evolve
education group

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22 MAY 2017

Evolve increases dividend on strong growth

Evolve Education Group Limited ("Evolve") has delivered a strong result for the year ended 31 March 2017 with revenue of $151.4m (an increase of 10% over the equivalent period last year, of $137.4m) and Profit before interest and income tax of $23.6m.

As at 22 May 2017, the company's portfolio numbered 120 Early Childhood Education ("ECE") centres. The ECE centres produced revenue of $126.5m (2016, $110.8m) and underlying EBITDA[1] of $31.0m in the year ended 31 March 2017 (2016 $ 27.6m).

"As the Group completed it's second year of operation it is pleasing to report that some of the benefits of being a scale operator are visible in the financial result. Whilst the business development programme of acquisitions and developments is a key component of the improvement in profit the original portfolio of 84 centres contributed an additional $1.2m of underlying EBITDA[1] through organic growth.", said CEO Alan Wham.

"During the year the Group made good progress in developing its operating model. The Group will shortly operate its portfolio of centres under five brands, a significant reduction from the 64 that it operates today. This will allow a significant improvement in the way that the Group communicates with potential customers. A digital marketing platform will be launched early in FY18."

The company's first development centre commenced trading midway through the financial year and has performed in line with expectations, building occupancy up to 38% by May. Three more development centres have been contracted and are expected to start trading at various times over the coming 24 months.

Chair Norah Barlow said, "The strategic expansion of the Evolve Group into developing leasehold centres will complement the centre acquisition programme over the coming years and lays a solid platform for sustainable financial growth."

Dividend details

The directors of Evolve have resolved to pay a fully imputed dividend of 2.50 cents per share (compared to 2.38 cents per share for the equivalent period last year), a total of 5.00 cents per share in respect of the 2017 financial year.

END

For any further inquiries please contact:
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Evolve Education Group Limited
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[1] EBITDA is defined as earnings before interest, tax, depreciation, amortisation and adjusted for acquisition and integration costs. EBITDA is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS. This measure is intended to supplement the NZ GAAP measures presented in Evolve Group financial statements, should not be considered in isolation and is not a substitute for those measures.

Evolve is a New Zealand operated provider of high quality multi-faceted ECE services. Evolve offers both centre-based and home-based ECE, operating under various brands including Lollipops Educare, Leaps and Bounds, Porse and Au Pair Link. Its portfolio currently includes 120 ECE centres and two home-based businesses.

Attachments

1. NZX Appendix 1
2. NZX Appendix 7
3. ASX Appendix 3A.1
4. Evolve Education Group Limited Annual Financial Statements for the year ended 31 March 2017
5. Results presentation

NZX APPENDIX 1

EVOLVE EDUCATION GROUP LIMITED		
Audited results for announcement to the market		
Reporting Period	Year ended 31 March 2017	
Previous Reporting Period	Year ended 31 March 2016	
	Amount (NZ$'000s)	**Percentage Change**
Revenue from ordinary activities	$151,623	9.1%
Profit (Loss) from ordinary activities after tax attributable to security holders	$15,873	1.5%
Net profit (loss) attributable to the security holders	$15,873	1.5%
Interim/Final Dividend	**Amount per Security (NZ$)**	**Imputed Amount per Security (NZ$)**
Final Dividend	$0.0250	$0.0097
Record Date	6-Jun-17	
Dividend Payment Date	21-Jun-17	
The company's dividend reinvestment plan will be in effect with participation notices due to be received by 5:00pm 7 June 2017		
	31-Mar-17	**Previous Corresponding Period**
Net tangible assets per security (NZ$)	(0.25)	(0.17)
Due to the nature of the Company's business, intangible assets are a major component of total assets. Accordingly the net assets per security is considered as a more useful measure and at 31 March 2017 it was NZ$0.95 (2016: NZ$0.91)		
Details of entities over which control has been gained or lost during the period	Not applicable	
Details of associates and joint venture entities	Not applicable	
Comments	Refer annual financial statements, results presentation and media release attached.	
Dividends during year	**Amount per Security (NZ$)**	**Imputed Amount per Security (NZ$)**
Interim dividend - cents per share	$0.0250	$0.0097
	Supplementary dividend per security (NZ$)	**Date paid**
	$0.0044	21-Dec-16
Final dividend - cents per share	**Amount per Security (NZ$)**	**Imputed Amount per Security (NZ$)**
	$0.0238	$0.0093
	Supplementary dividend per security (NZ$)	**Date paid**
	$0.0042	20-Jun-16

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Full name of Issuer	EVOLVE EDUCATION GROUP LIMITED
Name of officer authorised to make this notice	Stephen Davies
Authority for event, e.g. Directors' resolution	Board resolution of 22 May 2017
Contact phone number	+64 27 2691525
Contact fax number	
Date	22 / 05 / 2017

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: *Taxable*	☐
/ Non Taxable	☐
Conversion	☐
Interest	☐
Rights Issue Renouncable	☐
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	X
If ticked, state whether: Interim	☐
Full Year	X
Special	☐
DRP Applies	X

EXISTING securities affected bv this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Ordinary Shares
ISIN	NZEVOE0001S4

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	Ordinary Shares
ISIN	NZEVOE0001S4

If unknown, contact NZX

Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g (1) for (2)	for
Conversion, Maturity, Call Payable or Exercise Date (*Enter N/A if not applicable*)	
Treatment of Fractions	Round to nearest whole number
Tick if pari passu	☐
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.0250
Source of Payment	Retained earnings
Excluded income per security (only applicable to listed PIEs)	
Currency	NZD
Total monies	$0.0250

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.004411
Date Payable	21 June 2017

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	$0.001736
Imputation Credits (Give details)	$0.009722
Foreign Withholding Tax	$
FWP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	6 June, 2017
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*	21 June 2017
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	21 June 2017

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

Evolve Education Group Limited

Financial Statements

For the Year Ended 31 March 2017

The Directors have pleasure in presenting the Financial Statements of Evolve Education Group Limited, for the year ended 31 March 2017.

The Financial Statements presented are signed for and on behalf of the Board and were authorised for issue on 22 May 2017.

Norah Barlow
Chair
22 May 2017

Alistair Ryan
Director
22 May 2017

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Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

$'000	Note	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Revenue	4	151,439	137,379
Other income		184	1,352
Share of profit of equity accounted joint venture		-	204
Total income		**151,623**	**138,935**
Expenses			
Employee benefits expense	5	(83,283)	(74,793)
Building occupancy expenses	5	(20,332)	(17,474)
Direct expenses of providing services		(15,859)	(15,232)
Acquisition expenses	4, 10	(714)	(1,204)
Integration expenses	4	(624)	(871)
Depreciation	4, 8	(2,027)	(1,687)
Amortisation	4, 11	(602)	(470)
Other expenses	5	(4,558)	(4,922)
Total expenses		**(127,999)**	**(116,653)**
Profit before net finance expense and income tax		**23,624**	**22,282**
Finance income	5	104	159
Finance costs	5	(1,366)	(1,255)
Net finance expense		(1,262)	(1,096)
Profit before income tax		**22,362**	**21,186**
Income tax expense	6	(6,489)	(5,544)
Profit after income tax attributed to the owners of the Company		**15,873**	**15,642**
Other comprehensive income		-	-
Total comprehensive income attributed to the owners of the Company		**15,873**	**15,642**
Earnings per share			
Basic (and diluted) earnings per share (expressed as cents per share)	19	8.9	8.8

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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Consolidated Statement of Movements in Equity
For the year ended 31 March 2017

$'000	Note	ISSUED SHARE CAPITAL	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	TOTAL
Balance as at 31 March 2015		**156,926**	**(8,058)**	**148,868**
Total comprehensive income		**-**	**15,642**	**15,642**
Shares issued under Dividend Re-investment Plan	16	489	-	**489**
Share issue costs relating to shares issued	16	(51)	-	**(51)**
Dividends paid	18	-	(4,215)	**(4,215)**
Balance as at 31 March 2016		**157,364**	**3,369**	**160,733**
Total comprehensive income		**-**	**15,873**	**15,873**
Shares issued under Dividend Re-investment Plan	16	655	-	**655**
Share issue costs relating to shares issued	16	(12)	-	**(12)**
Executive share based payment	16	99	-	**99**
Dividends paid	18	-	(8,677)	**(8,677)**
Balance as at 31 March 2017		**158,106**	**10,565**	**168,671**

The above Consolidated Statement of Movements in Equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of Financial Position

As at 31 March 2017

$'000	Note	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Current assets			
Cash and cash equivalents	7	4,095	38,624
Assets held for sale		-	1,605
Other current assets		1,924	1,313
Total current assets		**6,019**	**41,542**
Non-current assets			
Property, plant and equipment	8	5,742	5,502
Deferred tax asset	6	840	786
Intangible assets	11	212,121	190,857
Total non-current assets		**218,703**	**197,145**
Total assets		**224,722**	**238,687**
Current liabilities			
Trade and other payables	13	10,376	8,413
Current income tax liabilities		841	1,286
Funding received in advance	14	18,052	16,318
Employee entitlements	15	6,582	6,072
Total current liabilities		**35,851**	**32,089**
Non-current liabilities			
Borrowings	20	20,200	45,865
Total non-current liabilities		**20,200**	**45,865**
Total liabilities		**56,051**	**77,954**
Net assets		**168,671**	**160,733**
Equity			
Issued share capital	16	158,106	157,364
Retained earnings		10,565	3,369
Total equity		**168,671**	**160,733**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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Consolidated Statement of Cash Flows

For the year ended 31 March 2017

$'000	Note	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Cash flows from operating activities			
Receipts from customers (including Ministry of Education funding)		151,889	136,779
Dividends received		-	121
Payments to suppliers and employees		(123,229)	(113,525)
Taxes paid		(6,329)	(4,438)
Net cash flows from operating activities	21	**22,331**	**18,937**
Cash flows from investing activities			
Payments for purchase of businesses	10	(21,678)	(23,708)
Receipts from sale of joint venture		1,628	-
Payments for software, property, plant and equipment		(1,872)	(2,296)
Interest received		104	159
Net cash flows from investing activities		**(21,818)**	**(25,845)**
Cash flows from financing activities			
Proceeds from issue of shares	16	655	489
Share issue costs	16	(12)	(51)
Interest paid on borrowings		(1,343)	(1,166)
Bank borrowings drawn		198,340	141,790
Bank borrowings repaid		(224,005)	(95,925)
Dividends paid	18	(8,677)	(4,215)
Net cash flows from financing activities		**(35,042)**	**40,922**
Net cash flows		**(34,529)**	**34,014**
Cash and cash equivalents at beginning of period	7	38,624	4,610
Cash and cash equivalents at end of period	7	**4,095**	**38,624**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

1. Reporting Entity

Evolve Education Group Limited (the "Company") is a company incorporated in New Zealand, registered under the Companies Act 1993 and listed on the NZX Main Board ("NZX") and the Australian Stock Exchange ("ASX"). The Company is a FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013 ("the Act"). The registered office is located at Level 2, 54 Fort Street, Auckland, New Zealand.

