

# Nord Anglia Education plc

Preliminary Interim Results for the six months ended February 29 2008

Nord Anglia Education is a leading provider of education and training with two operating divisions, International Schools and Learning Services.

## Highlights

- Revenue from continuing operations up 29% to £42.9m.
- Profit on ordinary activities before net finance costs and exceptional items up 11% to £4.9m (2007: £4.4m).
- Profit on ordinary activities before tax and exceptional items up 52% to £4.6m (2007: £3.0m).
- Profit on ordinary activities before tax up 66% to £4.6m (2007: £2.8m).
- EPS from continuing operations before exceptional items up 42% to 7.6p (2007: 5.4p).
- International Schools operating profit up 10% to £3.6m (2007: £3.2m) with operating profits on established schools up 34% at £5.1m (2007: £3.8m).
- Net finance costs, reduced to £0.3m (2007: £1.4m) following disposal of Nursery division.
- Net cash of £4.2m with facilities in place to support expansion.

The items highlighted reflect those measures that the Directors' believe are the most important for understanding the financial information for the period. Where these items do not represent a statutory measure, the equivalent statutory measure has been provided. Established schools exclude those recently opened in Seoul, Nanxiang and Ningbo.

**Alan Kelsey**, Chairman of Nord Anglia, comments:

"The first half of the 2007/8 year has been pleasing with a good increase in operating profits and earnings per share. The International Schools Division's occupancy fill up rate has been encouraging and Learning Services continues to secure new contract wins and renewals. The Board's expectations in respect of earnings for the year remain unchanged and the Board looks to the future with increasing confidence.

**29 APRIL 2008**

## ENQUIRIES:

### **Nord Anglia Education plc**

Andrew Fitzmaurice, Chief Executive  
David Smith, Finance Director

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### **College Hill**

Anthony Parker  
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# Preliminary Interim Results for the six months ended February 29 2008

## Financial Results

Revenue from continuing operations was £42.9m, an increase of 29% on the same period last year (2007: £33.3m). Operating profit from continuing operations increased 25% by £0.9m to £4.6m (2007: £3.7m) and profit before tax increased by 66% to £4.6m (2007: £2.8m). Excluding exceptional items, profit on ordinary activities before net finance costs increased by 11% to £4.9m and profit on ordinary activities before tax and exceptional items increased by 52% to £4.6m. Basic earnings per share increased to 7.06p (2007: 1.21p). Excluding discontinued operations from the prior year, earnings per share were 7.62p (2007:4.69p). Excluding discontinued operations and exceptional items basic earnings per share were 7.62p (2007: 5.35p). The Board is not recommending an interim dividend payment (2007: nil). Working capital movements during the period predominantly relate to the cyclical movement in deferred income on school fees within International schools and trade debtors within Learning Services.

## TRADING REVIEW

### International Schools

Our investment in high quality facilities at all Nord Anglia schools and the recruitment of experienced and committed head teachers and teachers continues to deliver the good educational and academic results required to attract new pupils at record levels into our schools.

Revenue for the first half of 2007/8 was £19.2m which is significantly ahead of the same period last year when revenues were £13.6m and represents growth of 42%. The period has also seen an improvement in operating profits to £3.6m for 2007/8 compared to £3.2m for the prior period, an increase of 10%.

Reduced margins reflect the impact of additional fixed cost in providing increased capacity in existing schools in Shanghai and Prague and through the opening of new schools — Seoul, opened in March 2007 and Nanxiang and Ningbo, both opened in September 2007.

Pupil numbers in all schools have seen continued growth since the start of the school year in September 2007. Full time equivalent pupils (FTEs) across the division have increased from 3,719 in September 2007 to 4,056 at 29 February 2008, an increase of 337 pupils. Compared to February 2007, pupil registrations in February 2008 have grown by 936 FTEs, a growth of 30%. Whilst growth has been achieved in all schools it was particularly strong in Shanghai where pupils at the two established campuses in Pudong and Puxi increased by 528 FTEs (37%) over the last 12 months.

In addition to FTE pupils, the other two key performance indicators are occupancy and school fee levels. At the end of the last academic year in June 2007, the occupancy level for the schools was 80%. Pupil capacity was increased to 6,700 places in September 2007 and 7,200 places in January 2008. Occupancy in September 2007 with total capacity of 6,700 places was 55% and in February 2008 occupancy was 56% with total capacity at 7,200. Fees for the 2007/8 academic year have been increased by an average of 6% over the 2006/7 year.

At the start of January 2008 a new secondary campus was opened on schedule at Puxi in Shanghai. This provides an additional 500 places at the school to accommodate strong demand in the City and takes total capacity for our three international schools in Shanghai to 4,200 places.

