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www.evolveeducation.co.nz

25 May 2015

Evolve Exceeds Prospectus Guidance for the period to 31 March 2015

Evolve Education Group Limited ("Evolve") reports for the period to 31 March 2015 following its listing on NZX and ASX on 5 December 2014.

Revenue of \$32.9m, was 13.5% ahead of the Prospective Financial Information ("PFI") for the period. Early Childhood Education ("ECE") centres reported revenue of \$24.6m, 14.2% ahead of PFI with Home Based revenue of \$7.9m up 10.2%.

Loss after income tax attributed to owners of the Company was \$8.1m, \$1.4m favourable to PFI. Underlying EBITDA* for the Evolve Group of \$1.8m was more than double PFI of \$0.8m.

CEO, Alan Wham said, "The result was driven by accelerated settlement of acquisitions and improved operational performance at the ECE centres. Key metrics of occupancy and wages to revenue improved versus forecast."

As at 31 March 2015, Evolve's bank loan facilities of \$90m were undrawn. Net cash (total cash less borrowings) of \$4.6m was favourable to PFI by \$1.8m.

Evolve completed 86 ECE centre acquisitions by 31 March 2015, one more than the 85 centres assumed in the PFI. Subsequently a further eight ECE centres have been acquired and settled with a further four under contract.

Chair, Norah Barlow said, "The strong performance of this first period as a listed company is a reflection of the quality acquisitions made and a committed management team and staff throughout the organisation".

"We believe Evolve is well placed to meet its PFI target for the year ending 31 March 2016, its first full year of operations, including meeting its dividend intentions as outlined in the Prospectus".

ENDS

For any further inquiries please contact: Alan Wham Chief Executive Evolve Education Group Limited

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*Underlying EBITDA is Profit before finance costs, income tax, depreciation and amortisation, adjusted for acquisition, integration and other one-off costs. It is reconciled to reported profit in Note 28 to Evolve Group's audited consolidated financial statements. 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's financial statements, should not be considered in isolation and not a substitute for those measures.



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Attachments

- 1. NZX Appendix 1 and ASX Appendix 4E
- 2. Evolve Group's audited consolidated financial statements for period ended 31 March 2015
- 3. Results presentation



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NZX APPENDIX 1 & ASX APPENDIX 4E

EVOLVE EDUCATION GROUP LIMITED				
Audited results for announcement to the market				
Reporting Period	20 May 2014 to 31 March 2015			
Previous Reporting Period	N.	A*		
		Dorcontago		
	Amount (000s)	Percentage Change		
Revenue from ordinary activities	32,940	*		
Profit (Loss) from ordinary activities after tax attributable to security holders	(8,058)	*		
Net profit (loss) attributable to the security holders	(8,058)	*		
Interim/Final Dividend	Amount per Security	Imputed Amount per Security		
Final	Nil	Nil		
Record Date Dividend Payment Date	Not applicable Not applicable			
	31-Mar-15	Previous Corresponding Period		
Net tangible assets per security (NZD)	(0.11)	NA*		
Details of entities over which control has been gained or lost during the period	Please refer note 14 to Evolve Group's audited consolidated financial statements included in the attachments.			
Details of associates and joint venture entities	Please refer note 13 to Evolve Group's audited consolidated financial statements included in the attachments.			
Comments	Refer results presentation attached.			
* The Company was incorporated on 20 May 2	014. This is its first re	porting period.		



Evolve Education Group Limited

Financial Statements
For the Period Ended 31 March 2015

The Directors have pleasure in presenting the Financial Statements of Evolve Education Group Limited, for the period ended 31 March 2015.

The Financial Statements presented are signed for and on behalf of the Board and were authorised for issue on 25 May 2015.

Norah Barlow

Chair 25 May 2015 **Alistair Ryan**

ABhyan

Director 25 May 2015



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

		PERIOD ENDED 31 M ARCH 2015
\$'000s	Note	31 W ARCH 2013
Revenue	4	32,940
Share of profit of equity accounted joint venture		123
Otherincome	5	518
Expenses		
Employee benefits expense	7	(20,013)
Building occupancy expenses	6	(4,384)
Direct expenses of providing services		(3,659)
Acquisition expenses	4, 14	(5,033)
Integration expenses	4	(1,494)
Listing costs	4	(1,308)
Depreciation	12	(302)
Amortisation	15	(137)
Other expenses	5	(3,524)
Total expenses		(39,854)
Loss before net finance expense and income tax		(6,273)
Finance income		191
Finance costs		(1,853)
Net finance expense	8	(1,662)
Loss before income tax		(7,935)
Income tax expense	9	(123)
Loss after income tax attributed to the owners of the Company		(8,058)
Other comprehensive income		-
Total comprehensive loss attributed to the owners of the Company		(8,058)
Farnings per chare		
Earnings per share	22	(12.0)
Basic (and diluted) earnings per share (expressed as cents per share)	22	(12.9)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