The consolidated financial statements (the "Group financial statements") have been prepared in accordance with the requirements of the NZX and ASX listing rules. The Group financial statements are for the Evolve Education Group Limited Group (the "Group"). The Group financial statements comprise the Company and its subsidiaries. In accordance with the Act, separate financial statements for the Company are not required to be prepared.

The Group's principal activities are to invest in the provision and management of a high quality early childhood education service which gives parents and caregivers the option of which service best suits their child's learning and care needs (see Note 4, Segment Information). Information on the Group's structure is provided in Note 9.

2. Basis of Preparation

Statement of Compliance

These Group financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The External Reporting Board's pronouncement Standard XRB A1: Accounting Standards Framework establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 reporting entity. The Group financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations.

The financial statements for the year ended 31 March 2017 were approved and authorised for issue by the Board of Directors on 22 May 2017.

Going Concern

The financial statements have been prepared on a going concern basis. From time to time and mainly due to funding received in advance from the Ministry of Education and employee entitlements the current liabilities may exceed current assets. The Group has funding arrangements in place (as per Note 20) with its bank to meet all its current obligations. Accordingly, the preparation of the financial statements on a going concern basis is appropriate.

Basis of Measurement

The financial statements are prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified, as noted below.

Functional and Presentation Currency

These financial statements are presented in New Zealand Dollars ($) which is the Group's presentation currency. Unless otherwise stated, financial information has been rounded to the nearest thousand dollars ($'000s).

2. Basis of Preparation (continued)

Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements required in the application of accounting policies are described below.

Business combinations

As discussed in note 3(a), business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Identification and valuation of intangible assets acquired

As part of the accounting for business combinations the Group reviews each acquisition on a case by case basis to determine the nature and value of any intangible assets acquired. Different factors are considered including market presence of the acquired entity, the existence of any specialised or developed assets (for example, software and training materials), and the nature and longevity of the acquired entity's customer-base. Following this assessment the Group determines if the value of the intangibles assets acquired can or should be allocated between fixed life or indefinite life intangible assets and goodwill. Once identified the Group assesses how the intangible assets are to be valued and this requires the use of judgement as follows:

- Brand valuations require an assessment of the appropriate valuation methodology and in the case of the Group the expected life of the brand names, the forecast sales for comparable branded services if available or, if not, branded sales for "proxy" industries, an appropriate royalty rate and discount factors to be applied to the forecast royalty stream.
- Fixed life intangible assets (for example, software, customer lists) require an assessment of the appropriate valuation methodology and depending on the methodology adopted the Group must make assessments including likely replacement costs, estimated useful lives of the assets, relevance of customer databases to the Group and the price the Group is willing to pay per customer/contact.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in notes 3(h) and 3(l) below. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Further detail on the assumptions applied are included in Note 12.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

2. Basis of Preparation (continued)

Identification of Cash Generating Units

In order to complete the impairment review referred to above the Group must identify the individual cash generating units ("CGUs") that best represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill in particular does not generate cash flows in its own right and therefore it must be allocated to a CGU for goodwill impairment testing purposes. Identifying CGUs requires judgement and must be at the lowest level to minimise the possibility that impairments of one asset or group will be masked by a high-performing asset. The Group has considered all factors and assessed that the operating segments identified at Note 4 best represent the CGU's for impairment testing purposes.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses (refer Note 6).

New Standards and Interpretations Not Yet Adopted

The Group has adopted all applicable Accounting Standards and Interpretations issued by the External Reporting Board ('XRB') that are mandatory for the current reporting period.

A number of new standards, amendments to standards and interpretations have been approved but are not yet effective and have not been adopted by the Group for the period ended 31 March 2017. The financial statement impact of adoption of these standards and interpretations has not yet been quantified by management. These will be applied when they become mandatory. The significant standards are:

NZ IFRS 9: Financial Instruments

NZ IFRS 9: 'Financial Instruments' was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories; those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. The standard is effective for reporting periods beginning on or after 1 January 2018.

NZ IFRS 15: Revenue from Contracts with Customers

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18: Revenue and NZ IAS 11: Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This standard is effective for periods beginning on or after 1 January 2018.

2. Basis of Preparation (continued)

NZ IFRS 16: Leases

NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It was issued in February 2016. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new standard includes guidance and illustrative examples on assessing whether a contract contains a lease, a service or both. Under IAS 17, the Company as a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires the Company as a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases (generally, those with a term of 12 months or less) and leases of low-value assets (such as leases of tablets and personal computers, small items of office furniture and telephones but not, for example, leases of cars); however, this exemption can only be applied by lessees. To measure a lease, the lease term and lease payments must be established. Specifically, the lease term now includes extension periods if it is reasonably certain the entity will extend the lease, while lease payments now include certain variable payments that depend on an index or rate (such as CPI increases) and purchase options which are reasonably certain to be exercised. The standard can be applied early, but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers', otherwise, the mandatory effective date is for periods beginning on or after 1 January 2019.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently in these financial statements, and have been applied consistently by Group entities.

(a) Basis of Consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; less
- the net recognised amount (generally fair value) of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

When the excess is negative, a bargain purchase gain is recognised immediately in the Consolidated Statement of Comprehensive Income.

Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit and loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3. Significant Accounting Policies (continued)

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in joint ventures (equity accounted investees)

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, 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 carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Consolidated Statement of Comprehensive Income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

3. Significant Accounting Policies (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Intangible assets

The fair value of brands acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the brand being owned ("relief from royalty method"). The fair value of customer relationships acquired in a business combination is determined using the notional price per customer methodology. Software acquired in a business combination is determined using an estimate of replacement cost. Syllabus material acquired in a business combination is determined using the market elimination method.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Revenue

Revenues are recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Group, and specific criteria have been met for each of the Group's activities as described below. In all cases, the Group assesses revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only a portion of the revenue received on the Group's own account is recognised as revenue.

Ministry of Education funding

Ministry of Education funding is recognised initially as funding received in advance and is then recognised in the Statement of Comprehensive Income over the period childcare services are provided. Income receivable from the Ministry of Education by way of a wash-up payment is recognised as an asset, and is netted off against the income received in advance.

Childcare fees

Fees paid by government (childcare benefit) or parents are recognised as and when a child attends, or was scheduled to attend, a childcare facility or receives home-based care.

Education income

Revenue from the provision of tertiary education is recognised when the service has been rendered.

Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

3. Significant Accounting Policies (continued)

(d) Income Tax

Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences arising on the initial recognition of goodwill; and
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions, if any, and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign exchange gains and losses resulting from the settlement of the above are recognised in the Consolidated Statement of Comprehensive Income. Foreign exchange gains and losses that relate to

3. Significant Accounting Policies (continued)

borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within finance costs.

(f) Dividends

The Group recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per company law in New Zealand, a distribution is authorised when it is approved by the directors. A corresponding amount is recognised directly in equity.

(g) Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the Consolidated Statement of Comprehensive Income.

Depreciation

Depreciation is charged based on the cost of an asset less its residual value. Depreciation is charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Useful lives as at balance date were:

Plant and equipment	4 years
Office furniture & fittings	4 years
Leasehold improvements	4 years
Motor vehicles	5 years

The depreciation methods, useful lives and residual values are reviewed at the reporting date and adjusted if appropriate.

(h) Intangible Assets

Goodwill

Goodwill initially represents amounts arising on acquisition of a business and is the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is reviewed at each balance date to determine whether there is any objective evidence of impairment (refer to (l) Impairment).

Other intangible assets

Other intangible assets that are acquired by the Group and have finite and indefinite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, as appropriate. Other intangible assets have been amortised on a straight-line basis over their estimated useful lives:

Software	4 years
Training syllabus	4 years
Customer lists	4 years
Brand names	Indefinite life

3. Significant Accounting Policies (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Consolidated Statement of Comprehensive Income as incurred.

(i) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Consolidated Statement of Financial Position.

(j) Financial Instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period; these are classified as non-current assets.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and bank overdrafts. In the Consolidated Statement of Financial Position bank overdrafts are shown within borrowings in current liabilities.

Non-derivative financial liabilities

The Group initially recognises financial liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Financial liabilities comprise borrowings, bank overdrafts, and trade and other payables.

3. Significant Accounting Policies (continued)

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(l) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through the Consolidated Statement of Comprehensive Income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor and adverse changes in the payment status of debtors.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. 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 CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are grouped so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal management purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

3. Significant Accounting Policies (continued)

(m) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of services provided by employees up to the reporting date and measured based on expected date of settlement.

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution plan (KiwiSaver)

A defined contribution plan is a post-employment benefit plan under which an entity 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 employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(n) Expenses

Operating lease payments

Payments made under operating leases are recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Consolidated Statement of Comprehensive Income over the lease term as an integral part of the total lease expense.

Finance expenses

Finance expenses comprise interest expense on borrowings and establishment fees. All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Share issue costs

Certain costs have been incurred in relation to the issue of shares. These costs are directly attributable to the Group issuing equity instruments and include amounts paid to legal, accounting and other professional advisers. These costs have been accounted for as a deduction from equity.

(o) Consolidated Statement of Cash Flows

The following are the definitions of the terms used in the Consolidated Statement of Cash Flows

- Cash includes cash on hand, bank current accounts and any bank overdrafts.
- Investing activities are those activities relating to the acquisition, holding and disposal of businesses, property, plant and equipment and of investments.
- Financing activities are those activities that result in changes in the size and composition of the equity structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid and financing costs are included in financing activities.
- Operating activities include all transactions and other events that are not investing or financing activities.

