £42.9m on same period last year
- Operating profits (pre-exceptional) increased 11% to £4.9m
- Net interest charge reduced by 79% from £1.4m to £0.3m
- PBT (pre-exceptional) up 52% to £4.6m
- EPS from continuing operations up 42% to 7.6p
- Tax rate of 31.1%



H1 INCOME STATEMENT

	2008 £million	2007 * £million
Revenue	42.9	33.3
Operating profit	4.6	3.9
Joint Venture	0.3	0.5
Operating profit (inc. JV)	4.9	4.4
Exceptionals	-	(0.2)
Interest	(0.3)	(1.4)
Profit before tax	4.6	2.8
Tax charge	(1.5)	(0.9)
Discontinued operations	(0.2)	(1.3)
Minority interest	(0.1)	(0.1)
Profit / (loss) after tax and MI	2.8	0.5
EPS basic	7.06p	1.21p
EPS basic before exceptional items	7.62p	5.35p

H1 DIVISIONAL PERFORMANCE

£m	<u>2008</u>	<u>2007</u>	<u>%</u>
International Schools			
Revenue	<u>19.2</u>	<u>13.6</u>	42
EBIT			
Established Schools	5.1	3.8	34
New Schools	(0.9)	(0.0)	
Start up Costs	(0.1)	(0.1)	
Divisional Overheads	(0.5)	(0.5)	
EBIT TOTAL	<u>3.6</u>	<u>3.2</u>	10

H1 DIVISIONAL PERFORMANCE

£m	<u>2008</u>	<u>2007</u>	<u>%</u>
Learning Services			
Revenue	<u>23.7</u>	<u>19.7</u>	20
EBIT	3.5	3.4	3
EduAction EBIT	<u>0.3</u>	<u>0.5</u>	(40)
Group Central Costs	<u>(2.5)</u>	<u>(2.7)</u>	9

TAX

Tax on:	%
UK profits	29.2
Non-deductible UK expenses (est.)	0.9
Overseas profits taxed at lower rates	(7.0)
Korea and Ningbo losses assumed as not relievable	2.2
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Underlying rate	25.3
China dividend	5.8
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Total effective rate	31.1

Tax planning going forward

- Detailed review underway
- Optimise international structure
- HMRC proposals on taxation of foreign income due this year

H1 BALANCE SHEET

	2008 (29 Feb) £million	2007 (31 Aug) * £million
Non-current assets	21.4	18.0
Current assets	31.3	31.5
Net assets held for sale	-	29.4
Current liabilities	(29.7)	(35.0)
Non-current liabilities	(14.7)	(40.4)
Net assets	8.3	3.5
No. of shares in issue (m)	39.9	39.9

* Restated for discontinued operations

H1 ANALYSIS OF CAPITAL EXPENDITURE

	2008 £million	2007 £million
New schools	0.2	0.3
Existing school capacity expansion	1.6	0.3
Maintenance capex	0.6	0.7
Total	2.4	1.3

CASHFLOW

- Net cash £4.2m at half year
- H1/H2 split of working capital requirements
 - *£9.2m vs. £8.4m increase year-on-year*
 - *Schools' deferred income on fees*
 - *Positive working capital movements in H2*
- Middle East increased working capital requirements as contract grows
- Re structuring cost cash outflow of £3.5m

