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Half Year Earnings Announcement

6 Months Ended 30 September 2017

20 November 2017

Evolve Education Group (Evolve) today announced its earnings for the 6 months to 30 September 2017.

Net profit after tax and before non-recurring items was $7.0 million, consistent with guidance given at the annual shareholders' meeting in August. This compares with $8.8 million in the prior corresponding period.

Net profit after tax and non-recurring item was $4.0 million. The non-recurring item was a $3.0 million provision for the resolution of the GST matter relating to the Porse In-Home Childcare business. This matter relates to the GST treatment of certain payments made to home-based educators and nannies. A provision for $3.0m has been taken in anticipation of resolving this historic matter.

Total revenue was $81.3 million, an increase of 7% on the prior corresponding period driven by new centre acquisitions and the development of new centres.

During the period, seven existing centres were acquired and these have been integrated and are performing well. Evolve is taking a patient approach to centre acquisitions given vendor price expectations and a lack of quality centres being offered for sale. Two new centres were developed and opened with occupancy rates lifting in line with expectations.

Commenting on the result, Mark Finlay, Chief Executive Officer said:

"We are taking a cautious approach to acquiring existing centres given the high price expectations of owners and a general lack of quality centres coming to the market. This quieter period for centre acquisition is enabling us to focus on improving operational effectiveness and efficiencies across our existing portfolio of early learning centres, and pursuing growth through the development of new centres. Our approach will continue to be to actively manage the portfolio, particularly those centres that do not meet our financial or operating targets.

"Evolve's new centre development programme is gaining momentum with two recently opened centres achieving occupancy targets and a third centre due to license in West Auckland this month. We have a further four centres we are targeting to open in the next year", Mr Finlay said.

The occupancy level on a same-centre basis for the first six months was 2% lower than for the prior comparable period, however, there were early signs of recovery in the second quarter. Occupancy levels can fluctuate due to shifting demographics, changes in family requirements, as well as market shifts. Evolve is improving its capability and support to ensure greater responsiveness to these changes, through centralising the enrolment process, improved management support processes and alignment over the 126 centres. Positive engagement with staff and families remains critical to lifting participation levels, learning quality and retention. The early results from these initiatives are encouraging.

Fay Amaral, Chief Operating Officer said: "Our dedicated teachers provide early childhood learning journeys for the over 12,000 children entrusted to our care. Equally we are focused on building and improving our business support to deliver operational excellence".

Evolve will pay an interim dividend of 2.50c per share which will be fully imputed for New Zealand taxation purposes and will be paid on 20 December 2017.

For the full year the company continues to target net profit after tax and before non-recurring items in the range of $14 million to $15 million. Achievement of this earnings target will be dependent on strong enrolment levels in early calendar 2018, and further cost reduction initiatives.

"The initiatives we have underway to lift occupancy and a corresponding improvement in staffing management will help us build momentum into FY19 and beyond. The current year is one of transition as we consolidate our activities and invest to lift our performance. We have competent, dedicated and passionate teachers who will help us deliver positive outcomes for our children, families, stakeholders and communities, ultimately ensuring sustainable value for all", Mr Finlay said.

ENDS

NZX APPENDIX 1

EVOLVE EDUCATION GROUP LIMITED		
Unaudited results for announcement to the market		
Reporting Period	Six months to 30 September 2017	
Previous Reporting Period	Six months to 30 September 2016	
	Amount (000s)	**Percentage Change**
Revenue from ordinary activities	81,337	6.5%
Profit (Loss) from ordinary activities after tax attributable to security holders	4,007	-54.7%
Net profit (loss) attributable to the security holders	4,007	-54.7%
Interim/Final Dividend	**Amount per Security**	**Imputed Amount per Security**
Interim Dividend - cents per share	2.50	0.97
Record Date	5-Dec-17	
Dividend Payment Date	20-Dec-17	
The company's dividend reinvestment plan will be in effect with participation notices due to be received by 5:00pm 6 December 2017		
	30-Sep-17	**Previous Corresponding Period**
Net tangible assets per security (NZD)	(0.29)	(0.18)
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 30 September 2017 it was $0.94 (2016: $0.93)		
Details of entities over which control has been gained or lost during the period	Please refer note 4 to Evolve Group's unaudited consolidated interim financial statements attached.	
Details of associates and joint venture entities	Not Applicable	
Comments	Refer interim report, results presentation and media release attached.	
Dividends during year	**Amount per Security**	**Imputed Amount per Security**
Interim dividend - cents per share	$0.0250	$0.0097
	Supplementary dividend per security	**Date paid**
	$0.0044	21-Dec-16
Final dividend - cents per share	**Amount per Security**	**Imputed Amount per Security**
	$0.0250	$0.0097
	Supplementary dividend per security	**Date paid**
	$0.0044	20-Jun-17

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Evolve Education Group Limited

Interim Financial Statements

For the Six Month Period Ended 30 September 2017

The Directors have pleasure in presenting the Interim Financial Statements of Evolve Education Group Limited, for the six month period ended 30 September 2017.

The Financial Statements presented are signed for and on behalf of the Board and were authorised for issue on 20 November 2017.