Following a slow start in September 2007 our new Shanghai campus in Nanxiang is making better progress and we have now reached an encouraging 47 FTEs. The growth in pupil registrations at the school will accelerate as the Nanxiang area of Shanghai becomes more developed. In time the Nanxiang campus is capable of generating the same returns as the Group's other Shanghai schools. Registrations at the new Chinese preschool in Ningbo are making better progress and have now reached 30 FTEs. Registrations at our Seoul school at the end of its first year have also picked up and

now reached 80 FTEs. Whilst progress in South Korea has been slower than anticipated, we have learnt a great deal regarding the challenges of opening a new school in an unfamiliar market.

The Shanghai Nanxiang campus was opened within two months of receiving an educational license and four months ahead of schedule which was the main factor in its unusually low opening registration figure of 12 pupils. Ordinarily the Group implements a pre-marketing process allowing a minimum of six months to promote a school once all the necessary educational permissions are received, the building is completed and the new head teacher appointed. In this case the unusually fast license approval process and favourable commercial terms from the developer of the schools building encouraged us to advance our plans.

The approval of the Beijing Education Ministry for our Beijing school license has now been obtained and we await final approval from the Chinese Ministry of Education. We expect the license to be approved within the coming months. Prudently we have decided to put the opening back to September 2009 in order to be certain of getting the school enrolment off to a flying start. We are negotiating with the authorities for a new school in Singapore and are seeking to secure appropriate commercial terms for a school for 3–18 year olds. In order to allow the necessary pre-marketing activity the opening of the Singapore school is also planned for September 2009.

Beyond 2009 we are working on a significant pipeline of additional new school opportunities throughout Asia and the Middle East and are confident that the Company's targets for capacity growth will be met. To this end we have signed memorandums of understanding to develop schools in Tianjen, China and Kuala Lumpur, Malaysia.

We expect the business to perform well throughout the remainder of the financial year.

## **Learning Services**

The Learning Services Division has performed in line with expectations and has a strong pipeline of bidding opportunities. Revenue for the first half of 2007/8 was £23.7m up 20% on the same period last year (£19.7m). The period saw a marginal decline (c. 3%) in operating profits including joint ventures to £3.8m for 2007/8 (2007: £3.9m) — due to the impact of closure costs in association with the conclusion of the EduAction joint venture at the end of March 2008, and the renewal of Connexions contracts as outlined below.

The division continues to build upon its growing position in the Middle East education market. The ongoing successful delivery of the two Public Private Partnership (PPP) contracts awarded by the Abu Dhabi Education Council (ADEC) in 2006 and 2007 to manage a total of 14 schools in the Emirate has created a good platform for future growth in the region. We are currently bidding in the third phase of the PPP school improvement project to manage a further group of schools on behalf of ADEC.

In October 2007, we were awarded an additional contract by ADEC to establish a new "Foundation Gateway" which provides additional preparation in further and higher education for 200-300 girls in the Al Ain district of Abu Dhabi. Whilst initially small, this new venture provides a foothold in the higher education market for the Emirate. Our growth in the Middle East is now being supported by a dedicated business development team and over 200 education professionals.

In the UK, we successfully renewed the Army Foundation College contract for a four year period from March 2008, which secures an important income stream for the business. The Lifetime Business was successful in gaining a two year extension on the basis of more competitive pricing to deliver Connexions and other young peoples' services in Barnsley, Doncaster and Rotherham and is building on the close partnering links engendered in the region to continue to develop that business. The inspection contract with OFSTED continues to perform well and we anticipate opportunities beyond our current scope of services when this becomes due for renewal in September 2009.

The important Quality Improvement Agency (QIA) contract to administrate the STAR and Beacon Awards also continues to perform well and in February 2008 an additional contract to deliver the QIA

corporate events programme for 2008/9 was awarded to Nord Anglia. This 12 month contract will see Nord Anglia develop an event management strategy and a range of other educational events throughout the year. The first phase of the QIA Diplomas Support programme is being delivered to time, budget and client expectations and will run until the end of this financial year. We are optimistic that given the good quality of performance for the QIA to date there will be an ongoing role in the Diplomas programme beyond the end of the year.

The EduAction contract in Waltham Forest ended in March 2008 with the majority of the contract previously outsourced returning to the Local Authority. Nord Anglia, through the Joint Venture with Amey plc, has demonstrably enhanced education outcomes for young people within the Borough of Waltham Forest. Before the contract commenced, the authority was one of only six in the country assessed as being Grade 6 Local Education Authority by Ofsted (the lowest grading being 7). This improved to a Grade 3, testimony to an effective partnership between the authority as client, and EduAction as a contractor. Nord Anglia is very proud of the success achieved through its contribution to the education contract.

The Division has a strong pipeline of significant new contract opportunities from the QIA, OFSTED and ADEC. In addition we are working on a wide range of new business opportunities with the UK Government and from a number of countries within the Middle East.