3. Significant Accounting Policies (continued)

(p) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn and incur expenses, whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the Group, has been identified as the Chief Executive Officer.

(q) Earnings Per Share

Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

(r) Share Based Payments

Certain senior management received remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions with employees is measured by reference to the fair value at grant date.

The cost of equity-settled transactions is recognised, together with a corresponding increase to the share based payments reserve within equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

(s) Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST) including items disclosed in the Consolidated Statement of Cash Flows, except for trade receivables and trade payables that are stated inclusive of GST.

4. Segment Information

The Group has two reportable operating segments, as described below, which were identified as the strategic business-models the Group would initially invest in within the wider teacher-led early childhood education (ECE) industry in New Zealand. The Group operates entirely within New Zealand.

Each segment offers parents and caregivers the choice about the type of service in which they think their child or children will flourish. Each segment is managed separately. For each of the segments, the Group's Chief Executive Officer (the "CEO" and Chief Operating Decision Maker) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

ECE Centres – generally purpose built facilities that offer all day or part-day early childhood services, and
Home-based ECE – involves an educator providing services to a small group of children in a home setting and is supported by a registered teacher coordinator who oversees the children's learning progress.

No operating segments have been aggregated to form the above reportable operating segments. The Group accounting policies are applied consistently to each reporting segment.

Other operations include ECE Centre Management, a non-reportable segment, whereby the Group provides management and back-office expertise to early childhood education centres but it does not own the centre. This activity does not meet any of the quantitative thresholds for determining reportable segments in 2017 and as such it has been included as an unallocated amount. Unallocated amounts also represent other corporate support services, acquisition and integration costs.

Information regarding the results of each reportable segment is included below. Performance is measured based on NZ GAAP measures of profitability and in relation to the Group's segments, segment profit before income tax. In addition to GAAP measures of profitability, the Group also monitors its profitability using non-GAAP financial measures (that is, earnings before interest, tax, depreciation and amortisation ("EBITDA")) and EBITDA excluding certain items, as described below and as included in the internal management reports that are reviewed by the Group's CEO. EBITDA is not defined by NZ GAAP and the Groups' calculation of this measure may differ from similarly titled measures presented by other companies. This measure is intended to supplement the NZ GAAP measures presented in the Group's financial information.

EBITDA excluding acquisition and integration costs reflects a number of adjustments that are separately identified to enable the business to be reported on exclusive of these items. These adjustments are defined as:

- **Acquisition expenses** – in acquiring the businesses and net assets in Note 10 the Group incurred certain expenses directly related to those acquisitions including agents' commissions, legal fees, financing fees and financial, tax and operational due diligence fees.

- **Integration expenses** – costs associated with the integration of the businesses acquired including the employment costs of the Group's acquisition and integration team and third party costs establishing, for example, IT and communications with the Group and the transfer of employment/payroll records to the Group's payroll provider.

EBITDA also includes increases or decreases to amounts provided for contingent consideration.

The Group's corporate and management costs including certain financing income and expenditure and taxation that are managed on a Group basis are not allocated to operating segments.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

4. Segment Information (continued)

31 March 2017	ECE Centres $'000	Home-based ECE $'000	Unallocated $'000	Consolidated $'000
Total revenue	**126,495**	**24,060**	**884**	**151,439**
Other income	24	-	160	184
Total income	**126,519**	**24,060**	**1,044**	**151,623**
Operating expenses	**(95,542)**	**(21,449)**	**(7,041)**	**(124,032)**
EBITDA before acquisition and integration expenses	**30,977**	**2,611**	**(5,997)**	**27,591**
Acquisition expenses	-	-	(714)	(714)
Integration expenses	-	-	(624)	(624)
EBITDA	**30,977**	**2,611**	**(7,335)**	**26,253**
Depreciation	(1,715)	(249)	(63)	(2,027)
Amortisation	(60)	(244)	(298)	(602)
Earnings before interest and tax	**29,202**	**2,118**	**(7,696)**	**23,624**
Net finance expense	-	-	(1,262)	(1,262)
Reportable segment profit/(loss) before tax	**29,202**	**2,118**	**(8,958)**	**22,362**
Total assets	**204,561**	**16,819**	**3,342**	**224,722**
Total liabilities	**(22,491)**	**(10,369)**	**(23,191)**	**(56,051)**

Included within Total Revenue is revenue from the Ministry of Education totalling $104.5m for the year (2016: $93.6m).

Other income includes $160k from the reversal of a contingent consideration provision relating to the acquisition of an ECE centre in 2015.

evolve education group

4. Segment Information (continued)

31 March 2016	ECE Centres $'000	Home-based ECE $'000	Unallocated $'000	Consolidated $'000
Total revenue	**110,848**	**25,431**	**1,100**	**137,379**
Other income	-	-	1,352	1,352
Share of profit of equity accounted joint venture	204	-	-	204
Total income	**111,052**	**25,431**	**2,452**	**138,935**
Operating expenses	**(83,484)**	**(22,426)**	**(6,511)**	**(112,421)**
EBITDA before acquisition and integration expenses	**27,568**	**3,005**	**(4,059)**	**26,514**
Acquisition expenses	-	-	(1,204)	(1,204)
Integration expenses	-	-	(871)	(871)
EBITDA	**27,568**	**3,005**	**(6,134)**	**24,439**
Depreciation	(1,152)	(478)	(57)	(1,687)
Amortisation	(61)	(209)	(200)	(470)
Earnings before interest and tax	**26,355**	**2,318**	**(6,391)**	**22,282**
Net finance expense	-	-	(1,096)	(1,096)
Reportable segment profit/(loss) before tax	**26,355**	**2,318**	**(7,487)**	**21,186**
Total assets	**182,101**	**16,933**	**39,653**	**238,687**
Total liabilities	**(25,068)**	**(9,170)**	**(43,716)**	**(77,954)**

Other income relates to the reversal of a contingent consideration provision of $1.35m arising from the December 2014 acquisitions of the home-based ECE businesses.

5. Disclosure of Items in the Consolidated Statement of Comprehensive Income

Other expenses

$'000s	Note	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Included in other expenses are:			
Audit fees	24	205	210
Directors' fees	23	385	385
Other items		3,968	4,327
Total other expenses		**4,558**	**4,922**

Other items includes corporate and support office costs not already disclosed separately. They include travel expenses, legal costs not relating to the acquisition of businesses in Note 10, consultancy costs and general office expenses.

Building occupancy expenses

Building occupancy expenses of $20.3m (2016: $17.5m) include $18.6m (2016: $16.1m) of expenditure in relation to minimum operating lease payments.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

5. Disclosure of Items in the Consolidated Statement of Comprehensive Income (continued)

Employee benefits expense

$'000s	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Wages and salaries	78,078	70,258
Kiwisaver contributions	1,946	1,615
Payments to agency contractors	1,029	883
Other	2,230	2,037
Total employee benefits expense	**83,283**	**74,793**

Net finance expense

$'000s	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Interest received		
Bank deposits	104	159
Total interest received	**104**	**159**
Interest expense		
Interest on acquisition facility borrowings	(1,366)	(1,119)
Unwind of discount relating to contingent consideration	-	(134)
Other	-	(2)
Total interest expense	**(1,366)**	**(1,255)**
Net finance expense	**(1,262)**	**(1,096)**

6. Taxation

Income tax expense

The major components of income tax expense for the period are:

$'000s	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Current income tax:		
Current income tax expense	6,609	6,112
Prior year adjustments	(184)	(359)
	6,425	5,753
Deferred tax:		
Relating to origination and reversal of temporary differences	(106)	(218)
Prior year adjustments	170	9
	64	(209)
Total income tax expense	**6,489**	**5,544**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

6. Taxation (continued)

Reconciliation of tax expense

Tax expense may be reconciled to accounting profit as follows:

$'000	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Profit/(Loss) before income tax	**22,362**	**21,186**
At statutory income tax rate of 28%	6,261	5,932
Non-assessable income and non-deductible expenses for tax purposes:		
Contingent consideration re-measurement	-	(379)
Non-deductible expenses	242	341
Prior year adjustments	(14)	(350)
Total income tax expense	**6,489**	**5,544**
Effective income tax rate	29.02%	26.17%

Deferred tax

Deferred tax relates to the following:

	31 MARCH 2017			31 MARCH 2016		
$'000	Consolidated Statement of Comprehensive Income	Arising from Acquisition of Businesses	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Arising from Acquisition of Businesses	Consolidated Statement of Financial Position
Property, plant and equipment	(48)	118	1,283	(305)	127	1,213
Intangible assets	66	-	(1,529)	7	-	(1,595)
Employee entitlement provisions	58	-	895	337	-	837
Other timing differences	(140)	-	191	170	-	331
Deferred tax (expense)/benefit	**(64)**	**118**		**209**	**127**	
Net deferred tax assets			**840**			**786**

Imputation credits

Imputation credits available for use in subsequent reporting periods is $9,053,076 (2016: $5,054,461), including imputation credits that will arise from the payment of the amount of the provision for income tax. No dividends are provided for or receivable at balance date that would affect the available imputation credits at balance date.