INTERNATIONAL SCHOOLS

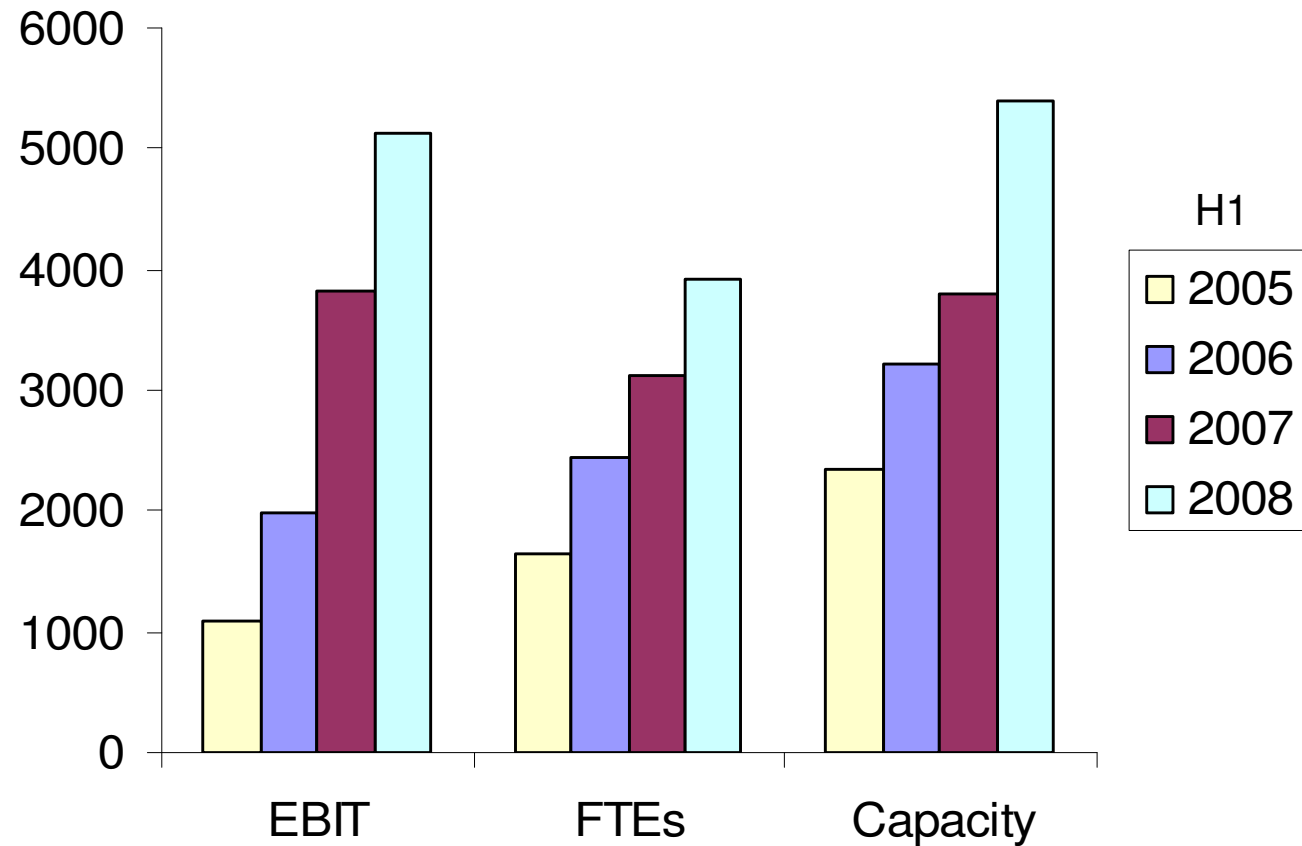


INTERNATIONAL SCHOOLS: H1 Highlights

- Revenue increased 42% on same period last year at £19.2m
- Operating profits up 10% to £3.6m
- Number of pupils up 30% to 4,056 on last year
- Operating profits of established schools up 34% to £5.1m
- Significant pipeline and investment in dedicated business development unit
- Substantial capacity added in new and established schools