### **Appointment of new auditor**

The Company carried out a review and tender of its audit services earlier in the year. As a result of the process PKF (UK) LLP have resigned as auditors of the Company and PricewaterhouseCoopers LLP have been appointed and will be subject to reappointment at the Company's 2009 Annual General Meeting in the usual way. PKF (UK) LLP have confirmed that there are no matters connected with their ceasing to hold office which they consider should be brought to the attention of the Company's shareholders or creditors.

### **Board Changes**

After nine years of service, Felicity Goodey retired from the Board as Senior Non-Executive Director on 31 December 2007. On behalf of the Board, I would like to take this opportunity to thank Felicity for her support and advice throughout the years.

On 28 January 2008, Stephen Henwood was appointed to the role of Senior Non-Executive Director. On 27 February 2008, Alan Kelsey was appointed as Chair of the Nomination Committee and Alasdair Marnoch was appointed as Chair of the Risk Committee.

### **Sale of the Nursery Division**

As announced on 17 September 2007 the Group sold its Nursery Division (Leapfrog Day Nurseries) to Busy Bees, a subsidiary of A.B.C. Learning Centres Limited for a total consideration of £31.2m. The net funds were used to reduce the Group's loan funding by £27m. The Group's remaining undrawn debt facilities are available to support further expansion of our International Schools and Learning Services Divisions.

The proposed reduction of share capital involving the cancellation of the share premium account is being progressed and an application will be made to the Courts to effect this in due course.

### **Principal risks and uncertainties**

The Board is responsible for establishing a coherent framework for the Group to manage risk, which is designed to identify, manage and mitigate business risk. The Group has appropriate insurance against what the Board believes to be insurable risk in the business.

The Board considers that the principal risks and uncertainties which could have an impact on the Group's performance in the year are as set out in the annual report and accounts 2007 within the Finance Director's Review and the Directors' Report.

## Outlook

The first half of the 2007/8 year has been encouraging with an increase in operating profits and earnings. The International Schools Division's occupancy fill up rate has been in line with a challenging forecast and Learning Services continues to secure new contract wins and renewals. The Board anticipates earnings for the year to be in line with expectations. Given the additional capacity added in international schools, our strong financial position, the very attractive nature of the international education market and the Company's positive momentum the Board looks to the future with increasing confidence.

**Alan Kelsey**  
Chairman

29 April 2008

Certain statements in this interim report are forward-looking. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

## The Unaudited Condensed Consolidated Interim Group Income Statement Six months ended 29 February 2008

	<i>Notes</i>	<b>Six months ended 29 February 2008</b>	Re-presented Six months ended 28 February 2007
		<b>£000</b>	£000
<b>Revenue</b>	4	<b>42,936</b>	33,313
Cost of sales		<b>(16,288)</b>	(13,185)
<b>Gross profit</b>		<b>26,648</b>	20,128
Administrative expenses		<b>(22,056)</b>	(16,213)
Exceptional administrative expenses	5	-	(253)
Total administrative expenses		<b>(22,056)</b>	(16,466)
<b>Operating profit from continuing operations</b>	4, 6	<b>4,592</b>	3,662
Share of profit in continuing joint venture		<b>302</b>	504
<b>Profit on ordinary activities before net finance costs</b>		<b>4,894</b>	4,166
Finance income		<b>294</b>	208
Finance costs		<b>(583)</b>	(1,605)
<b>Profit on ordinary activities before taxation</b>		<b>4,605</b>	2,769
Income tax expense	7	<b>(1,432)</b>	(857)
<b>Profit on ordinary activities after taxation</b>		<b>3,173</b>	1,912
Post-tax loss from discontinued operations	8	<b>(225)</b>	(1,323)
<b>Profit for the period</b>		<b>2,948</b>	589
<b>Attributable to:</b>			
Shareholders of the Company		<b>2,815</b>	462
Minority interests		<b>133</b>	127

		<b>2,948</b>	589
<b>Earnings per ordinary share</b>			
<b>basic</b>	9	<b>7.06p</b>	1.21p
<b>diluted</b>	9	<b>6.89p</b>	1.20p
<b>Earnings per ordinary share from continuing operations</b>			
<b>basic</b>	9	<b>7.62p</b>	4.69p
<b>diluted</b>	9	<b>7.44p</b>	4.65p