7. Cash and Cash Equivalents

$'000	31 MARCH 2017	31 MARCH 2016
Cash at banks and on hand	1,968	1,914
Short-term deposits	2,127	36,710
Total cash and cash equivalents	**4,095**	**38,624**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and 3 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

8. Property, Plant and Equipment

31 March 2017 $'000	Note	Plant and Equipment	Office Furniture and Fittings	Leasehold Improvements	Motor Vehicles	Work in Progress	Total
Cost							
Opening balance		251	5,424	956	317	371	7,319
Additions/Transfers		92	655	1,100	44	(137)	1,754
Acquisition of businesses	10	90	466	19	21	44	640
Disposals		(5)	(321)	(111)	(171)	-	(608)
Closing balance		**428**	**6,224**	**1,964**	**211**	**278**	**9,105**
Depreciation and impairment							
Opening balance		(49)	(1,518)	(173)	(77)	-	(1,817)
Depreciation charge for period		(94)	(1,502)	(364)	(67)	-	(2,027)
Disposals		1	264	73	143	-	481
Closing balance		**(142)**	**(2,756)**	**(464)**	**(1)**	**-**	**(3,363)**
Net book value		**286**	**3,468**	**1,500**	**210**	**278**	**5,742**

31 March 2016 $'000	Plant and Equipment	Office Furniture and Fittings	Leasehold Improvements	Motor Vehicles	Work in Progress	Total
Cost						
Opening balance	202	4,303	584	152	13	5,254
Additions	55	800	577	260	153	1,845
Acquisition of businesses	-	586	-	-	205	791
Disposals	(6)	(265)	(205)	(95)	-	(571)
Closing balance	**251**	**5,424**	**956**	**317**	**371**	**7,319**
Depreciation and impairment						
Opening balance	(2)	(159)	(38)	(1)	-	(200)
Depreciation charge for period	(59)	(1,417)	(135)	(76)	-	(1,687)
Disposals	12	58	-	-	-	70
Closing balance	**(49)**	**(1,518)**	**(173)**	**(77)**	**-**	**(1,817)**
Net book value	**202**	**3,906**	**783**	**240**	**371**	**5,502**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

9. Group Information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal Activities	Country of Incorporation	Balance Date	Equity Interest
Evolve Education Group 1 Limited	ECE centre owner	NZ	31 March	100%
Evolve Education Group 2 Limited	ECE centre owner	NZ	31 March	100%
Evolve Education Group 3 Limited	ECE centre owner	NZ	31 March	100%
Evolve Education Group 4 Limited	ECE centre owner	NZ	31 March	100%
Evolve Education Group 5 Limited	ECE centre owner	NZ	31 March	100%
Evolve Education Group 6 Limited	Non-trading	NZ	31 March	100%
Evolve Management Group Limited	Investment company	NZ	31 March	100%
ECE Management Limited	Management services	NZ	31 March	100%
Lollipops Educare Holdings Limited	Investment company	NZ	31 March	100%
Lollipops Educare Limited	Evolve corporate office	NZ	31 March	100%
Lollipops Educare Centres Limited	ECE centre owner	NZ	31 March	100%
Lollipops Educare (Hastings) Limited	ECE centre owner	NZ	31 March	100%
Lollipops Educare (Birkenhead) Limited	ECE centre owner	NZ	31 March	100%
Evolve Home Day Care Limited	Investment company	NZ	31 March	100%
Au Pair Link Limited	Home-care provider	NZ	31 March	100%
Porse In Home Childcare (NZ) Limited	Home-care provider	NZ	31 March	100%
Porse Franchising (NZ) Limited	Provides services to Porse franchisees	NZ	31 March	100%
Porse Education & Training (NZ) Limited	Education and training provider	NZ	31 March	100%
For Life Education & Training (NZ) Limited	Education and training provider	NZ	31 March	100%

10. Business Combinations

During the 12 months ended 31 March 2017 the Group acquired 15 ECE centres from several separate vendors, for a combined purchase price of $21.9m (net of purchase price adjustments). Of this, $21.7m was paid in cash by balance date. Net assets acquired was $0.1m resulting in goodwill on acquisition of $21.7m. Total acquisition costs incurred during the year were $714k and these are included in the Consolidated Statement of Comprehensive Income and cash flows from operating activities in the Consolidated Statement of Cash Flows. No cash was acquired. A summary of the net assets acquired is included in the following table.

10. Business Combinations (continued)

Assets and liabilities acquired and consideration paid	$'000
Assets	
Other current assets	91
Property, plant and equipment	640
Deferred tax	118
	849
Liabilities	
Funding received in advance	(698)
Other current liabilities	(18)
	(716)
Total identifiable net assets at fair value	**133**
Goodwill arising on acquisition	21,748
Purchase consideration transferred	**21,881**
Purchase consideration	
Cash paid	21,678
Cash payable relating to retentions	203
Total consideration	**21,881**

The goodwill of $21.7m predominantly comprises the future earnings potential of the acquired ECE centres and the value expected from continuing to bring together a group of ECE Centres under one centrally managed group. Goodwill is allocated to each of the segments identified at Note 4, as appropriate.

The total identifiable net assets above are provisional and are subject to the completion of purchase price adjustments.

At balance date the acquisitions have contributed revenue of $7.2m and a net profit after tax of $0.5m to the Group's results before allowing for upfront acquisition and integration expenses but after interest on the purchase price. As the acquisitions were made at different times during the year it is anticipated these acquisitions would have contributed revenue of $17.1m and a net profit after tax of $1.5m (excluding upfront and non-recurring acquisition costs of $0.7m and integration costs of $0.6m, but including interest on the purchase price) had they all been acquired on 1 April 2016.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

11. Intangible Assets

31 March 2017		Customer Lists	Syllabus Material	Management Contracts	Software	Brands	Goodwill	Total
$'000	Note							
Cost								
Opening balance		301	200	372	1,458	4,787	184,346	191,464
Additions		-	-	-	118	-	-	118
Acquisition of businesses	10	-	-	-	-	-	21,748	21,748
Closing balance		**301**	**200**	**372**	**1,576**	**4,787**	**206,094**	**213,330**
Amortisation and								
Opening balance		(100)	(67)	(124)	(316)	-	-	(607)
Amortisation for period		(75)	(50)	(93)	(384)	-	-	(602)
Closing balance		**(175)**	**(117)**	**(217)**	**(700)**	**-**	**-**	**(1,209)**
Net book value		**126**	**83**	**155**	**876**	**4,787**	**206,094**	**212,121**

31 March 2016		Customer Lists	Syllabus Material	Management Contracts	Software	Brands	Goodwill	Total
$'000	Note							
Cost								
Opening balance		301	200	372	964	4,787	162,038	168,662
Additions		-	-	-	507	-	-	507
Acquisition of businesses		-	-	-	-	-	22,447	22,447
Completion adjustments		-	-	-	-	-	(139)	(139)
Disposals		-	-	-	(13)	-	-	(13)
Closing balance		**301**	**200**	**372**	**1,458**	**4,787**	**184,346**	**191,464**
Amortisation and								
Opening balance		(25)	(17)	(31)	(65)	-	-	(138)
Amortisation for period		(75)	(50)	(93)	(252)	-	-	(470)
Disposals		-	-	-	1			1
Closing balance		**(100)**	**(67)**	**(124)**	**(316)**	**-**	**-**	**(607)**
Net book value		**201**	**133**	**248**	**1,142**	**4,787**	**184,346**	**190,857**

12. Impairment Testing of Goodwill and Intangible Assets With Indefinite Lives

Goodwill and brands acquired through business combinations with indefinite lives have been allocated, for impairment testing, to the cash generating units ("CGUs") below, which are also the main operating segments. Brands are also assessed for impairment separately.

31 March 2017	ECE Centres	Home-based ECE	ECE Management	Total
$'000				
Goodwill	194,828	10,600	666	206,094
Brands with indefinite useful lives	3,104	1,683	-	4,787

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

12. Impairment Testing of Goodwill and Intangible Assets With Indefinite Lives (continued)

31 March 2016	ECE Centres	Home-based ECE	ECE Management	Total
$'000				
Goodwill	173,080	10,600	666	184,346
Brands with indefinite useful lives	3,104	1,683	-	4,787

The Group performed its annual impairment test at balance date.

ECE Centres and Home-based Care Providers - Goodwill

The recoverable amount of the ECE Centres and Home-Based ECE Provider CGUs was $253.3m (2016: $238.4m) at balance date. The assessment has been approved by the Board and determined by management based on a value in use calculation using cash flow projections, along with financial forecasts covering a five year period. The pre-tax discount rate applied to cash flow projections is 15.4% (2016: 15.4%) and cash flows beyond the five-year period are extrapolated using a 2% (2016: 2%) terminal growth rate that is not inconsistent with the long term growth rate experienced industry-wide. As the recoverable value was in excess of the carrying value management did not identify an impairment for these CGU's.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for both CGU's is most sensitive to the following assumptions:

- Operating earnings through the forecast period
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

Operating earnings – operating earnings is a function of revenue (received from the Ministry of Education and parents/caregivers) which in turn is based on occupancy. ECE revenue is assumed to grow by 1% (2016: 1%) per annum on average, with Home-Based ECE revenue assumed to grow by 0.7% (2016: 1%) per annum on average. It is assumed the Ministry of Education continues to support early childhood education to the value of approximately 67% of ECE revenue earned and 90% of Home-Based ECE revenue earned. If the Government reduces its funding it could lead to the increased requirement of parents and caregivers to make up the difference. Also affecting operating earnings are centre wages and other operating expenses such as operating lease costs. Expenses are forecast to grow by 1% (2016: 0.5%) which is currently consistent with the inflation rate projections in New Zealand. If Government funding was to decrease, management would need to initiate appropriate responses to maintain profitability.

The following summarises the effect of a change in the above "base" growth assumptions of 0.7% to 1% revenue growth and 1% expense growth

	ECE CENTRES	HOME-BASED ECE
1. Revenue and expense growth 0%	No impairment	No impairment
2. Revenue growth 1%, expense growth 1%	No impairment	No impairment
3. Revenue growth 0%, expense growth 1%	No impairment	No impairment
4. Revenue growth -1%, expense growth 0%	Impairment	No impairment

12. Impairment Testing of Goodwill and Intangible Assets With Indefinite Lives (continued)

Discount rates – discount rates represent the current market assessment of the risks specific to each CGU, taking into account the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors using the capital asset pricing model. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in the pre-tax discount rates to 17.5% (2016: 17.5%) and 25.0% (2016: 20%) would lead to an impairment in the ECE Centre and Home-care Centre CGU's respectively, assuming the growth rates referred to above remained the same.

Growth rate estimates – rates are based on current inflation rates in New Zealand and forecast or assumed increase in revenues from parents/caregivers and the Government. Management are not aware of any information to suggest that the growth assumptions are at risk. Should terminal growth be between 0% and 1% instead of the 2% assumed, the recoverable value will still exceed carrying value for both CGUs.

ECE Centres and Home-based ECE Providers - Brands

The recoverable amount of the ECE Centres and Home-based ECE brands was $5.5m (2016: $5.6m) at balance date. The assessment has been approved by the Board and determined by management based on the discounted estimated royalty payments that have been avoided as a result of the brands being owned ("relief from royalty method") using revenue projections from the Group's financial forecasts covering a 12-month period. The pre-tax discount rate applied to cash flow projections is 15.4% (2016: 15.4%) and cash flows beyond the one year period are extrapolated using a 2% (2016: 2%) terminal growth rate that is not inconsistent with the long term growth rate experienced industry-wide. As the recoverable value was in excess of the carrying value management did not identify an impairment for these brands.