Alistair Ryan
Chairman
20 November 2017

Anthony Quirk
Chairman of Audit and Risk Committee
20 November 2017

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Consolidated Statement of Comprehensive Income

For the six month period ended 30 September 2017

$'000	Note	UNAUDITED 6 MONTHS 30 SEPTEMBER 2017	UNAUDITED 6 MONTHS 30 SEPTEMBER 2016
Revenue	2	81,337	76,368
Total income		**81,337**	**76,368**
Expenses			
Employee benefits expense		(46,692)	(41,217)
Building occupancy expenses		(11,302)	(9,727)
Direct expenses of providing services		(8,714)	(8,039)
Acquisition expenses		(88)	(451)
Integration expenses		(264)	(328)
Depreciation		(1,343)	(1,004)
Amortisation		(322)	(300)
Porse GST Provision	3	(3,000)	-
Other expenses		(2,082)	(2,240)
Total expenses		**(73,807)**	**(63,306)**
Profit before net finance expense and income tax		**7,530**	**13,062**
Finance income		7	52
Finance costs		(752)	(599)
Net finance expense		(745)	(547)
Profit before income tax		**6,785**	**12,515**
Income tax expense		(2,778)	(3,678)
Profit after income tax attributed to the owners of the Company		**4,007**	**8,837**
Other comprehensive income		-	-
Total comprehensive income attributed to the owners of the Company		**4,007**	**8,837**
Earnings per share			
Basic (and diluted) earnings per share (expressed as cents per share)		2.2	5.0

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 six month period ended 30 September 2017

$'000	ISSUED SHARE CAPITAL	RETAINED EARNINGS	TOTAL
As at 31 March 2016 (audited)	**157,364**	**3,369**	**160,733**
Total comprehensive income	**-**	**8,837**	**8,837**
Shares issued under Dividend Re-investment Plan	428	-	**428**
Share issue costs relating to shares issued	(7)	-	**(7)**
Dividends paid	-	(4,226)	**(4,226)**
As at 30 September 2016 (unaudited)	**157,785**	**7,980**	**165,765**
As at 31 March 2017 (audited)	**158,106**	**10,565**	**168,671**
Total comprehensive income	-	**4,007**	**4,007**
Shares issued under Dividend Re-investment Plan	672	-	**672**
Share issue costs relating to shares issued	(8)	-	**(8)**
Dividends paid	-	(4,456)	**(4,456)**
As at 30 September 2017 (unaudited)	**158,770**	**10,116**	**168,886**

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

Consolidated Statement of Financial Position

As at 30 September 2017

$'000	Note	UNAUDITED AS AT 30 SEPTEMBER 2017	AUDITED AS AT 31 MARCH 2017	UNAUDITED AS AT 30 SEPTEMBER 2016
Current assets				
Cash and cash equivalents		5,572	4,095	3,085
Funding receivable	6	1,308	-	1,279
Current income tax receivable		138	-	-
Other current assets		1,218	1,924	2,204
Total current assets		**8,236**	**6,019**	**6,568**
Non-current assets				
Property, plant and equipment		7,238	5,742	5,879
Deferred tax asset		989	840	840
Intangible assets	5	219,814	212,121	197,606
Total non-current assets		**228,041**	**218,703**	**204,325**
Total assets		**236,277**	**224,722**	**210,893**
Current liabilities				
Trade and other payables	7	4,685	10,376	5,099
Current income tax liabilities		-	841	556
Funding received in advance	6	-	18,052	-
Provisions	3	3,000	-	-
Employee entitlements		7,206	6,582	6,273
Total current liabilities		**14,891**	**35,851**	**11,928**
Non-current liabilities				
Borrowings	8	52,500	20,200	33,200
Total non-current liabilities		**52,500**	**20,200**	**33,200**
Total liabilities		**67,391**	**56,051**	**45,128**
Net assets		**168,886**	**168,671**	**165,765**
Equity				
Issued share capital		158,770	158,106	157,785
Retained earnings		10,116	10,565	7,980
Total equity		**168,886**	**168,671**	**165,765**

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

Consolidated Statement of Cash Flows

For the six month period ended 30 September 2017

$'000	Note	UNAUDITED 6 MONTHS 30 SEPTEMBER 2017	UNAUDITED 6 MONTHS 30 SEPTEMBER 2016
Cash flows from operating activities			
Receipts from customers (including			
Ministry of Education funding)		62,398	58,320
Dividends received		-	76
Payments to suppliers and employees		(73,620)	(65,755)
Taxes paid		(3,956)	(4,508)
Net cash flows from operating activities	9	**(15,178)**	**(11,867)**
Cash flows from investing activities			
Payments for purchase of businesses		(9,882)	(6,983)
Receipts from sale of joint venture		-	1,550
Receipts from sale of business		100	-
Payments for software, property, plant and equipment		(1,326)	(1,269)
Interest received		7	52
Net cash flows from investing activities		**(11,101)**	**(6,650)**
Cash flows from financing activities			
Share issue costs		(8)	(7)
Interest paid on borrowings		(752)	(599)
Bank borrowings drawn		69,300	163,840
Bank borrowings repaid		(37,000)	(176,505)
Dividends paid		(3,784)	(3,751)
Net cash flows from financing activities		**27,756**	**(17,022)**
Net cash flows		**1,477**	**(35,539)**
Cash and cash equivalents at beginning of period		4,095	38,624
Cash and cash equivalents at end of period		**5,572**	**3,085**

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

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2017

1. Basis of Presentation and Accounting Policies

(a) 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 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 2, Segment Information).

These condensed interim financial statements were approved for issue on 20 November 2017.

(b) Basis of Preparation

The condensed interim financial statements of the Group have been prepared in accordance with the requirements of the NZX and ASX Listing Rules, New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The interim financial statements are for the Evolve Education Group Limited Group. The Group financial statements comprise the Company and its subsidiaries, including its investments in joint arrangements. The Group is a profit-oriented entity for financial reporting purposes.