## Unaudited Condensed Consolidated Interim Group Balance Sheet As at 29 February 2008

	<i>Notes</i>	<b>29 February 2008 £000</b>	Re-presented 31 August 2007 £000
<b>Assets</b>			
<b>Non-current assets:</b>			
Intangible assets	10	<b>1,979</b>	2,082
Property, plant and equipment	11	<b>15,519</b>	12,569
Investment in joint venture		<b>(174)</b>	(231)
Deferred income tax assets		<b>4,103</b>	3,640
		<b>21,427</b>	18,060
<b>Current assets:</b>			
Derivative financial instruments		—	240
Trade and other receivables		<b>7,317</b>	3,877
Other current assets		<b>8,334</b>	7,133
Current tax assets		<b>745</b>	971
Cash and cash equivalents		<b>14,877</b>	19,284
		<b>31,273</b>	31,505
<b>Assets held for sale:</b>	12	—	38,966
<b>Total assets</b>		<b>52,700</b>	88,531
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Financial liabilities — borrowings	13	<b>(393)</b>	(481)
Trade and other payables		<b>(27,790)</b>	(29,502)
Provisions for liabilities and charges	14	<b>(1,542)</b>	(4,995)
		<b>(29,725)</b>	(34,978)
<b>Liabilities directly associated with assets classified as held for sale:</b>	12	—	(9,616)
<b>Non-current liabilities:</b>			
Financial liabilities — borrowings	13	<b>(10,317)</b>	(36,085)
Retirement benefit obligations	15	<b>(2,816)</b>	(2,762)
Provisions for liabilities and charges	14	<b>(1,584)</b>	(1,584)
		<b>(14,717)</b>	(40,431)
<b>Total liabilities</b>		<b>(44,442)</b>	(85,025)
<b>Net assets</b>		<b>8,258</b>	3,506
<b>Equity</b>			
Called up share capital — equity	16	<b>1,994</b>	1,994
Share premium account	17	<b>51,039</b>	51,033

Retained earnings	17	(45,710)	(50,573)
<b>Shareholders' funds</b>		<b>7,323</b>	2,454
Minority interests	17	935	1,052
<b>Total equity</b>		<b>8,258</b>	3,506

**Unaudited Condensed Consolidated Interim Group Cash Flow Statement**  
Six months ended 29 February 2008

	<b>Six months ended 29 February 2008</b>	Six months ended 28 February 2007
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Profit on ordinary activities after taxation	<b>2,948</b>	589
Tax charge (including tax on discontinued operations)	<b>1,657</b>	486
Net finance costs (including discontinued operations)	<b>289</b>	1,439
Exceptional loss on disposal of operations	<b>—</b>	458
Share of joint venture	<b>(302)</b>	(504)
Amortisation and depreciation	<b>949</b>	1,507
Loss/(gain) on disposal of property, plant and equipment	<b>487</b>	(3)
Other non-cash movements	<b>828</b>	358
Payment of restructuring costs	<b>(3,453)</b>	—
Net increase in working capital	<b>(9,168)</b>	(8,433)
<b>Cash used by operations</b>	<b>(5,765)</b>	(4,103)
Net finance costs paid	<b>(470)</b>	(1,806)
Taxation paid	<b>(1,028)</b>	(632)
Dividend paid to minority interests	<b>(250)</b>	(158)
<b>Net cash used by operating activities</b>	<b>(7,513)</b>	(6,699)
<b>Cash flows from investing activities</b>		
Disposals/(acquisitions) of subsidiaries	<b>28,764</b>	(165)
Proceeds from sale of property, plant and equipment	<b>—</b>	752
Purchase of property, plant and equipment	<b>(2,297)</b>	(1,517)
Purchase of intangible assets	<b>(79)</b>	(73)
<b>Net cash generated from/(used by) investing activities</b>	<b>26,388</b>	(1,003)
<b>Cash flows from financing activities</b>		
Net repayment of loans	<b>(26,019)</b>	(246)
Repayment of principal under finance leases	<b>(13)</b>	(145)
Employee Benefit Trust	<b>(161)</b>	—
Proceeds from equity shares issued	<b>6</b>	4,924
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(26,187)</b>	4,533
<b>Net decrease in cash and cash equivalents</b>	<b>(7,312)</b>	(3,169)
Cash and cash equivalents at start of period	<b>21,721</b>	11,728
Effect of exchange rates	<b>468</b>	39
<b>Cash and cash equivalents at end of period</b>	<b>14,877</b>	8,598

## Unaudited Condensed Consolidated Statement of Recognised Income and Expense

Six months ended 29 February 2008

	<b>Six months ended 29 February 2008</b>	Six months ended 28 February 2007
	<b>£000</b>	£000
<b>Profit for the period</b>	<b>2,948</b>	589
Exchange differences on translation of foreign operations	<b>2,067</b>	168
<b>Total recognised income and expense for the period</b>	<b>5,015</b>	757
<b>Attributable to:</b>		
Shareholders of the Company	<b>4,882</b>	630
Minority interests	<b>133</b>	127
	<b>5,015</b>	757