The calculation of relief from royalty for both brands is most sensitive to the following assumptions:

Revenue – as above, revenue is received from the Ministry of Education and in the case of ECE Centres parents/caregivers. A reduction in ECE centre revenue of greater than 17% will cause the recoverable value to be less than the carrying value of the ECE Centre brand value. A reduction in Home-based ECE revenue greater than 2% could lead to an impairment in the Home-based ECE brand.

Royalty rate – the relief from royalty method assumes a royalty rate of 1%. Any reduction in the rate below 0.8% may lead to an impairment in the ECE Centre brand and any reduction below 1% could lead to an impairment in the Home-based ECE brand, all other assumptions remaining unchanged.

Discount rates – the assumptions relating to discount rates are discussed above. Assuming all other assumptions remain constant an increase in the pre-tax discount to 18.1% and 15.7% could lead to an impairment of the ECE and Home-based ECE brands respectively.

Growth rate estimates – terminal growth rates have been discussed above. In terms of the ECE Centres terminal growth will need to be less than 0.2% (with all other assumptions remaining unchanged) before the recoverable value of the brand becomes lower than its carrying value. A terminal growth rate of less than 1.9% could result in an impairment of the Home-based ECE brand.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

13. Trade and Other Payables

$'000	31 MARCH 2017	31 MARCH 2016
Trade payables	877	838
Amounts accrued in respect of business combinations	203	115
Goods and services tax	5,324	4,652
Other payables	3,972	2,808
Total trade and other payables	**10,376**	**8,413**

14. Funding Received in Advance

Represents Ministry of Education funding received in advance net of amounts owing but not received. The amount is shown as a current liability consistent with the period the funding covers. Funding is received three times per year on 1 March, 1 July and 1 November. Each funding round includes 75% of the estimated funding for the four months ahead. At 31 March 2017 funding received in advance relates to April to June 2017. Funding receivable relates to the remaining 25% of funding, adjusted for any changes in occupancy levels, in respect of February and March 2017.

$'000	31 MARCH 2017	31 MARCH 2016
Funding received in advance	21,853	20,216
Funding receivable	(3,801)	(3,898)
Total funding received in advance	**18,052**	**16,318**

15. Employee Entitlements

$'000s	31 MARCH 2017	31 MARCH 2016
Employee leave provisions	2,999	2,812
Accrued wages and salaries	3,363	2,930
Other	220	330
Total employee entitlements	**6,582**	**6,072**

16. Issued Capital

Authorised shares

	31 MARCH 2017		31 MARCH 2016	
	Number	$'000	Number	$'000
Ordinary shares authorised, issued and fully paid				
Opening balance	177,576,018	157,364	177,082,724	156,926
Ordinary shares issued:				
Issue of shares in relation to dividend reinvestment plan ("DRP")	702,238	655	493,294	489
Less share issue costs relating to shares issued under DRP	-	(12)	-	(51)
Executive share based payment	-	99	-	-
Closing balance	**178,278,256**	**158,106**	**177,576,018**	**157,364**

17. Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and accumulated profits of the Group as well as available cash and cash equivalents. The Board of Directors monitors the return on capital as well as the level of cash and dividends to ordinary shareholders.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of any financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Dividend Policy

The current dividend policy of the Group is to pay dividends between 40% and 60% of net profit after tax in respect of the preceding period subject to the discretion of the Board.

Financial Covenants

The Group's capital management, amongst other things, aims to ensure that it meets its financial covenants attached to any interest bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants could permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or prior period.

18. Dividends

Dividends paid during the year

	2017	2016	2017	2016
	Cents	Cents	$'000	$'000
Interim dividend for the year ended 31 March 2017	2.50		4,451	
Final dividend for the year ended 31 March 2016	2.38		4,226	
Interim dividend for the year ended 31 March 2016		2.38		4,215
			8,677	**4,215**

Policies

Dividends are paid in cash in accordance with the dividend policy of the Group. The dividends paid were fully imputed.

Supplementary dividends

Supplementary dividends of $0.6m (2016: $0.3m) were paid to shareholders not tax resident in New Zealand of which the Company received a foreign investor tax credit entitlement.

Dividend reinvestment plan

Under the Company's dividend reinvestment plan, holders of ordinary shares may elect to reinvest the net proceeds of cash dividends payable or credited to acquire further fully paid ordinary shares in the Company. In respect of the year ended 31 March 2017, 702,238 shares with a total value of $0.7m were issued in lieu of cash dividends (2016: $0.5m).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

19. Earnings Per Share (EPS)

Basic and diluted EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic and diluted EPS computations:

	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Profit attributed to ordinary equity holders of the parent ($'000s)	**15,873**	**15,642**
Weighted average number of ordinary shares for basic and diluted EPS	178,007,882	177,222,895
Basic (and diluted) earnings per share (expressed as cents per share)	8.9	8.8

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

20. Financial Assets and Liabilities

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall level of financial risk is minimal and risk management is carried out by senior finance executives and the Board of Directors.

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign currency risk.

Price risk

The Group is not currently exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents as well as the use of loans. At balance date the group had drawn $20.2m (2016: $45.9m) of the Group's $90.0m lending facilities exposing the Group to interest rate risk. Exposure to interest rate risk is reduced as the borrowings are typically partially repaid in the short term at the Company's discretion.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provision for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and Notes to the Consolidated Financial Statements. The Group has no significant credit risk exposure. The Standard & Poors credit ratings of the banks where the Group holds cash are all [AA-] (source: www.rbnz.govt.nz).

20. Financial Assets and Liabilities (continued)

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Group's financing arrangements comprise the following facilities:

- **Senior revolving facility** - provided by ASB totalling $30.0 million for general corporate and working capital purposes. The facility expires on 30 April 2019 (but is able to be extended by 12 months on each anniversary of the financing arrangements with ASB's consent),
- **Acquisition facility** - provided by ASB totalling $60.0 million for funding of future acquisitions. It expires on 30 April 2019 (but is able to be extended by 12 months on each anniversary of the financing arrangements with ASB's consent), and
- **Lease guarantee facility** - provided by ASB for $3.0 million for bonds required for certain leasehold properties.

The facilities are secured by way of a first ranking general security agreement over all present and future assets and undertakings of the Group, together with an all obligations cross guarantee and indemnity.

Amounts drawn against the senior revolving and acquisition facilities are:

$'000	31 MARCH 2017	31 MARCH 2016
Facility Limits		
Senior revolving facility	30,000	30,000
Acquisition facility	60,000	60,000
Total lending facilities	**90,000**	**90,000**
Utilisation		
Senior revolving facility	-	20,000
Acquisition facility	20,200	25,865
Total borrowings	**20,200**	**45,865**
Total unused facilities	**69,800**	**44,135**

During the year ended 31 March 2017 the terms of the Acquisition facility were amended to allow the company to temporarily apply surplus cash against drawings under the facility, to ensure efficient use of cash during the working capital cycle. Cash applied against the facility is available to be redrawn.

20. Financial Assets and Liabilities (continued)

Remaining contractual maturities

The contractual maturity for the Group's financial instrument liabilities (that is, trade payables) is disclosed at Note 13 and in terms of bank borrowings, above. The contractual maturities are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Fair value of financial instruments

The carrying value of financial assets and financial liabilities presented represent a reasonable approximation of fair value.

21. Reconciliation of Profit After Tax to Net Operating Cash Flows

$'000	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
Profit after tax	15,873	15,642
Adjustments for:		
Depreciation and amortisation	2,629	2,157
Contingent consideration adjustments	-	(1,352)
Net finance expense	1,262	1,096
Deferred tax	(54)	(336)
Share of profits in joint venture	-	(204)
Other non cash items	96	1,364
Changes in operating assets and liabilities:		
Working capital movements:		
Increase/(decrease) in funding received in advance	1,036	(511)
(Increase)/decrease in other current assets	(611)	(226)
Increase/(decrease) in trade and other payables	2,035	(2,837)
Increase/(decrease) in current income tax liabilities	(445)	612
Increase/(decrease) in employee entitlements	510	957
Other items:		
Business combination completion payment classified as	-	937
Change in contingent consideration provided classified as investing	-	1,638
Net cash flows from operating activities	**22,331**	**18,937**

Notes to the Consolidated Financial Statements
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22. Commitments and Contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on its premises. Future minimum rentals payable under non-cancellable leases at balance date are:

	31 MARCH 2017	31 MARCH 2016
	$'000	$'000
Within one year	20,500	17,429
After one year but not more than five years	62,004	48,848
More than five years	51,179	33,015
Total	**133,683**	**99,292**

Guarantees

$2,325,915 (2016: $2,362,980) of the lease guarantee facility disclosed at Note 20 has been utilised.

Taxation

Porse In-home Childcare (NZ) Limited ("PIHCL"), a wholly owned subsidiary of the Company, is in discussion with the Inland Revenue Department ("IRD") on the GST status of home-based care delivery, as are other operators in the home-based ECE sector. The IRD has challenged PIHCL's treatment in respect of payments made to home-based educators and nannies. PIHCL, based on its own view, supported by expert legal and tax advice, remains confident that its treatment of GST in respect of home-based educators and nannies is correct. PIHCL will continue to engage with the IRD to understand the basis of its position in an endeavour to negotiate a resolution of this matter in the best interests of the shareholders.

The assessment of the carrying value of home-based ECE intangible assets has been undertaken on this basis and the continuing application of the current GST treatment is a key assumption and judgement in determining the value in use of the home-based ECE cash generating unit.

23. Related Party Transactions

Parent entity

Evolve Education Group Limited is the parent entity.

Identity of Related Parties

Related parties of the Group are:

- The Board of Directors, comprising Norah Barlow, Alistair Ryan, Mark Finlay, Greg Kern, Gráinne Troute (appointed 1st May 2017) and Alan Wham.
- Certain senior executives of the Group, including Alan Wham as Chief Executive Officer.
- Kern Group (Paddington) Pty Limited and Kern Group NZ Limited, companies associated with Greg Kern.
- LEP Limited, LEDC Limited, LEP Construction Limited, Birkenhead Properties Limited, LEP1 Limited LEDC1 Limited and Wildfire Consultants Limited, companies associated with Mark Finlay.