		ISSUED Share Capital	ACCUMULATED LOSSES	TOTAL
\$'000s	Note			
Balance at 20 May 2014		-	-	-
Loss for the period		-	(8,058)	(8,058)
Other comprehensive income for the period		-	-	-
Total comprehensive loss		-	(8,058)	(8,058)
Issue of share capital on IPO (net of costs) for cash	20	119,941	-	119,941
Issue of shares related to share based payments	20, 26	775	-	775
Issue of shares related to business combinations	14, 20	36,210	-	36,210
Balance as at 31 March 2015		156,926	(8,058)	148,868

The above consolidated statement of movements in equity should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

		AS AT 31 M ARCH 2015
\$'000s	Note	
Current assets		
Cash and cash equivalents	10	4,610
Other current assets	11	1,087
Total current assets		5,697
Non-current assets		
Property, plant and equipment	12	5,054
Investment in equity accounted joint venture	13	1,521
Deferred tax asset	9	450
Intangible assets	15	168,525
Total non-current assets		175,550
Total assets		181,247
Current liabilities		
Trade and other payables	17	10,968
Current income tax liabilities		674
Funding received in advance	18	15,646
Employee entitlements	19	5,091
Total current liabilities		32,379
Total liabilities		32,379
Net Assets		148,868
Equity		
Issued share capital	20	156,926
Accumulated losses		(8,058)
Total Equity		148,868

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

		PERIOD ENDED
		31 M ARCH 2015
\$'000s	Note	
Cash flows from operating activities		
Receipts from customers (including Ministry of Education funding)		37,117
Payments to suppliers and employees		(34,107)
Taxes paid		(478)
Net cash flows from operating activities	24	2,532
Cash flows from investing activities		
Payments for purchase of businesses	14	(130,445)
Cash acquired from purchase of businesses	14	15,523
Payments for property, plant and equipment		(240)
Interest received		191
Net cash flows from investing activities		(114,971)
Cash flows from financing activities		
Proceeds from issue of shares		132,317
Share issue costs		(12,376)
Interest paid on borrowings and pre-listing funding		(1,853)
Bank borrowings drawn		10,000
Bank borrowings repaid		(10,000)
Pre-listing funding received		704
Pre-listing funding repaid		(1,743)
Net cash flows from financing activities		117,049
Net cash flows		4,610
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	10	4,610

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

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FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

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 New Zealand Stock Exchange ("NZX") and the Australian Stock Exchange ("ASX"). The Company is a FMC Reporting Entity as defined by the Financial Markets Conduct Act 2013. 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 Financial Markets Conduct Act 2013 (the "Act") and the NZX Main Board 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, including its investments in joint arrangements. 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 13. Information on other related party relationships of the Group is provided in Note 26.

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 period ended 31 March 2015 were approved and authorised for issue by the Board of Directors on 25 May 2015.

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, employee entitlements, contingent and deferred purchase price considerations, the current liabilities exceed current assets. The Group has funding arrangements in place (as per Note 23) 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).

Comparative Period

As this is the first period of operations there are no comparative balances. Accordingly, these financial statements are for the period from incorporation (20 May 2014) to balance date.

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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

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.

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.

Measurement of contingent consideration

Contingent consideration arising from business combinations is initially measured at fair value at the acquisition date. Subsequently, the Group re-assesses the likelihood of settling the contingent consideration and this involves an assessment of whether the underlying criteria for payment will be achieved. Any movements in the value of contingent consideration is subsequently recognised in the Statement of Comprehensive Income.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

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.

New Standards and Interpretations Not Yet Adopted

Being the first period the Group has prepared its financial statements 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 2015. The adoption of these standards and interpretations is not expected to have a material recognition or measurement impact on the Group's financial statements. 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. The Group is yet to assess NZ IFRS 9's full impact.

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 2017. The Group is yet to assess NZ IFRS 15's full impact.

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 and are consistent with the accounting policies disclosed in the prospective financial information issued in November 2014.