## Analysis of Net Cash and Net Debt

Six months ended 29 February 2008

	31 August 2007	Cashflows £000	Other non- cash items £000	<b>29 February 2008 £000</b>
Cash in hand and at bank	19,284	(4,874)	467	<b>14,877</b>
Cash (included within classification of nursery assets held for resale)	2,437	(2,437)	—	—
<b>Cash and cash equivalents</b>	<b>21,721</b>	<b>(7,311)</b>	467	<b>14,877</b>
Debt due within 1 year	(385)	99	—	<b>(286)</b>
Debt due after 1 year	(35,910)	25,920	(176)	<b>(10,166)</b>
Finance leases	(271)	13	—	<b>(258)</b>
<b>Borrowings</b>	<b>(36,566)</b>	<b>26,032</b>	(176)	<b>(10,710)</b>
<b>Net (debt)/cash</b>	<b>(14,845)</b>	<b>18,721</b>	291	<b>(4,167)</b>
	31 August 2006	Cashflows £000	Other non- cash items £000	28 February 2007 £000
Cash in hand and at bank	11,728	(2,024)	89	9,793
Bank overdrafts	—	(1,145)	(50)	(1,195)
Cash and cash equivalents	11,728	(3,169)	39	8,598
Debt due within 1 year	(3,587)	(406)	(67)	(4,060)
Debt due after 1 year	(29,444)	652	(36)	(28,828)
Finance leases	(313)	145	(76)	(244)
Borrowings	(33,344)	391	(179)	(33,132)
Net debt	(21,616)	(2,778)	(140)	(24,534)

# **Notes to the Unaudited Condensed Consolidated Interim Group Financial Statements**

**Six months ended 29 February 2008**

## **1 General information**

Nord Anglia Education PLC is a public limited company registered in the UK. The registered office address is Anglia House, Carrs Road, Cheadle, Cheshire, SK8 2LA. The Company's registered number is 2116088.

The Company has its primary listing on the London Stock Exchange.

These unaudited condensed consolidated interim Group financial statements do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 August 2007 were approved by the Board of Directors on 12 December 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

These unaudited condensed consolidated interim Group financial statements were approved for issue on 29 April 2008. No significant events, other than those disclosed in this document, have occurred between 29 February 2008 and this date.

## **2 Basis of preparation**

These condensed consolidated interim Group financial statements for the half-year ended 29 February 2008 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union.

The condensed consolidated interim Group financial statements should be read in conjunction with the annual financial statements for the year ended 31 August 2007, which were prepared in accordance with IFRSs as adopted by the European Union.

These condensed consolidated interim Group financial statements have been prepared in pounds sterling being the currency of the primary economic environment in which the Group operates.

The results of the Nursery division have been re-presented as discontinued operations for the six months ended 28 February 2007, consistent with the basis applied in the annual financial statements for the year ended 31 August 2007. Any further items that have arisen in the six months ended 29 February 2008 relating to the Nursery division have also been classified as discontinued items in this period.

The balance sheet as at 31 August 2007 has been re-presented in order to separately present restructuring provisions which were previously included within trade accruals. The Directors believe this to be a more appropriate presentation for the financial information.

Costs that are both material and non-recurring, whose significance is sufficient to warrant separate disclosure in the financial statements are referred to as 'exceptional' items. Exceptional items are included and separately identified within their relevant income statement category.

## **3 Accounting policies**

The accounting policies adopted are consistent with those described in the annual financial statements for the year ended 31 August 2007. There have been no significant changes in the bases upon which estimates have been determined, compared to those applied at 31 August 2007 and no change in estimate has had a material effect on the current period.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 August 2008.

- IFRIC 10, 'Interims and impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing or recognition of impairment losses as the Group already accounted for such amounts using principles consistent with IFRIC 10.
- IFRS 7, 'financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. IFRS 4, 'Insurance contracts', revised implementation guidance, effective when an entity adopts IFRS 7. As this interim report contains only interim condensed consolidated Group financial statements, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. Management do not expect this interpretation to be relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 August 2008 and have not been early adopted:

- IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the Group.
- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. Management do not expect this interpretation to have an impact on the Group.
- IFRIC 14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction', effective for annual periods beginning on or after 1 January 2008. Management will assess the potential impact of this interpretation with the Group's actuaries and will reflect this as appropriate in relevant financial statements.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. Management are currently gathering information to make a revision to the Group's geographical segments. Management do not currently foresee any changes to the Group's business segments.

#### 4 Primary segmental analysis—by class of business:

	<b>Six months ended 28 February 2008</b>	Re-presented Six months ended 28 February 2007
	<b>£000</b>	£000
<b>Revenue</b>	<b>19,228</b>	13,572
International Schools	<b>23,708</b>	19,741
Learning Services <sup>1</sup>	<b>42,936</b>	33,313
Total		
<b>Operating profit from continuing operations before exceptional administrative items and tax</b>		
International Schools	<b>3,550</b>	3,219
Learning Services <sup>1</sup>	<b>3,508</b>	3,405
Head Office <sup>2</sup>	<b>(2,466)</b>	(2,709)
Total	<b>4,592</b>	3,915

1. Revenue and profits from the joint venture, EduAction (Waltham Forest) Limited, are excluded from the above analysis.

2. Following the discontinuation of the Nursery division items that were, in substance, allocated to this division have been reallocated in accordance with the underlying legal structure of the continuing Group.