These consolidated condensed interim financial statements of the Group are unaudited and have been prepared using the same accounting policies, methods of computation, significant judgements, estimates and assumptions, as the financial statements and related notes included in the Group's audited financial statements for the year ended 31 March 2017. Accordingly, these interim financial statements are to be read in conjunction with those audited financial statements.

Certain comparatives have been reclassified to ensure consistency with the current period. These half year financial statements do not include all the notes of the type normally included in an annual financial report.

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 8) with its bank to meet all its current obligations. Accordingly, the preparation of the financial statements on a going concern basis is appropriate.

Functional and Presentation Currency

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

Comparative Period

The comparative period is for the six months ended 30 September 2016.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2017

2. Segment Information

The Group has two reportable operating segments, as described below, which are the strategic business models the Group invests in within the early childhood education ("ECE") industry in New Zealand. The Group operates entirely within New Zealand. Each segment is managed separately. For each of the segments, the Group's Chief Executive Officer ("CEO" and the "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 independent educator delivering 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 Management, a non-reportable segment, whereby the Group provides management and back-office expertise to ECE centres but it does not own the centre. This activity does not meet any of the quantitative thresholds for determining reportable segments 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, IFRS or any other body of accounting standards 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 may be defined as:

• **Acquisition expenses** – in acquiring the businesses and net assets in Note 4 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 of establishing for example, IT and communications with the Group and the transfer of employment/payroll records to the Group's payroll provider.

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

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Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2017

2. Segment Information (continued)

UNAUDITED 30 SEPTEMBER 2017	Note	ECE Centres $'000	Home-based ECE $'000	Unallocated $'000	Consolidated $'000
Total income		**70,201**	**10,903**	**233**	**81,337**
Porse GST Provision	3	-	(3,000)	-	(3,000)
Operating expenses		(54,746)	(10,266)	(3,778)	(68,790)
EBITDA before acquisition and integration expenses		**15,455**	**(2,363)**	**(3,545)**	**9,547**
Acquisition expenses		-	-	(88)	(88)
Integration expenses		-	-	(264)	(264)
EBITDA		**15,455**	**(2,363)**	**(3,897)**	**9,195**
Depreciation		(1,144)	(164)	(35)	(1,343)
Amortisation		(30)	(125)	(167)	(322)
Earnings before interest and tax		**14,281**	**(2,652)**	**(4,099)**	**7,530**
Net finance expense		-	-	(745)	(745)
Reportable segment profit/(loss) before tax		**14,281**	**(2,652)**	**(4,844)**	**6,785**

UNAUDITED 30 SEPTEMBER 2016	ECE Centres $'000	Home-based ECE $'000	Unallocated $'000	Consolidated $'000
Total revenue	**63,149**	**12,727**	**492**	**76,368**
Operating expenses	**(46,413)**	**(11,272)**	**(3,538)**	**(61,223)**
EBITDA before acquisition and integration expenses	**16,736**	**1,455**	**(3,046)**	**15,145**
Acquisition expenses	-	-	(451)	(451)
Integration expenses	-	-	(328)	(328)
EBITDA	**16,736**	**1,455**	**(3,825)**	**14,366**
Depreciation	(791)	(182)	(31)	(1,004)
Amortisation	(76)	(122)	(102)	(300)
Earnings before interest and tax	**15,869**	**1,151**	**(3,958)**	**13,062**
Net finance expense	-	-	(547)	(547)
Reportable segment profit/(loss) before tax	**15,869**	**1,151**	**(4,505)**	**12,515**

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2017

3. Porse GST Provision

Porse In-home Childcare (NZ) Limited ("PIHCL"), a wholly owned subsidiary of the Company, has been in discussion with the Inland Revenue Department ("IRD") on the GST treatment of certain payments made to home based educators and nannies. A provision of $3m has been recorded in the current period in anticipation of resolving this historic matter. At 31 March 2017, this matter was disclosed as a contingent liability.

4. Business Combinations

During the six months ended 30 September 2017 the Group acquired 7 centres, for a combined purchase price of $9.9m. Total net assets acquired were $1.9m resulting in goodwill on acquisition of $8.0m. Total acquisition costs incurred during the period were $88k and these are included in the Statement of Comprehensive Income and cash flows from operating activities in the Statement of Cash Flows. No cash was acquired.

Assets and liabilities acquired and consideration paid	$'000
Assets	
Other current assets	7
Property, plant and equipment	1,603
Funding receivable	398
	2,008
Liabilities	
Employee entitlements	(15)
Other current liabilities	(118)
	(133)
Total identifiable net assets at fair value	**1,875**
Goodwill arising on acquisition	8,017
Purchase consideration transferred	**9,892**
Purchase consideration	
Cash paid	9,772
Cash payable relating to retentions	120
Total consideration	**9,892**

The goodwill of $8.0m 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 and home-based ECE providers under one centrally managed group. Goodwill is allocated to each of the segments identified at Note 2, as appropriate.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2017

4. Business Combinations (continued)

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

Year to date the acquisitions have contributed revenue of $2.6m and a net profit after tax of $190k to the Group's results before allowing for upfront acquisition expenses and integration costs. As the acquisitions were made at different times during the six month period it is anticipated these acquisitions would have contributed revenue of $4.9m and a net profit after tax of $390k (excluding upfront and non-recurring acquisition costs of $88k and integration expenses of $264k) had they all been acquired on 1 April 2017 and operated for the full six month period covered by these interim financial statements.