23. Related Party Transactions (continued)

Related party relationships that ceased during the year or in the prior period are:

- Acquisition related costs paid to Wraith Capital Group NZ Ltd (2016: $239,000) and Kern Group (2106: $230,000). Greg Kern continues to be related through his directorship of the company.
- Payments for consultancy services to Mark Finlay (2016: $40,000). Mark Finlay continues to be a related party through his directorship of the company.
- Rents paid to interests of Jenny Yule former Chief Executive Officer of Porse Group (2016: $242,000). Jenny Yule ceased to be a related party on 31 December 2015.
- Vivek Singh ceased to be key management personnel in June 2016.

Related party transactions arising during the year:

- Transactions between the Company and its Directors, members of its key management and certain employees can be summarised as follows:

    - ***Directors' remuneration*** - The Directors' fees pool is currently $500,000 per annum (plus GST, if any), with the amount of fees paid during the period disclosed in the table below. The Directors are also entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or Shareholder meetings, or otherwise in connection with the Group's business. Alan Wham, the Group's Chief Executive Officer, does not receive directors' fees but does receive a salary and this is included in the compensation of key management personnel table below. A summary of Directors remuneration follows:

	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
$'000s		
Norah Barlow	135	135
Alistair Ryan	90	90
Mark Finlay	80	80
Greg Kern	80	80
Total Directors Remuneration	**385**	**385**

- ***Directors' indemnity and insurance*** – the Company has entered into a Deed of Indemnity and Access by Deed Poll under which it has granted indemnities in favour of, and maintains insurance for, its present and future directors' (and directors' of related companies) and certain employees of the Company, in each case to the extent permitted by the Companies Act 1993, the Securities Act 1978 and the Financial Markets Conduct Act 2013.

- ***Other transactions with parties related to the Directors' of the Group:***

    - LEP Limited is the landlord of the Group's head office and it is the landlord of six of the groups ECE centres. Rent of $1,161,000 (2016: $739,000) has been paid by the Group to LEP Limited during the period. A further commitment to make future rent payments of $3,942,000 (2016: $3,154,000) over the next 2 to 6 years (depending on the term of each lease) is included in Note 21.
    - Management fee income from centres related to Mark Finlay of $72,698 (2016: $140,525).
    - Shares issued pursuant to the company's dividend reinvestment plan to Alan Wham (27,214 shares valued at $25,857), Alistair Ryan and Norah Barlow (3,959 shares each valued at $3,762 each) and Greg Kern (561 shares valued at $534).

23. Related Party Transactions (continued)

- ***Compensation of key management personnel of the Group:***

	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
	$'000	$'000
Short-term employee benefits	865	813
Total compensation paid to key management personnel	**865**	**813**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

- ***Shareholding interests of Directors and key management of the Company are:***

	2017	2016
Shareholder	No of shares	No of shares
Mark Finlay	21,347,382	21,347,382
Kern Group NZ Limited & Gregory Kern	2,347,808	2,347,247
Vivek Singh	321,555	306,711
Alan Wham	589,518	562,304
Norah Barlow	85,749	81,790
Alistair Ryan	85,749	81,790
	24,777,761	**24,727,224**

During the year Norah Barlow, Alistair Ryan, Alan Wham and increased their shareholdings via electing to receive shares under the Group's dividend reinvestment plan.

Related party transactions arising during the prior period:

On 31 March 2016 the Group acquired 5 Lollipops centres from LEDC Limited, a company that Mark Finlay is a director of and Shareholder in, for $5,787,000 net of purchase price adjustments.

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24. Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the Group's auditor, PricewaterhouseCoopers and the Porse Group's predecessor auditor, Gardiner Knoblich:

	YEAR 31 MARCH 2017	YEAR 31 MARCH 2016
$'000		
Audit services:		
Audit of Group consolidated financial statements	175	150
Porse assurance engagements	30	41
Fees paid to PricewaterhouseCoopers	**205**	**191**
Audit of financial statements of PORSE Group as at 31 December 2014	-	19
Fees paid to Gardiner Knobloch	**-**	**19**
Total audit services	**205**	**210**
Other services provided by PricewaterhouseCoopers:		
Taxation services	43	54
Consultancy services	8	15
Total other services	**51**	**69**

Taxation services relate to compliance services and general tax advice.

Consultancy services relate to advice regarding executive remuneration.

25. EVENTS AFTER THE REPORTING PERIOD

Dividend

On 22 May 2017 the Board approved a fully imputed final dividend of $4.5m or 2.5 cents per share in respect of the year ended 31 March 2016. The dividend is payable on 21 June 2017.

Acquisition

The Group has entered into an agreement for the acquisition of six ECE centres for $8.0m total consideration. At the date of signing these financial statements the agreement is unconditional and due for settlement in June 2017.

Independent auditor's report

To the shareholders of Evolve Education Group Limited

The consolidated financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of movements in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Evolve Education Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of other audit related assurance and non-assurance services, tax compliance and executive remuneration advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall group materiality: $1.1 million, which represents 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $111,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have one key audit matter: goodwill impairment assessment.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment As disclosed in Note 12 of the financial statements, the Group balance sheet includes goodwill of $206.1 million which relates to business acquisitions arising in the current and prior years. Of that balance, $194.8 million relates to ECE Centres and $10.6 million relates to Home-based ECE businesses. To assess the ongoing carrying value of the goodwill that arose on acquisition of the businesses, management performs an annual impairment review of each cash generating unit (CGU) using a 'value in use' basis. This was an audit area of focus due to the fact that the assessment is complex and judgmental in nature. Management's calculations included the following key estimates and assumptions: • Management determined that the CGUs are consistent with their operating segments, represented by ECE Centres and Home-based ECE. • Expected future trading results are based on management's forecasts. • As described in note 22, the assessment of the carrying value of the Home-based ECE CGU has been undertaken on the basis of the continuing application of the current GST treatment adopted by management. • A pre-tax discount rate of 15.4%. • Per annum revenue growth of 1% and 0.7% for ECE Centres and Home-based ECE, respectively. • 1% expense growth across both CGUs. • A long term growth rate of 2%. The impairment assessment completed by management and approved by the Directors calculated the value of each CGU as higher than the carrying value of applicable net assets and no impairment was identified. Management determined that the model was most sensitive to a possible scenario where revenue declined by 1% with no decrease in expenses.	The assessment of goodwill includes significant judgement. We considered management's identification of CGUs by gaining an understanding of the business, how it is managed, and how the balance sheet balances and results are reported to management and the Directors. We tested management's value in use calculations including the inputs and mathematical accuracy of the models and comparison to the relevant net assets value of the CGUs. We also assessed key estimates and assumptions made by management and our audit procedures included the following: • We gained an understanding of the business process applied by management in determining whether there are any indicators of impairment in the value of goodwill and indefinite life intangible assets. • We obtained an understanding of management's forecasting and budgeting process and reviewed the past years actual performance against budget performance to determine the rigour and accuracy of the budgeting process. • We reviewed the independent expert advice received by management in respect of the ongoing discussions with the Inland Revenue Department on the GST status of the Home-Based ECE. We note that the advice is consistent with the approach adopted by management when forecasting its future cash flows for the value in use calculation. • We considered the reasonableness of key assumptions in the cash flow forecast with reference to the historical performance of the Group, in particular revenue growth, expense growth and terminal growth rates. • We performed sensitivity analysis over the key assumptions including: o decreasing the revenue growth rates; o increasing the expense growth rates; o increasing the discount rate; o decreasing the long term growth rate; and determined if this indicated any impairment of the carrying value of goodwill. • We engaged our internal independent expert who compared the terminal growth rates and discount rates used by management against those used by similar market participants and determined that the rates were within a reasonable range. • We reviewed the disclosure in the financial statements for compliance with the requirements of NZ accounting standards. The results of our procedures were consistent with the conclusions of management.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the consolidated financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which 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 shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Richard Day.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
22 May 2017

Auckland

Evolve Education Group Limited

Annual Results to 31 March 2017

Investor Presentation

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Agenda

1. Highlights
2. Financial Review
3. Operations Update

Appendices

A. Reconciliation of Non-GAAP Financial Information

Highlights

A solid performance in our second year:

- Enhanced capability of management team COO/CFO
- Strong performance of original 84 centres – organic growth, occupancy, wage:revenue and procurement costs
- Established plan to rationalise 64 brands, enhance digital marketing with a focus on curriculum and parent engagement

15 Centres acquired

Developments progressing well

NPAT - unusual items

$000	FY 17	FY 16	Increase %
Net Profit after Taxation (NPAT)			
As per financial statements	15,873	15,642	1.5%
Less earnout provisional reversal	160	1,352	
Less FY 16 prior period tax item	-	350	
NPAT - adjusted	15,713	13,940	12.7%

Refer Appendix A for a further reconciliation of non-GAAP financial information

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FY17 Financial Highlights

- Revenues up 10%, underlying EBITDA up 9%*. Profit after tax increased 13%* to $15.7m.
- Organic growth in the original portfolio of 84 Centres, underlying EBITDA up 5% ($1.2m). Driven by increased Occupancy (from 83% to 84%), combined with $0.6m of cost savings.
- Selective acquisitions – 15 Centres acquired in the year. Total of 120. 6 Centres contracted to settle Q1.
- First Development Centre opened 31 October 2016. 3 further Development Centres contracted for FY18/19.
- Funding in place for FY 18 growth – cash reserves of $10m plus an un-utilised $11.6m of acquisition facility.
- Final dividend of 2.50c per share, fully imputed (5% increase). Total 5.00c per share for FY 17.

* Stated excluding a one-off benefit from the reversal of $160k (FY16:$1,352k) earnout provision, and FY16 $350k one-off effective tax rate differential. Refer Appendix A for a reconciliation of non-GAAP financial information.

Financial Headlines

$000	FY 17 [1]	FY 16 [2]	Increase %
Total Income	151,463	137,583	10.1%
EBITDA* (underlying)	27,431	25,162	9.0%
Profit Before Tax	22,202	19,834	11.9%
Net Profit After Tax	15,713	13,940	12.7%
Basic (and diluted) earnings per share (CPS)	8.90	7.84	13.5%
Fully imputed interim dividend (CPS)	5.00	4.76	5.0%

* EBITDA is defined in Appendix A. EBITDA is a non-GAAP measure and is not prepared in accordance with NZ IFRS. This measure is intended to supplement NZ GAAP measures presented in Evolve Group financial statements, should not be considered in isolation and are not a substitute for those measures.