#### 5 Exceptional items

Exceptional items for the six months ended 29 February 2008 and prior period are set out below:

	<b>Six months ended 29 February 2008</b>	Re-presented Six months ended 28 February 2007
	<b>£000</b>	£000
Costs for potential bid	—	253
Tax effect on exceptional items	—	(76)
Total exceptional items net of taxation	—	177

In the prior period the company received a potential bid approach from a shareholder. Professional fees of £0.3m were incurred in responding to this approach.

#### 6 Operating profit

There were no items of an unusual nature charged or credited to operating profit during the period.

#### 7 Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 August 2008 is 31% (the estimated tax rate for the first half year to 28 February 2007 on continuing operations was 31%).

#### 8 Discontinued operations

During the previous financial year, the Group made the decision to seek to sell its Nursery trading division and on 19 September 2007 the entire ordinary share capital of the Nursery trading entities was sold. The results for this division were presented as a discontinued operation in the financial statements for the year ended 31 August 2007 and therefore the prior period income statement to 28 February 2007 has been re-presented to classify the Nursery trading division's results as discontinued within this interim report per below:

## Income statement of discontinued operations

	<b>Six months ended 29 February 2008</b>	Six months ended 28 February 2007
	<b>£000</b>	£000
<b>Revenue</b>	—	22,042
Expenses	—	(22,950)
Exceptional administrative expenses	—	(286)
<b>Operating loss before net finance costs and taxation</b>	—	(1,194)
Net finance costs	—	(42)
<b>Operating loss before taxation</b>	—	(1,236)
Closure and disposal of nurseries	—	(458)
<b>Loss before taxation</b>	—	(1,694)
Income tax (expense)/credit	<b>(225)</b>	371
<b>Post-tax loss from discontinued operations</b>	<b>(225)</b>	(1,323)
<b>Loss per share from discontinued operations</b>	<b>(0.56)p</b>	(3.48)p

## Cash flow statement of discontinued operations

	<b>Six months ended 29 February 2008</b>	Six months ended 28 February 2007
	<b>£000</b>	£000
Net cash used by operating activities	—	(582)
Net cash used by investing activities	—	(468)
Net cash outflow from financing activities	—	(19,878)
<b>Net decrease in cash and cash equivalents</b>	—	(20,928)

Further details about the disposal of the Nursery trading division are given in note 12 of these unaudited condensed consolidated Group interim financial statements.

## 9 Earnings per share

Earnings per share are calculated on the 39,874,053 ordinary shares in issue for the six months to 29 February 2008 being the weighted average number of ordinary shares in issue (6 months 2007: 38,066,947; full year 2007: 39,097,821). Diluted earnings per share assume conversion of all dilutive potential ordinary shares which arise from share options granted to employees where the exercise price is less than the average market price of the Company's ordinary share capital during the six months. The effect of this dilution is to increase the weighted average number of ordinary shares to 40,830,073 (6 months 2007: 38,363,807; full year 2007: 39,683,682). Adjusted earnings per share is calculated after adding back exceptional items and discontinued operations as detailed below:

	Six Months ended 29 February 2008			Re-presented Six Months ended 28 February 2007		
	Earnings £000	Basic earnings per share (pence)	Diluted earnings per share (pence)	Earnings £000	Basic earnings per share (pence)	Diluted earnings per share (pence)
<b>Earnings per share</b>	<b>2,815</b>	<b>7.06</b>	<b>6.89</b>	462	1.21	1.2
Add back:						
Basic earnings per share from discontinued operations (Note 8)	<b>225</b>	<b>0.56</b>	<b>0.55</b>	1,323	3.48	3.45
<b>Earnings per share from continuing operations</b>	<b>3,040</b>	<b>7.62</b>	<b>7.44</b>	1,785	4.69	4.65
Add back:						
Exceptional administrative expenses:						
Costs for potential bid	—	—	—	253	0.66	0.66
<b>Adjusted earnings per share from continuing operations and before exceptional items</b>	<b>3,040</b>	<b>7.62</b>	<b>7.44</b>	2,038	5.35	5.31

## 10 Non-current assets: Intangible assets

During the six month period to 29 February 2008 the Group recognised costs of £0.07m incurred in respect of the development and implementation of administration software for the International Schools division, as additions to intangible assets (full year 2007: £0.4m).

## 11 Non-current assets: Property, plant and equipment

During the six month period to 29 February 2008 the Group recognised costs of £1.4m in respect of the construction and equipping of a new secondary school in China that opened in January 2008 and £0.3m in respect of costs incurred for the expansion of an existing Chinese school, as additions to property, plant and equipment (full year 2007: £6.3m).