5. Intangible assets

$'000	UNAUDITED AS AT 30 SEPTEMBER 2017	AUDITED AS AT 31 MARCH 2017	UNAUDITED AS AT 30 SEPTEMBER 2016
Goodwill	214,030	206,094	191,472
Brands	4,787	4,787	4,787
Other	997	1,240	1,347
Total Intangible assets (net book value)	**219,814**	**212,121**	**197,606**

Intangible assets comprise goodwill, brands, customer lists, software, syllabus material and management contracts. Total cost of intangible assets has increased by $7.7m during the period. This is mainly due to the acquisitions detailed in Note 4 which have resulted in additional goodwill of $8.0m. A total of $81k of goodwill was disposed as a result of the sale of an ECE Centre. The remaining change in the net book value of intangible assets is due to software additions less amortisation for the six month period ended 30 September 2017 of $322k (30 September 2016: $300k).

6. Funding Receivable and Funding Received in Advance

$'000	UNAUDITED AS AT 30 SEPTEMBER 2017	AUDITED AS AT 31 MARCH 2017	UNAUDITED AS AT 30 SEPTEMBER 2016
Funding received in advance	(7,289)	(21,853)	(7,000)
Funding receivable	8,597	3,801	8,279
Total funding receivable/(received in advance)	**1,308**	**(18,052)**	**1,279**

Ministry of Education 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 30 September 2017 funding received in advance relates to October 2017. Funding receivable relates to the remaining 25% of funding, adjusted for any changes in occupancy levels, in respect of June to September 2017.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2017

7. Trade And Other Payables

$'000	UNAUDITED AS AT 30 SEPTEMBER 2017	AUDITED AS AT 31 MARCH 2017	UNAUDITED AS AT 30 SEPTEMBER 2016
Trade payables	898	877	1,054
Amounts accrued in respect of business combinations	140	203	180
Goods and services tax	84	5,324	98
Other payables	3,563	3,972	3,767
Total trade and other payables	**4,685**	**10,376**	**5,099**

The timing of Ministry of Education funding, as disclosed at Note 6, affects the timing of goods and services tax ("GST") payable. GST on funding received in March remains payable at the end of March, whereas no GST on funding is payable at September as the GST relating to July funding is paid in August.

8. Borrowings

The Group's financing arrangements comprise the bank facilities summarised below. The facilities are secured by way of a first ranking general security agreement over all present and future shares and assets and undertakings of the Group, together with an all obligations cross guarantee and indemnity. The Group was in compliance with all bank covenants during the period.

$'000	UNAUDITED AS AT 30 SEPTEMBER 2017	AUDITED AS AT 31 MARCH 2017	UNAUDITED AS AT 30 SEPTEMBER 2016
Facility Limits			
Senior revolving facility	30,000	30,000	30,000
Acquisition facility	60,000	60,000	60,000
Total lending facilities	90,000	90,000	90,000
Utilisation			
Senior revolving facility	-	-	-
Acquisition facility	52,500	20,200	33,200
Total borrowings	52,500	20,200	33,200
Total unused facilities	37,500	69,800	56,800

The terms of the acquisition facility allows the Group 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 in this manner is available to be redrawn.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2017

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

$'000	UNAUDITED 6 MONTHS 30 SEPTEMBER 2017	UNAUDITED 6 MONTHS 30 SEPTEMBER 2016
Profit after tax	4,007	8,837
Adjustments for:		
Depreciation and amortisation	1,665	1,304
Net finance expense	745	547
Deferred tax	(149)	(54)
Other non cash items	-	9
Changes in operating assets and liabilities:		
Working capital movements:		
Increase/(decrease) in funding received in advance	(19,360)	(17,810)
(Increase)/decrease in other current assets	706	(891)
Increase/(decrease) in trade and other payables	(5,691)	(3,280)
Increase/(decrease) in current income tax liabilities	(979)	(730)
Increase/(decrease) in provisions	3,000	-
Increase/(decrease) in employee entitlements	624	201
Other items:		
Business combination completion payment classified as investing	254	-
Net cash flows from operating activities	**(15,178)**	**(11,867)**

As per Note 6, Ministry of Education ("MOE") funding is received by Evolve every four months. In the six months to 30 September 2017 MOE funding was received on 1 July 2017 only.

10. Commitment and Contingencies

Guarantees

In addition to the lending facilities disclosed at Note 8, the Group has a lease guarantee facility of $3,000,000 at 30 September 2017 (31 March 2017: $3,000,000; 30 September 2016: $3,000,000). At the reporting date utilisation of the facility was $2,543,000 (31 March 2017: $2,326,000; 30 September 2016 $2,395,000).

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2017

11. Related Parties

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, Grainne Troute (appointed 1st of May 2017), Anthony Quirk (appointed 2nd August 2017), Lynda Reid (appointed 2nd August 2017) and Mark Finlay (ceased his directorship 17th August 2017)
- Mark Finlay was appointed Chief Executive Officer on 1st November 2017 and had been acting in this capacity since 25th August 2017.
- LEP Limited, LEDC Limited, LEP Construction Limited, LEP1 Limited, LEDC1 Limited, Little Wonders Childcare (Aoraki) Limited, Little Wonders Childcare (Timaru) Limited, Little Wonders Childcare (Cromwell) Limited, Little Wonders Childcare (St Kilda) Limited, Little Wonders Childcare (Roslyn) Limited, Little Wonders Childcare (Oamaru) Limited, and Wildfire Consultants Limited, companies that are associated with Mark Finlay.