INTERNATIONAL SCHOOLS: H1 established schools performance trend

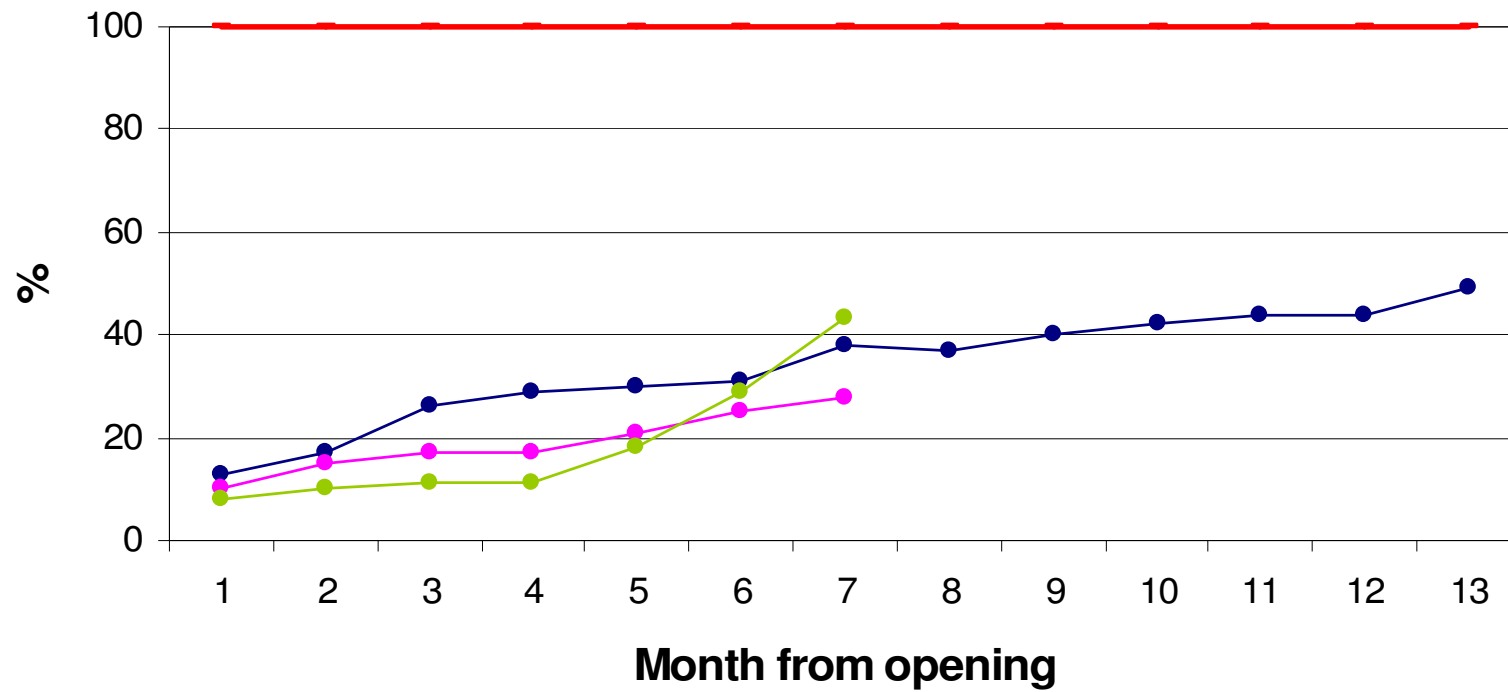
EBIT: £000
FTEs: no. of pupils
Capacity: no. of places