## 12 Assets held for sale

During the year the ended 31 August 2007 the Group made the decision to seek a share sale of its nursery trading division. At 31 August 2007 the assets of the Nursery division were reclassified as an asset held for sale and the carrying value was reduced by impairment of the relevant assets to reflect its net sale value after anticipated costs of disposal as follows:

	31 August 2007 £000
<b>Assets</b>	
<b>Non-current assets:</b>	
Property, plant and equipment	28,484
Deferred income tax assets	3,527
	32,011
<b>Current assets:</b>	
Trade and other receivables	2,954
Other current assets	1,564
Cash and cash equivalents	2,437
	6,955
<b>Total assets</b>	38,966
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Trade and other payables	(9,616)
<b>Total liabilities</b>	(9,616)
<b>Net assets</b>	29,350
Consideration receivable	31,200
Fees for sale	(1,850)
<b>Group net assets held for sale</b>	29,350

On 19 September 2007, the entire ordinary share capital of the Nursery trading entities was sold to ABC Learning of Australia. The Group received gross consideration of £31.2m before fees for sale of £1.9m. The gross consideration comprised £24.9m net proceeds and £6.3m repayment of the remaining inter-company debts owed to the continuing Group. The trading losses of discontinued operations for the prior period are shown in note 8. As at 29 February 2008 all assets held for sale had been sold.

## 13 Financial liabilities—borrowings

	29 February 2008 £000	31 August 2007 £000
Current	393	481
Non-current	10,317	36,085
<b>Total borrowings</b>	10,710	36,566
<b>Analysis of borrowings:</b>		
<b>Bank loans and overdrafts</b>		
Current	286	385
Non-current	10,166	35,910
	10,452	36,295
<b>Finance leases</b>		
Current	107	96
Non-current	151	175
	258	271
<b>Total borrowings</b>	10,710	36,566

During the year ended 31 August 2007, the Group repaid its outstanding loans with Royal Bank of Scotland and Allied Irish Bank (AIB), and arranged a new Banking Facility with Lloyds TSB and AIB. This facility consisted of a term loan of £20m, and a multicurrency revolving facility of £35m,

including overdraft and guarantee. The Group also arranged a new bank loan with Korean Exchange Bank of 1,700m Korean Won during the previous financial year. Following the sale of the Nursery division, on 19 September 2007, the proceeds were used to repay the term loan of £20m and part of the revolving facility. Movements in borrowings are analysed as follows:

	<b>29 February 2008</b>	31 August 2007
	<b>£000</b>	£000
Borrowings at 1 September	<b>36,566</b>	33,344
New borrowings	—	36,899
Net repayments of borrowings	<b>(26,032)</b>	(35,280)
Amortisation of fees	<b>114</b>	1,503
Adjustment for foreign exchange	<b>62</b>	100
<b>Borrowings at 29 February and 31 August</b>	<b>10,710</b>	36,566

#### 14 Provisions for liabilities and charges

	Restructuring	Other	Total
<b>Six months ended 29 February 2008</b>			
Opening net book amount at 1 September 2007	3,440	3,139	<b>6,579</b>
Utilised during the period	(633)	(2,820)	<b>(3,453)</b>
<b>Closing net book amount at 29 February 2008</b>	<b>2,807</b>	319	<b>3,126</b>
 Year ended 31 August 2007			
Opening net book amount at 1 September 2006	—	—	—
Charged to the income statement	3,440	3,139	<b>6,579</b>
Closing net book amount at 31 August 2007	3,440	3,139	<b>6,579</b>

Following the disposal of the Nursery division the Group has entered a period of major restructuring as it seeks to rationalise its property and people costs to fit the business model going forward. As such, a provision for £6.6m, mainly in relation to severance pay and onerous lease costs, was established at 31 August 2007.

#### 15 Retirement benefit obligations

The Group operates a number of defined benefit pension schemes, the assets of which are held separately from those of the Group in independently administered funds. The defined benefit pension schemes are valued annually on 31 August each year. The movement on the pension deficit, reflected within administrative expenses in the interim trading period, relates to estimated differences between members' contributions received and retirement payments made.