Related party transactions and related party relationships that have ceased during the current period or in the prior period are:

The following related party transactions and relationships that ceased during the year or in the prior period are:

- Greg Kern ceased his directorship on 17th August 2017.
- Kern Group (Paddington) Pty Limited and Kern Group NZ Limited, companies associated with Greg Kern.
- Shares issued pursuant to the Company's dividend reinvestment plan to Alan Wham (September 2017: 14,056 shares valued at $13,714, September 2016: 13,837 shares valued at $12,453)
- Alan Wham resigned as Chief Executive Officer on 15th September 2017.
- Vivek Singh ceased to be key management personnel in June 2016.

Related party transactions arising during the period:

In addition to salaries paid to certain key personnel of the Group the following related party transactions occurred between 1 April 2017 and 30 September 2017:

- Directors' fees paid of $248,528 (30 September 2016: $195,833).
- Shares issued pursuant to the Company's dividend reinvestment plan to Alistair Ryan and Norah Barlow who were both issued 2,045 shares each valued at $1,995 (September 2016: 2,013 shares each valued at $1,812).
- Rent, in respect of twelve ECE properties and the support office, paid to interests of Mark Finlay of $903,000 (30 September 2016: $578,000 relating to six ECE centres and the support office).
  To facilitate the acquisition of the six Little Wonders businesses, Mark Finlay and associated interests, acquired the premises out of which these businesses operate and lease these premises to the Group.
- Management fee income from centres related to Mark Finlay of $17,500 (30 September 2016: $43,000).
- On 1 September 2017, the Group acquired one centre from LEDC Limited, a company that Mark Finlay is a director of and shareholder in, for $1,600,000.

12. Events after the Reporting Period

On 10 November 2017, the Group completed the purchase of the land and buildings located at 1-5 Pembroke Street, Ashhurst for cash consideration of $920,000. The land and buildings were previously leased by the Group for Centre operational purposes.

On 20 November 2017, the Board approved the payment of a fully imputed dividend of 2.50 cents per share, payable 20 December 2017. The Company's dividend re-investment plan will be in effect.

Independent review report

to the shareholders of Evolve Education Group Limited

Report on the interim financial statements

We have reviewed the accompanying consolidated interim financial statements of Evolve Education Group Limited (the Company), which comprise the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of comprehensive income, the consolidated statement of movements in equity and the consolidated statement of cash flows for the period ended on that date, and selected explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these financial statements.

We are independent of the Company. Our firm carries out other services for the Company in the areas of audit related assurance and non-assurance services and tax compliance and advisory services. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Auckland

20 November 2017

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

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

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.

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 20 November 2017

Contact phone number: +64 27 2691525

Contact fax number:

Date: 20 / 11 / 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 [X] Full Year [ ] 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 NA

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

Description of the class of securities:

ISIN:
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:

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: Dividend

Excluded income per security (only applicable to listed PIEs):

Currency: NZD

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents: $0.004411

Total monies: $4,474,191

Date Payable: 20 December 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 -: 20 November, 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.: 20 November 2017
(Last day for DRP election)

Notice Date
Entitlement letters, call notices, conversion notices mailed: 20 December, 2017

Allotment Date
For the issue of new securities. Must be within 5 business days of application closing date.: 20 December 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:

NZX


Interim Results to 30 September 2017
Investor Presentation
evolve education group

Agenda

- Recent developments – context
- Governance changes
- Half Year earnings review
- Segment results
- Centre Metrics
    - Existing Centres
    - Development Centres
- Home-Based Division
- Strategic Priorities
- Outlook

Evolve Education Group - context for half year earnings performance

- FY18 earnings expectations downgraded at annual shareholders' meeting (ASM) in August
- First half earnings are in line with the revised guidance provided at the ASM
- Evolve continues to target full year FY18 earnings guidance, which is dependent on strong enrolments, cost reductions and the recovery programme
- Lessons have been learnt from prior-period centre acquisitions, and the acquisition strategy has refocused on overall quality, as well as transition and integration effectiveness
- A growing momentum around new centre development:
    - Selected locations, new facilities, optimum configurations, right-sized, start-up costs but no goodwill payments
- Home-Based revenues have continued to deteriorate. Compliance activities (costs, distraction) have impacted performance and focus since change of ownership to Evolve (Dec 2014). A comprehensive business review is being undertaken

FY18 – a year of transition

- Board and executive management changes have been the start of refocusing for Evolve
- Following a period of rapid expansion through acquisition, we are driving performance through:

    - Lifting occupancy levels
    - Delivering operational efficiencies
    - Driving a disciplined brand strategy and enhanced customer experience
    - Actively managing the portfolio of ECE centres, with a preparedness to both invest further and also to divest those centres which will not deliver acceptable returns within the Evolve business model
    - Configuring appropriate resources and capabilities at head office

- Consequently, the key focus for the balance of FY18 will be building the foundations from which to drive higher earnings and operating efficiencies, from FY19 onwards

Recent Governance Changes

Board changes during the Half Year:

- Three new independent directors appointed, and then elected by shareholders at the ASM in August
    - Grainne Troute (July)
    - Lynda Reid (August)
    - Anthony Quirk (August)
- Norah Barlow stepped aside as Board Chair but remains as a director. Alistair Ryan appointed Chair (June)
- Mark Finlay and Greg Kern retired from the Board at the ASM in August

Executive changes during the Half Year:

- Alan Wham resigned as CEO/Managing Director (August)
- Mark Finlay appointed CEO