[1] Stated excluding the benefit from the reversal of $160k earn out provision.
[2] Stated excluding the benefit from the reversal of $1,352k earn out provision, and FY16 $350k one-off effective tax rate differential.
Refer Appendix A for a reconciliation of non-GAAP financial information.

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Segment Results

$000	FY 17 [1]	FY 16 [2]	Increase %
Income			
ECE Centres	126,519	111,052	13.9%
Home-based ECE	24,060	25,431	(5.4)%
Other Income	884	1,100	(19.6)%
TOTAL INCOME	**151,463**	**137,583**	**10.1%**
EBITDA (underlying)			
ECE Centres	30,977	27,568	12.4%
Home-based ECE	2,611	3,005	(13.1%)
Corporate costs (net)	(6,157)	(5,411)	(13.8%)
EBITDA (underlying)	**27,431**	**25,162**	**9.0%**
EBITDA (underlying) margin %	**18.1%**	**18.3%**	

[1]Stated excluding the benefit from the reversal of $160k earn out provision.
[2]Stated excluding the benefit from the reversal of $1,352k earn out provision, and FY16 $350k one-off effective tax rate differential.
Refer Appendix A for a reconciliation of non-GAAP financial information.

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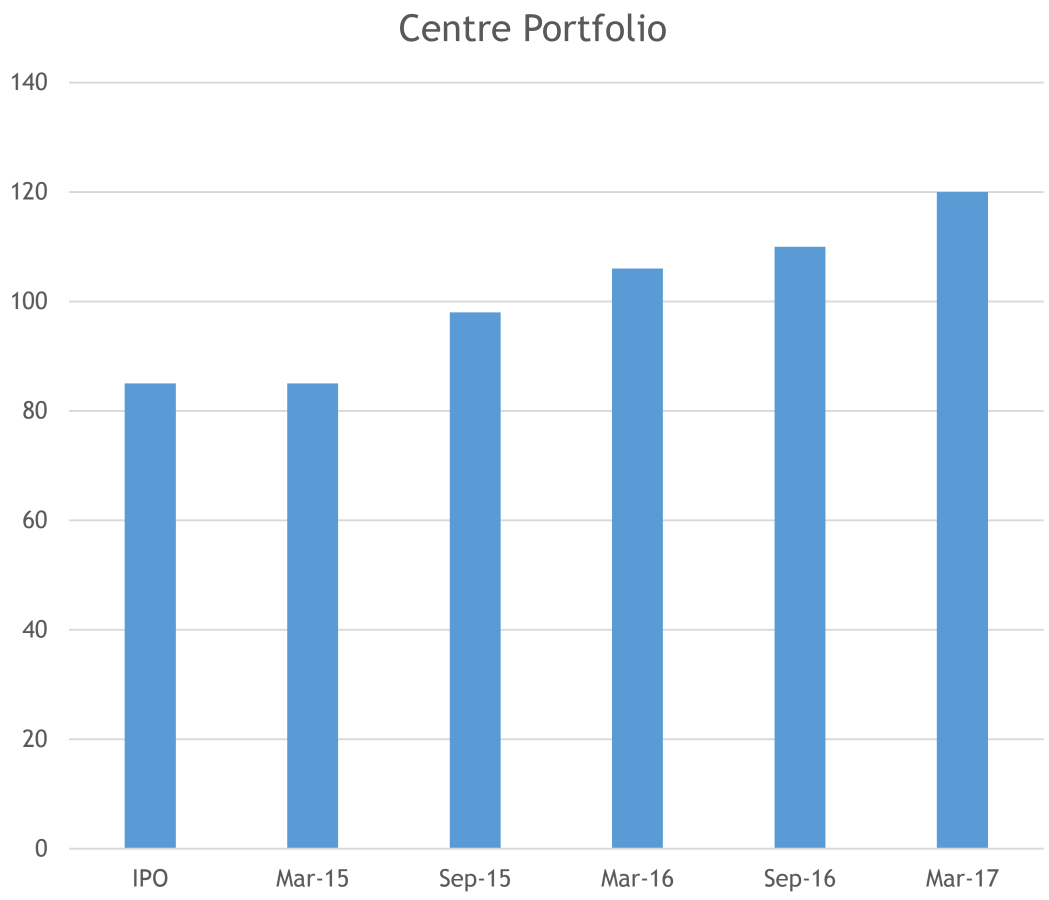
Centre Metrics

	Base 84 FY 17	Base 84 FY 16	FY 16 Acquisitions FY 17	FY 17 Acquisitions FY 17
Centres – year end	84	84	21	15
ECE Licensed Places – year end	5,870	5,870	1,293	617
Occupancy - average	84%	83%	77%	67%
Employee expenses/revenue	50.9%	51.5%	54.2%	57.4%
Underlying EBITDA Margin %	26.1%	25.0%	20.4%	15.6%

- Underlying EBITDA for the Base 84 increased by $1.2m (5%) over FY16, driven by a lift in occupancy from 83% to 84%, and net procurement savings of $0.6m.
- Six underperforming Centres depressed the FY16 acquisitions occupancy (90% excluding these centres). Leadership improvement programme underway to address.
- Due diligence procedures have been improved and brought in-house. Integration process now commences before settlement date to address risk of occupancy decline in handover phase. Latter acquisitions successfully settled at acquired occupancy levels.

Centre Portfolio

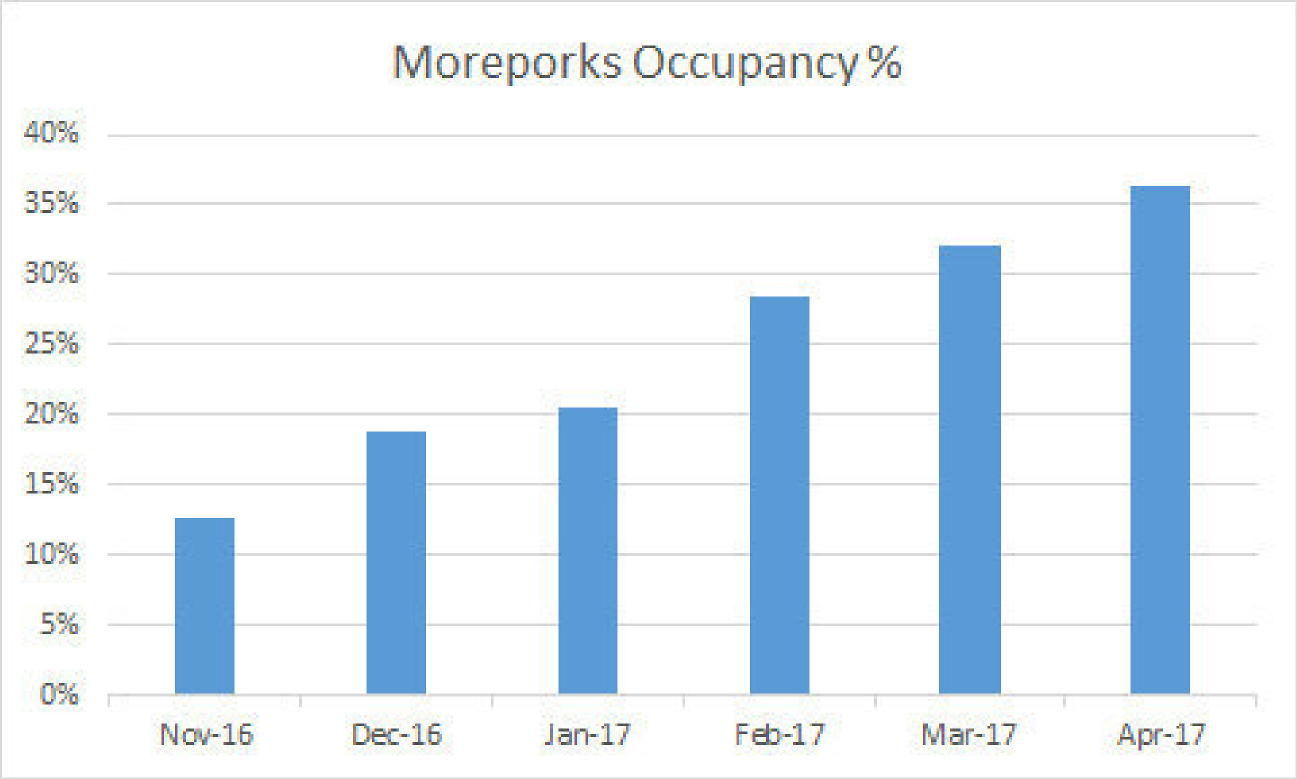


- 15 Centres acquired FY 17, total portfolio 120.
- Licensed places increased from 7,162 (1 April 2016) to 8,274 (31 March 2017) +15%.
- Total consideration paid for acquisitions in FY 17 of $21.9m.
- Subsequent to period end a further 531 licensed places contracted through group acquisition of 6 Centres – settlement June 2017.
- Acquisitions funded through combination of operating cashflow and debt.
- Westport centre sold.

Centre Acquisitions

- In the first part of FY17 the Company responded to market conditions by contracting a number of quality Centres with opportunity for financial improvement, through occupancy growth.
- Acquisitions in recent months have targeted improved pricing and/or higher occupancy. 5 Centres settled in the final months of FY17, have annual occupancy of over 90% and prices of between 5x and 6x historical EBITDA.
- In order to proactively target Centres for acquisition at a lower transaction cost the company moved to direct sourcing, in addition to working with vendor agents.
- Operational due diligence of acquired Centres is now fully managed internally by the integration team to improve handover of the business to Evolve.

Centre Developments



- Developments represent greenfield leasehold centres operated by Evolve from commencement of trading.
- Design of highly differentiated Centres is a key benefit of the development programme. Evolve works closely with the developer in the design phases to define the aspects that will differentiate the new Centres.
- 65 licensed place Moreporks in Canterbury opened in October 2016.
- Occupancy of 38% by May 2017, tracking in line with expectation.
- 3 new Developments have been secured for FY 18/19 so far.
- Growth phase EBITDA loss for the six months to March 2017 of $150k in line with plan.
- The group continues to evaluate development opportunities with a number of reputable developers to ensure that development terms are at market rates.