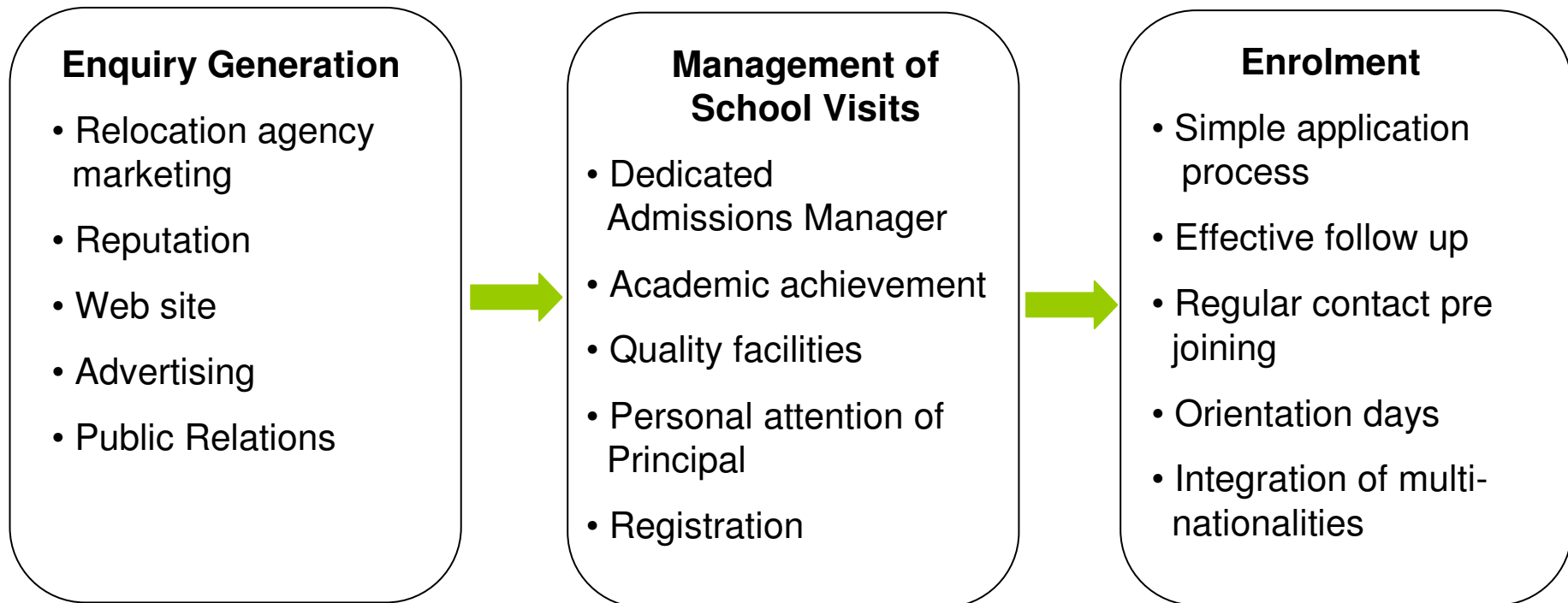
Excludes Ningbo, Seoul, Nanxiang and central overheads

INTERNATIONAL SCHOOLS: New Schools

Percentage of breakeven FTEs



INTERNATIONAL SCHOOLS: Marketing and Recruitment Process



INTERNATIONAL SCHOOLS: Business Development Structure



INTERNATIONAL SCHOOLS: Growth targets - 15000-20000 places Sept 2011

Market	Opportunity	Status	Planned opening
Beijing	1500 place International school	Final stage of Application for license with the MOE	Sept 09 (previously Sept 08)
Singapore	750-1500 place International School	Site selection under negotiation	Sept 09 (previously Sept 08)
Tianjin China	1200 place International School	Memorandum of Understanding signed with Local Government	Sept 10
Kuala Lumpur	750 place International School	Memorandum of Understanding signed with developer of residential complex	Sept 11
China	1. Expansion in existing cities 2. Developing opportunities in other major cities 3. Further local schools if Ningbo a success	Further development planned pending Beijing Target several new cities First year review August 2008	Sept 11 onwards
Middle East	Various opportunities	New school openings under review in Qatar, Abu Dhabi and Bahrain Negotiations with all three countries	Sept 09 Sept 10 Sept 11
Europe	Central and Eastern Europe opportunities	New school openings under review	
Existing Schools	500 additional places Europe 600 additional places Shanghai	Develop existing facility Develop existing facility	Sept 10 Sept 10