Related Party processes:

- Independent appraisal process in place to ensure any transactions involving Evolve and interests related to Mark Finlay are on fully commercial, arms-length market relative terms

Financial Review

1H18 Result Overview

$000	1H18	1H17
Total Income	**81,337**	**76,368**
EBITDA (underlying) [1]	12,547	15,145
Net Profit After Tax	**4,007**	**8,837**
Add Back Porse GST provision[2]	3,000	-
Adjusted Net Profit After Tax	7,007	8,837
Basic (and diluted) earnings per share (cps)	**2.20**	**5.00**
Fully imputed interim dividend (cps)	2.50	2.50

[1] EBITDA (underlying) is EBITDA before Porse GST provision, acquisition and integration costs. Refer to Appendix A for further detail. 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 is not a substitute for those measures

[2] Provision booked in anticipation of resolving the historic PORSE GST matter, a non-recurring provision

1H18 Financial Result Commentary

- Net Profit after Tax $4.0m, after Porse GST provision of $3.0m
- Net Profit after tax (adjusted for Porse GST provision) of $7.0m in line with company guidance
- Total income increased by $5.0m (6.5%) of which $9m is due to the Centre acquisition programme, offset by a decline in enrolments and three fewer trading days than the prior period
- Occupancy in the Centres division was 2% lower, on average, on a comparable basis (i.e. same-centre occupancy), though this gap closed as the period progressed, and is expected to continue to close during the remainder of the calendar year
- Enrolments in Home-Based were also lower than the prior year
- 1H18 contained 3 fewer trading days than 1H17. As revenue accrues on a daily basis this reduced NPAT by approximately $0.4m relative to 1H17. This difference will reverse next year
- Two development centres impacted earnings due to start-up period: EBITDA loss of $195k
- Dividend remains unchanged from last year at 2.5cps
- Liquidity remains strong with $30m working capital facility available and bank covenants forecast to be comfortably met

Segment Results

Segment Results

$000	1H18	1H17	Change %
Income			
Mature Centres	69,913	63,149	10.7%
Development Centres	288	—	
Total Centres	70,201	63,149	11.2%
Home-based	10,903	12,727	(14.3%)
Other income	233	492	(52.6%)
Total income	**81,337**	**76,368**	**6.5%**
EBITDA (underlying)			
Mature Centres	15,650	16,736	(6.5%)
Development Centres[1]	(195)	—	
Total Centres	15,455	16,736	(7.7%)
Home-based	637	1,455	(56.2%)
Corporate costs	(3,545)	(3,046)	16.4%
EBITDA (underlying)[2]	**12,547**	**15,145**	**(17.2%)**
EBITDA (underlying) margin %	**15.4%**	**19.8%**	

[1] During the interim period there were two (1H17 – nil) development centres operating in start-up phase.
[2] EBITDA (underlying) is EBITDA before Porse GST provision, acquisition and integration costs. Refer to Appendix A for further detail.

Centre Metrics

Centre Metrics

	Acquired by March 16		FY17 Acquisitions		FY18 Acquisitions
	1H18	1H17	1H18	1H17	1H18
Centres – period end	104	105	15	5	7
ECE licensed places	7,142	7,163	1,162	383	625
Occupancy – average	81%	83%	70%	68%	78%
Employee expenses/revenue	53.10%	50.60%	57.70%	52.20%	59%
Underlying EBITDA Margin %	22.90%	26.60%	16.60%	21.30%	18.90%

- Data presented excludes Development Centres – refer slide 16
- Occupancy on a same-centre basis was 2% lower than prior year for much of 1H18. Focus on lifting enrolments has started to close this shortfall
- Occupancy on the FY17 acquisitions has lifted 2%
- FY18 acquisitions have suffered no material short term occupancy decline during the integration period, as can often be the case. 3 of the 7 centres have shown minor growth

Centre Portfolio – Changes to Acquisition Strategy

Little Wonders Cromwell

Little Wonders Oamaru

Centre Portfolio – Changes to Acquisition Strategy

- Centre integration processes have been improved
- FY18 acquisitions of high quality and successfully integrated – no significant occupancy decline in the 5 months under Evolve ownership
- Acquisition programme refocused on overall quality due to inflated price expectations and generally lower quality centres brought to market
- Over time the acquisition market is expected to to re-set to allow expansion through selected acquisition