#### 16 Called up share capital—equity

	<b>29</b>		31
	<b>February</b>		August
	<b>2008</b>		2007
	<b>Number</b>	Number	£000
<b>Authorised:</b>			
Ordinary shares of 5p each	<b>74,000,000</b>	74,000,000	3,700
<b>Allotted, called up and fully paid:</b>			
At 1 September	<b>39,872,615</b>	37,794,657	1,890
Issue of shares during the year:			
5% Treasury issue	—	1,800,000	90
Exercise of options	<b>3,000</b>	277,958	14
<b>At 29 February and 31 August</b>	<b>39,875,615</b>	39,872,615	1,994

## 17 Statement of changes in shareholders' equity

	Attributable to equity holders of the Group				Total £000	Minority £000	Total £000
	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000			
At 1 September 2007	1,994	51,033	—	(50,573)	<b>2,454</b>	1,052	<b>3,506</b>
Profit for the period	—	—	—	2,815	<b>2,815</b>	133	<b>2,948</b>
Minority interests dividend paid	—	—	—	—	—	(250)	<b>(250)</b>
New shares issued	—	6	—	—	<b>6</b>	—	<b>6</b>
Employee Benefit Trust	—	—	—	(161)	<b>(161)</b>	—	<b>(161)</b>
Share based payments	—	—	—	142	<b>142</b>	—	<b>142</b>
Currency translation adjustments	—	—	—	2,067	<b>2,067</b>	—	<b>2,067</b>
<b>At 29 February 2008</b>	<b>1,994</b>	<b>51,039</b>	<b>—</b>	<b>(45,710)</b>	<b>7,323</b>	<b>935</b>	<b>8,258</b>

## Six months ended 28 February 2007

	Share Capital £000	Share premium £000	Other Reserves £000	Re- presented	Total £000	Minority interest £000	Total equity £000
				Retained earnings £000			
At 1 September 2006	1,890	46,111	746	1,116	49,863	1,044	50,907
Profit for the period	—	—	—	462	462	127	589
Purchase of minority interest	—	—	—	—	—	(155)	(155)
Minority interests dividend paid	—	—	—	—	—	(158)	(158)
New shares issued	101	4,823	—	—	4,924	—	4,924
Share based payments	—	—	—	155	155	—	155
Transfer to retained earnings from revaluation reserve	—	—	(19)	19	—	—	—
Currency translation adjustments	—	—	—	168	168	—	168
At 28 February 2007	1,991	50,934	727	1,920	55,572	858	56,430

## 18 Contingent liabilities

Group bank borrowings are subject to unlimited cross guarantees between Group companies secured by mortgage debentures. The Group has provided guarantees in respect of the overdraft facilities and bonds provided in respect of certain pension scheme liabilities entered into by its joint venture EduAction (Waltham Forest) Limited. The value of these guarantees is as follows:

At 29 February 2008 £1.2m

At 31 August 2007 £1.2m

The Group has also provided the following bank guarantees:

To SCTAI Anglo Iskola KFT for £0.5m in respect of a 30 year lease of school premises in Budapest. The annual payments under this lease are £0.36m. To the United Arab Emirates Ministry of Economy for a total of AED770,000 in respect of the opening of the Abu Dhabi branch office. To the Bahrain Economic Development Board for £0.02m and BHD54,041 in respect of operations undertaken in that country.

## 19 Capital commitments

	29 February 2008	31 August 2007
	£000	£0
Contracted but not provided for	398	282
Authorised but not contracted or provided for	1,810	706
	2,208	988

## 20 Related party transactions

The Group entered into arm's length transactions with its joint venture, EduAction (Waltham Forest) Limited, during the period. These transactions gave rise to turnover of £0.09m (28 February 2007: £0.15m), expenses paid of £0.09m (28 February 2007: £0.15m) and trade receivables at the balance sheet date of £0.04m (31 August 2007: £0.07m).

## 21 Post-balance sheet events

On 31 March 2008 the Group's joint venture EduAction (Waltham Forest) Limited completed its contractual obligations. The contract has not been renewed and it is expected that the joint venture arrangement will be dissolved in due course once all outstanding matters have been satisfied.

## 22 Seasonality

The Directors do not believe that there is any significant seasonal effect on the first and second half year trading results in the income statement. Any variations between these periods are thought to be influenced by contract wins or terminations, changes in schools' capacity and underlying structural changes in the business. However, depending upon when the transactions are incurred and settled, particularly in respect of school fees which are invoiced on a term basis, there can be fluctuations in debtors, creditors and cash and bank balances as a result.

# Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of Nord Anglia Education PLC are listed in the Group's Annual Report for the year ended 31 August 2007, with the exception that Felicity Goodey retired as a Director on 31 December 2007.

A list of current Directors is maintained on the Nord Anglia Education PLC website:

[www.nordanglia.com](http://www.nordanglia.com).

By order of the Board

<b>Andrew Fitzmaurice</b>	<b>David Smith</b>
<b>Chief Executive</b>	<b>Group Finance Director</b>
29 April 2008	29 April 2008

# Independent Review Report to Nord Anglia Education PLC

## Introduction

We have been engaged by the Company to review the condensed consolidated set of financial statements in the interim financial report for the six months ended 29 February 2008, which comprises the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

The maintenance and integrity of the Nord Anglia Education PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 29 February 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
29 April 2008  
East Midlands, UK