LEARNING SERVICES



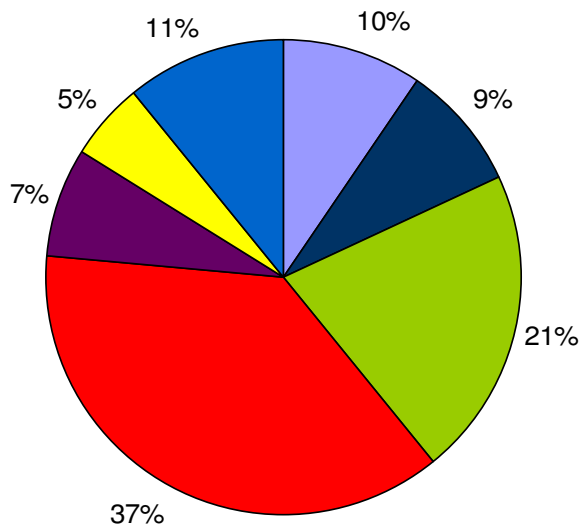
LEARNING SERVICES: H1 Highlights

- Revenue increased 20% on same period last year to £23.7m
- Improvement in operating profit 3% to £3.5m
- Further expansion in the Middle East
- Significant contract renewals in the UK
- Strong pipeline of current bidding opportunities in the UK and Middle East

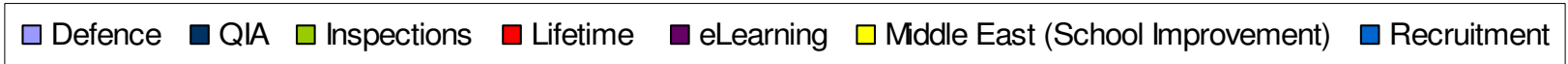
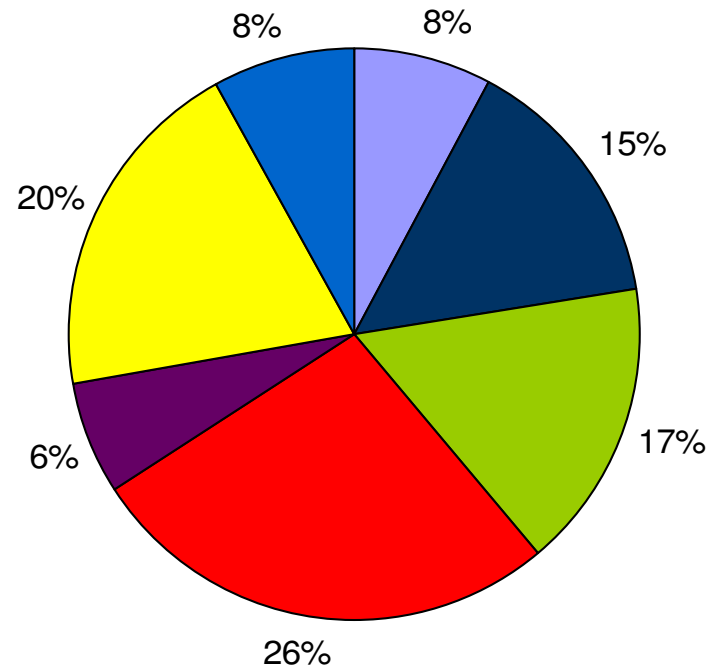