Centre Developments

Lollipops Lynfield

Active Explorers Kaiapoi

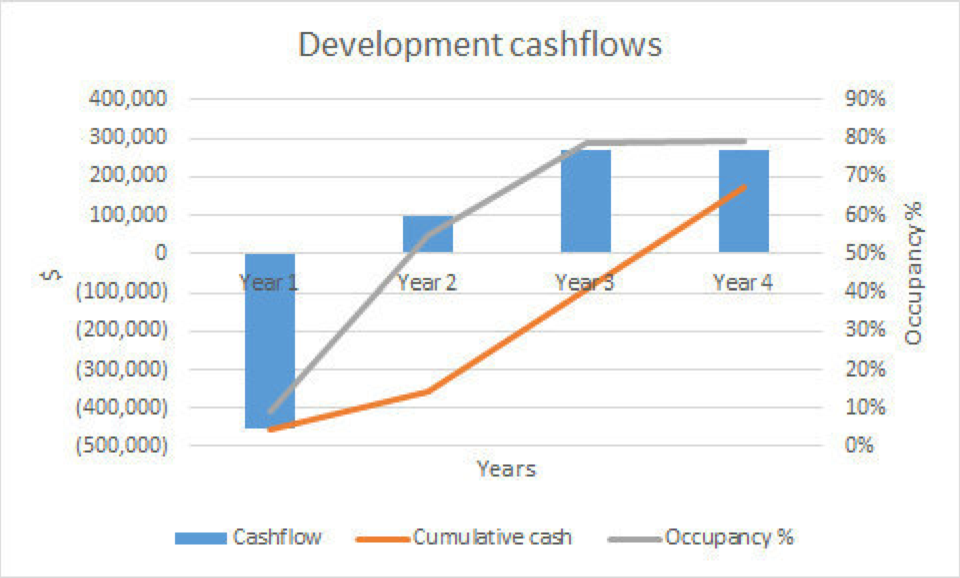
Centre Developments – Business Case

- Our current assessment is that new centre developments present a better financial value proposition than acquisitions. Acquisitions are immediately cash flow positive but they require a significant goodwill payment

- While the initial cash investment for a new development is lower than for an acquisition at c$300k, the centre will typically trade at a loss during the first 12-18 months of business, until occupancy reaches circa. 50%

- A typical development proposition would require a total cash injection of c$500k to fund both initial capex and start-up losses

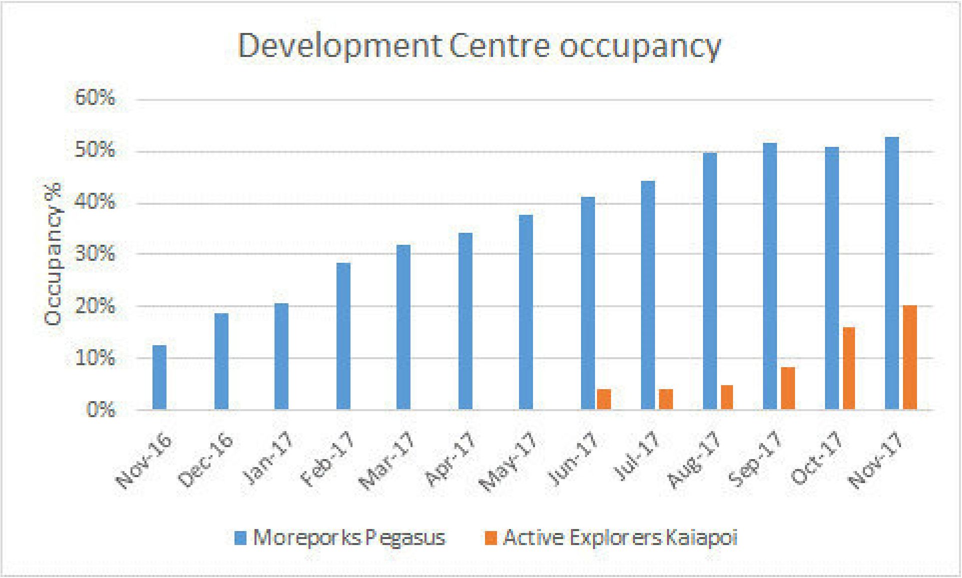
- Payback period typically 3-4 years, v 6 years for an acquisition



Centre Developments

- 65 licensed place Moreporks in Canterbury (opened October 2016) has achieved 50% occupancy levels in line with expectations

- 68 licensed place Active Explorers Kaiapoi (opened in June 2017), also in Canterbury, at 20% occupancy after 5 months of operation is now starting to perform in line with expectations



Centre Developments

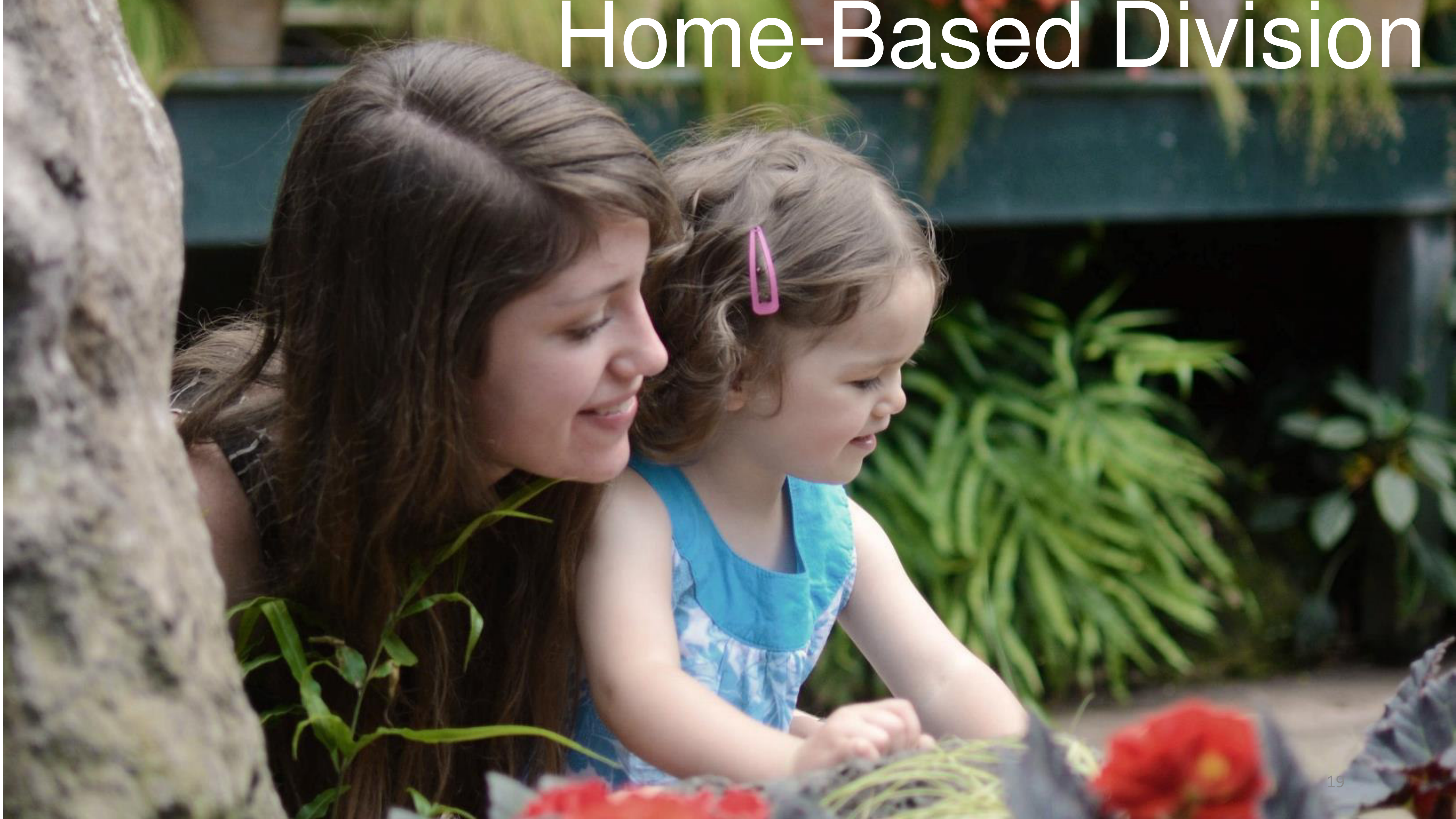
- Growth phase EBITDA loss for the six months to September 2017 of $195k but in line with expectations.