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Home Based Division

- The marketplace for home based ECE services continues to attract new entrants. Whilst both Porse and Au Pair Link continue to lead their respective segments and retain strong enrolment numbers, which drives core revenue, both have seen income decline in FY 17.

- Cost savings were made to offset revenue slippage however the non recurrence of cost benefits in FY 16 reduced divisional EBITDA by $0.4m from FY 16 levels.

- The home based division has undergone an extensive re-licencing process, associated with the change in ownership in 2015, throughout FY 17 – a considerable management distraction.

- Current year focus to deliver children transitioning out of home based education towards Evolve Centres. (Over 4,500 enrolled children).

- Porse in discussion with IRD on an historic GST matter. Minor changes to operating model underway, on advice from IRD.

Central Office costs

$000	FY 17 Actual	FY 16 Actual	Change %
Central office costs	$5,890	$5,450	8%
Average number of Centre licensed places	7,792	6,639	17%
Central office costs per licensed place	$756	$821	(8%)

Central office costs represent the unallocated costs of managing the operating portfolio, and exclude corporate governance costs.

During its second year of operation the Group has continued to invest in staff and regional oversight and a digital marketing capability to enhance the competitive positioning of the operating divisions.

Benefits of this investment are anticipated to be realised in future years and further economies of scale are anticipated.

Operations

- Focus on parental engagement and curriculum understanding to foster retention and lift occupancy.

- Scale efficiencies.
  - $0.6m saving in operating costs for the Base 84 Centres. Driven by cost management focus and centralised procurement.
  - Centre leadership capability with enhanced support and mentoring.

- Professional teaching scarcity increasing, particularly in Auckland.
  - Engaging with local tertiary institutions to attract teachers in training and increase mentorship in centres
  - Retention of teaching staff focussed on quality professional development, leadership coaching, increased lifestyle group benefits (access to discounted Insurance, banking and groceries), improved communication and recognition, teaching and learning clusters.

Teaching & Learning

- Increased focus on core developmental learning strategies and curricula (Based on Te Whariki (2017)).
- Increased engagement with whanau and parents, with a clear focus on provision of superior quality learning, care and differentiated experiences through the newly positioned centre brands.
- Regular parent learning and education updates to lift feedback and sharing each child's journey, themed whanau days with children, open days and regular community partnering with our centres for the children.

LEAPS & BOUNDS

Enquiry based learning philosophy to increase problem solving and creative thinking.

Lollipops

Based on the concept of Ako, which is reciprocal learning between teacher & child, combined with experiential based learning philosophy, inspired by Reggio Emilia.

Pascals

Extension, experiential and enquiry based learning philosophy in centres of excellence further inspired by leading research in ECE.

THRIVE MONTESSORI

Montessori based teaching philosophy.

LEARNING Adventures

Inspiring curiosity through inspiration and guidance, blended learning philosophy anchored in the community.

Brand & Digital Strategy

Attract Audience

Social media, keywords, webpages, newsletter/ opinion pieces

Convert Visitors

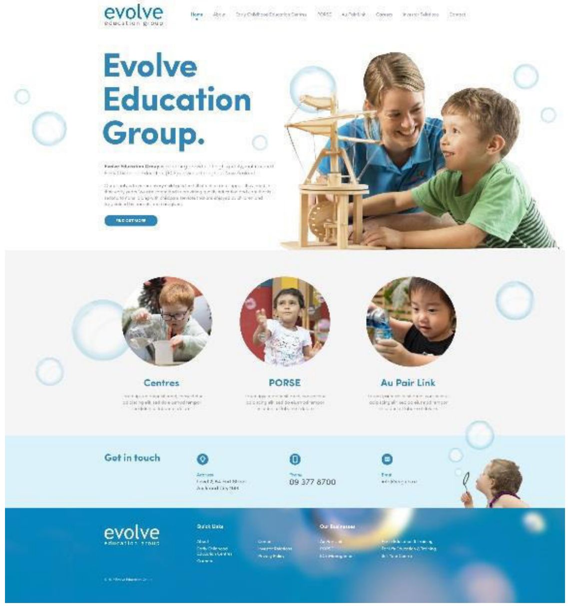
Call-to-action, landing pages, forms, contacts
Consolidation of 64 web pages, new web platform, redesign of Evolve brand with improved functionality

Close Leads

Email, workflows, Childcare CRM integration
Physical engagement

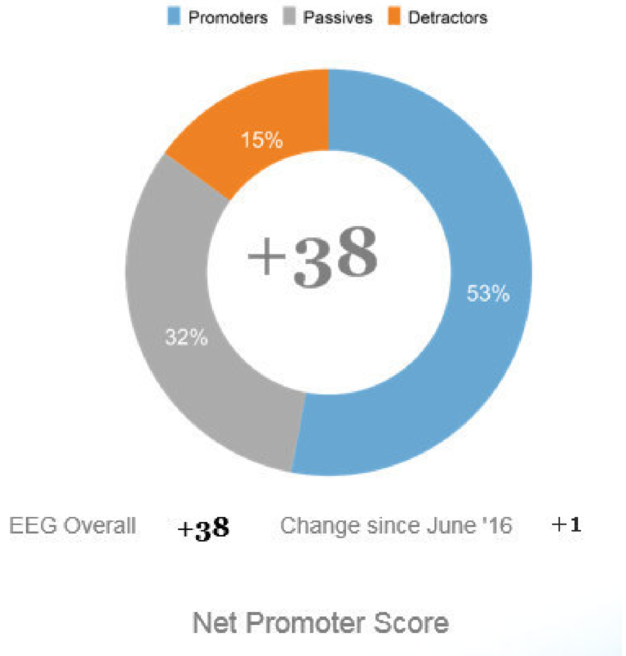
Delight Parents

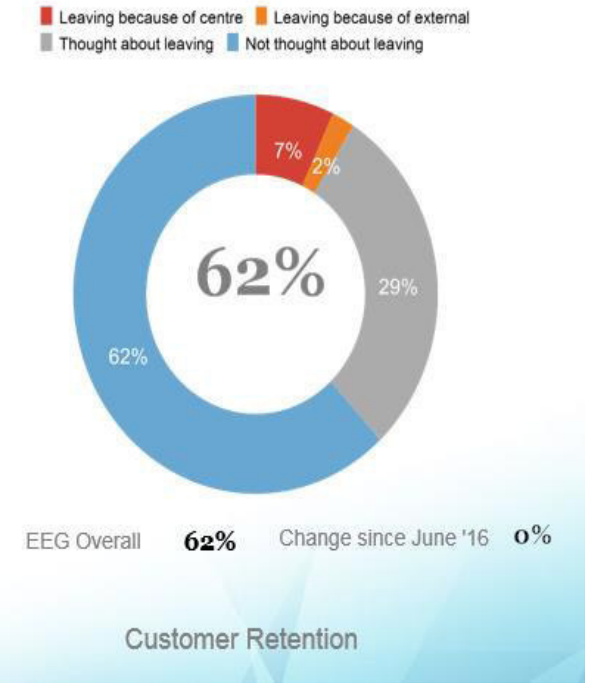
Storypark, newsletters, workflows, Childcare CRM integration
Events, Learning engagement, Parent survey



November 2016 Parent Survey

- *Parent survey completed in November 2016 yielding Net Promoter Score of +38 up +1 since June 2016, 2,590 respondents.*
  - Parents who had enrolled a child since the first iteration of the survey (June 2016) had a higher NPS overall (+51).
  - The top 3 key areas for positive promoter scores in the centres are staff being caring and nurturing, child enjoyment and the centre providing a good learning environment.
  - It is a key goal for Evolve to continue to improve operationally to deliver increased satisfaction amongst parents and families through parent feedback.





Appendix A – Reconciliation of non GAAP Financial Information

	FY17	Release of contingent consideration provision (1)	F17 Adjusted	FY16	Release of contingent consideration provision (1)	Prior period tax correction (2)	F16 Adjusted
	$000	*$000*	*$000*	*$000*	*$000*	*$000*	*$000*
Profit after tax	15,873	(160)	15,713	15,642	(1,352)	(350)	13,940
Taxation expense	6,489		6,489	5,544		350	5,894
Net finance expense	1,262		1,262	1,096			1,096
EBIT	23,624	(160)	23,464	22,282	(1,352)		20,930
Depreciation	2,027		2,027	1,687			1,687
Amortisation	602		602	470			470
Acquisition expenses	714		714	1,204			1,204
Integration expenses	624		624	871			871
Underlying EBITDA	27,591	(160)	27,431	26,514	(1,352)		25,162

1. Benefit from release of provision for contingent consideration.

2. Effective tax rate has an unusually low 26.0% in FY 16 due to one-off transactions.

EBITDA (underlying) above excludes acquisition cots of $714k (FY 16: $1,204k) and integration costs of $624k (FY 16 $871k), for centres acquired during the year, which are expensed for accounting purposes. These represent one-off up-front costs incurred to secure future income streams for the business.

Disclaimer

The information in this presentation is an overview and does not contain all information necessary to make an investment decision. It is intended to constitute a summary of certain information relating to the performance of Evolve Education Group Limited ("Evolve Education") for the year ended 31 March 2017. Please refer to the un-audited interim financial statements for the period ended 31 March 2017 that have been simultaneously released with this presentation.

The information in this presentation does not purport to be a complete description of Evolve Education. In making an investment decision, investors must rely on their own examination of Evolve Education, including the merits and risks involved. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of financial products.

The information contained in this presentation has been prepared in good faith by Evolve Education. No representation or warranty, expressed or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation, any of which may change without notice. To the maximum extent permitted by law, Evolve Education, its directors, officers, employees and agents disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence on the part of Evolve Education, its directors, officers, employees and agents) for any direct or indirect loss or damage which may be suffered by any person through use of or reliance on anything contained in, or omitted from, this presentation.

This presentation is not a product disclosure statement, prospectus, investment statement or disclosure document, or an offer of shares for subscription, or sale, in any jurisdiction. Evolve Education's annual report will be available in June 2017.

This presentation includes non-GAAP financial measures in various sections. This information has been included on the basis that management and the Board believe that this information assists readers with key drivers of the performance of Evolve Education which are not otherwise disclosed as part of the financial statements.

Thank you

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