LEARNING SERVICES: Business shape

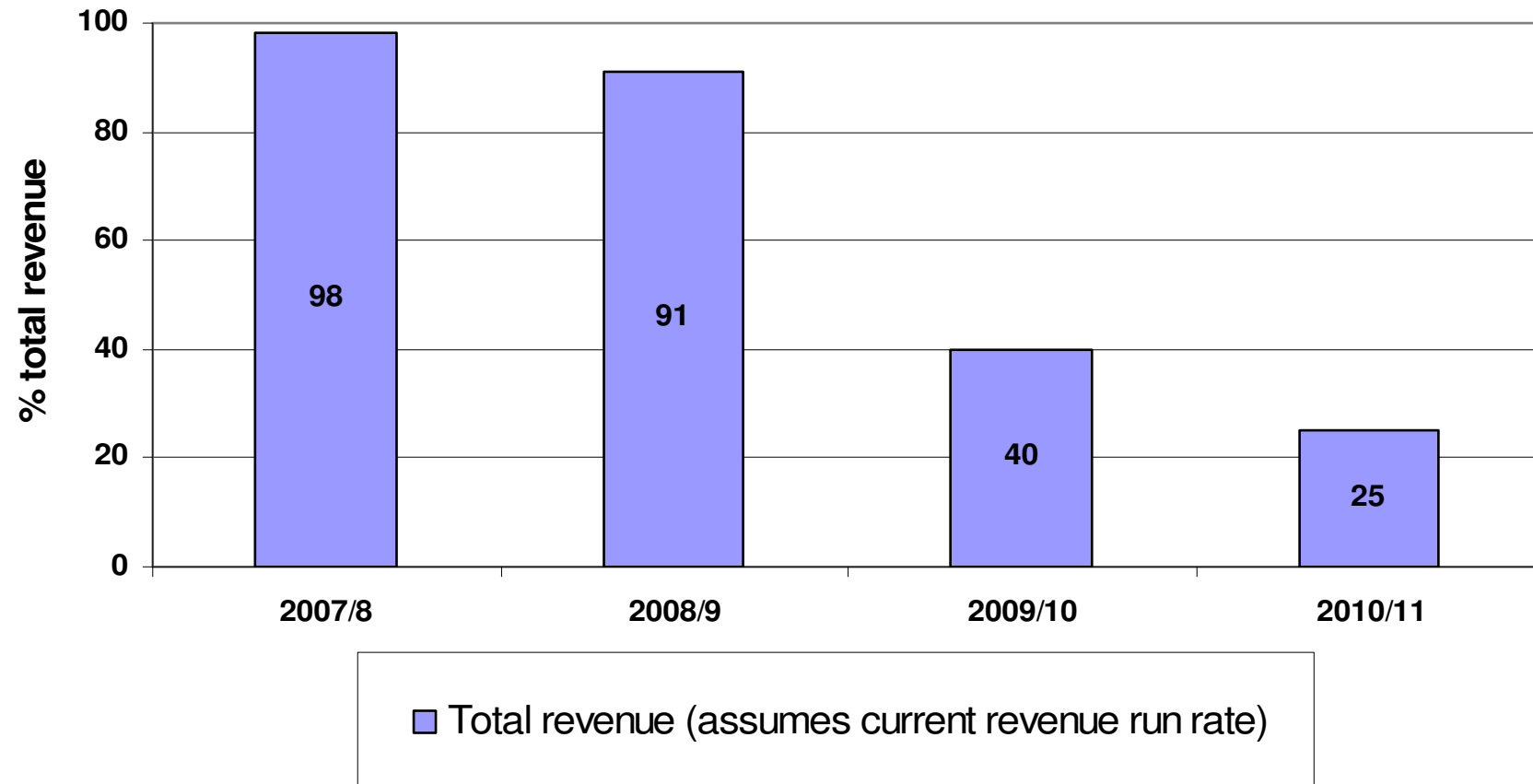
2006/7
Revenue: £19.0m



2007/8
Revenue: £23.7m



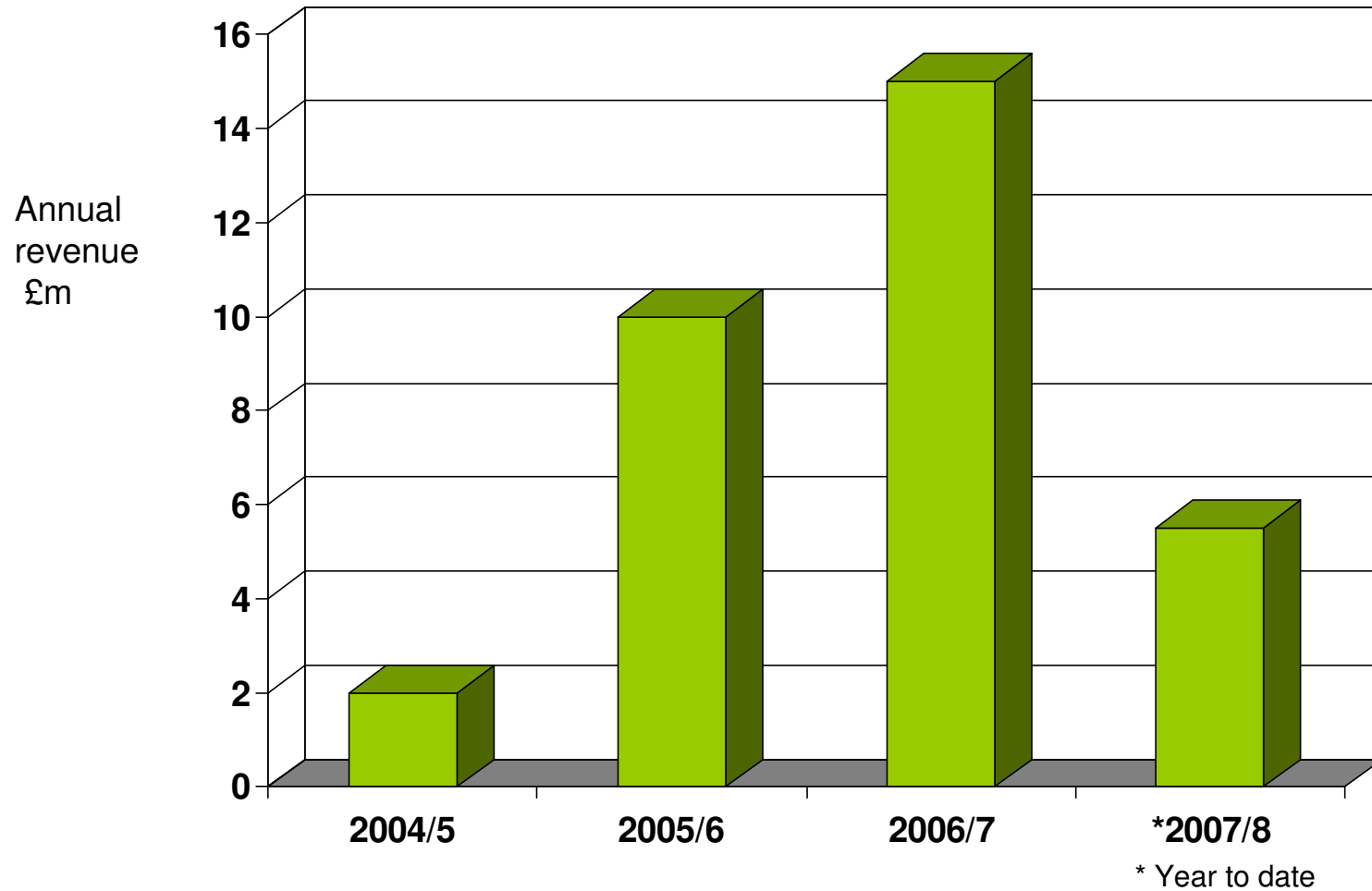
LEARNING SERVICES: Secured revenue



LEARNING SERVICES: Renewals success

- EduAction, Connexions and AFC were available for renewal
- AFC and 75% of Connexions contracts renewed
- EduAction and 25% of Connexions contracts lost
- Key renewals in future:
 - Connexions Sept 09
 - Ofsted Sept 09
 - PPP1 Sept 09
 - PPP2 Sept 10

LEARNING SERVICES: Contract win rate



LEARNING SERVICES: Business Development Update

CONTRACT	CONTRACT TURNOVER £m p.a.	START DATE	CONTRACT TERM Years	Status
Walsall Children's Services	15	Jan 2008	7	Lost to incumbent
Quality Improvement Agency	10	May 2008	3	Shortlist
OFSTED	c. 12	Sept 2009	5	Shortlist
Abu Dhabi PPP3	6	Sept 2008	3	Shortlist (addition to existing contracts)
National College of School Leadership	10	Sept 2008	3	Deferred by DCFS

SIX BUSINESS IMPERATIVES

- Win new profitable contracts for Learning Services within agreed framework
- Retain existing contracts for Learning Services at acceptable margins
- Open new profitable capacity for International Schools within target markets
- Fill existing capacity within International Schools
- Control costs across all activities
- Continuously improve quality



GROUP WELL PLACED FOR THE FUTURE

- Strong Group financial position
- Delivery of earnings growth and momentum of business
- Re-structure facilitates focus on business development and process
- Significant capacity created in International Schools
- Well placed in attractive international education markets