- 5 new developments have been secured for the next twelve months:

	Licence	Opening
Hillsborough (Auckland)	93	Q3'18
Papakura (Auckland)	75	Q4'18
Napier	75	Q1'19
Helensville	85	Q3'19
Mt Wellington (Auckland)	100	Q4'19

- Evolve provided management services for Lollipops Paraparaumu, a development centre subsequently acquired in 1H18. Occupancy grew to 70% during 18 months under Evolve's supervision

Home-Based Division



Home-Based Division

- The marketplace for home based ECE services continues to attract new participants. 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 1H18, down 14%
- Cost savings of $1m (9%) have been achieved
- A new 2 year strategic plan will be implemented in FY19
- The Home-Based division has undergone an extensive re-licencing process, associated with the change in ownership in FY15, throughout FY17 and FY18 – a considerable management distraction
- PORSE discussions with IRD on an historic GST matter continue. Minor changes have been made to the operating model to address IRD concerns. $3.0m has been provided in the 1H18 result in anticipation of resolving this historic matter

AU PAIR LINK NEW ZEALAND

porse Growing little minds at home.

Strategic Priorities

Strategic Priorities

- Consolidate and maximise the existing portfolio – focus on occupancy growth and operational excellence
- Achieve improved occupancy levels through a focused enrolment process in the key first quarter of calendar year 2018
- Actively manage the existing portfolio, address poor performing sites with remedial action or divestment where they cannot meet Evolve’s financial targets
- Prove up Evolve’s centre development business model
- Consider freehold property ownership and development alongside and complementary to the operation function
- Focus on people and culture – engagement, ownership (explore broad-based employee share scheme, and other incentive schemes), motivation
- Focus on delivering positive outcomes for all of our children
- Continue to build scale and market share

FY18 Outlook

- The key focus for the balance of FY18 will be building the foundations from which to drive higher earnings and operating efficiencies, from FY19 onwards
- Evolve continues to target Net Profit After Taxation for FY18 (excluding non-recurring items) of $14 million to $15 million
- Achievement of the FY18 earnings target will be dependent on strong enrolment levels in early calendar 2018, further cost reduction initiatives and the recovery programme
- In addition to top line growth, there will be a continued focus on centre and home-based operational efficiency improvements, whilst maintaining high standards of education and enhancing Evolve’s internal culture


Appendix

Appendix A – Reconciliation of non-GAAP Financial Information

	H1'18	Porse GST provision (1)	Underlying H1'18	H1'17
	$000	*$000*	*$000*	*0*
Total Income	81,337		81,337	76,368
Operating expenses	(71,790)	3,000	(68,790)	(61,223)
EBITDA before acquisition and integration expenses	9,547	3,000	12,547	15,145
Acquisition expenses	(88)		(88)	(451)
Integration expenses	(264)		(264)	(328)
Depreciation	(1,343)		(1,343)	(1,004)
Amortisation	(322)		(322)	(300)
EBIT	7,530	3,000	10,530	13,062
Funding costs	(745)		(745)	(547)
Profit before taxation	6,785	3,000	9,785	12,515
Taxation	(2,778)		(2,778)	(3,678)
Net Profit After Taxation	4,007	3,000	7,007	8,837

1. $3m provision booked in anticipation of resolving the historic PORSE GST matter – a non-recurring expense.
2. Underlying EBITDA excludes the Porse GST provision, acquisition costs of $88k (1H117: $451k) and integration costs of $264k (1H17: $328k), for recently acquired centres, 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 six months ended 30 September 2017. Please refer to the un-audited interim financial statements for the period ended 30 September 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.

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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