(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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

When the excess is negative, a bargain purchase gain is recognised immediately in the 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.

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 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.

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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

(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 Statement of Comprehensive Income using the effective interest method.

(d) Income Tax

Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the 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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

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 Statement of Comprehensive Income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the 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 Statement of Comprehensive Income.

Depreciation

Depreciation is charged based on the cost of an asset less its residual value. Depreciation is charged to the Statement of Comprehensive Income on a straight line basis over the estimated useful lives of each item of



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

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 (I) 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. 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

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 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 Group's 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



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

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 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.

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.

(I) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through the 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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

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.

(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 Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the 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, pre-listing funding and establishment fees. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

Offer costs

Certain costs have been incurred in relation to the listing of the Group. 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) Cash Flow Statement

The following are the definitions of the terms used in the cash flow statement:

- 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 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.



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(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

Senior management and independent directors of the Company 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 Statement of Cash Flows, except for trade receivables and trade payables that are stated inclusive of GST.



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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 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 2015 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 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 one-off acquisition, integration, listing related costs and other one-off items of income and expenditure ("Underlying EBITDA") reflects a number of adjustments relating to the acquisitions identified in Note 14. These adjustments may be defined as:

- Acquisition expenses in acquiring the businesses and net assets in Note 14 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 non-recurring costs associated with the integration of the businesses acquired.
- Listing costs relate to NZX and ASX listing costs.
- Other expenses these relate to legal expenses and settlement costs that were incurred by the Group in connection with an employment related dispute that was settled during the period.
- Other income relates to a fair value adjustment in relation to contingent consideration as disclosed in Notes 5 and 14.

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.



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4. SEGMENT INFORMATION (continued)

	ECE Centres	Home-based Centres	Unallocated	Consolidated
31 M arch 2015	\$'000s	\$'000s	\$'000s	\$'000s
Revenue				
Parental income	9,148	107	-	9,255
Ministry of Education funding	15,465	6,713	-	22,178
Other early childhood education income	13	1,108	386	1,507
Total revenue	24,626	7,928	386	32,940
Share of profit of equity accounted joint				
venture	123	-	-	123
Expenses				
Employee expenses	(13,233)	(4,215)	(2,565)	(20,013)
Building occupancy expenses	(3,766)	(519)	(99)	(4,384)
Direct expenses of providing services	(2,051)	(1,608)	-	(3,659)
Other expenses	(261)	(821)	(2,122)	(3,204)
Underlying EBITDA before non-recurring items	5,438	765	(4,400)	1,803
Acquisition expenses	-	-	(5,033)	(5,033)
Integration expenses	-	-	(1,494)	(1,494)
Listing costs	-	-	(1,308)	(1,308)
Other expenses	-	-	(320)	(320)
Otherincome	-	-	518	518
EBITDA	5,438	765	(12,037)	(5,834)
Depreciation	(156)	(138)	(8)	(302)
Amortisation	(20)	(54)	(63)	(137)
Earnings before interest and tax	5,262	573	(12,108)	(6,273)
Net finance expense	-	(71)	(1,591)	(1,662)
Reportable segment profit/(loss) before tax	5,262	502	(13,699)	(7,935)
Total assets	159,429	16,332	5,486	181,247
Total liabilities	(18,284)	(9,605)	(4,490)	(32,379)
Other disclosures				
Investments in joint ventures	1,521	-	-	1,521



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

5. OTHER INCOME AND OTHER EXPENSES

		PERIOD ENDED 31 MARCH 2015
\$'000s	Note	31 M ARCH 2013
Other income		
Fair value change relating to contingent consideration	14	518
Total other income		518
Other expenses		
Included in other expenses are:		
Audit fees	27	245
Directors' fees	26	137
Otheritems		3,142
Total other expenses		3,524

Other items includes other corporate and head office costs not already disclosed separately. They include travel expenses, legal costs not relating to the acquisition of businesses in Note 14, consultancy costs, and general office expenses.

6. BUILDING OCCUPANCY EXPENSES

Building occupancy costs includes \$4,211,000 of expenditure in relation to minimum operating lease payments.

7. EMPLOYEE BENEFITS EXPENSE

		PERIOD ENDED 31 MARCH 2015
\$'000s	Note	
Wages and salaries		18,556
Ki wisaver contributions		438
Share-based payments expense	26	550
Other		469
Total employee benefits expense		20,013



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

8. NET FINANCE EXPENSE

		PERIOD ENDED 31 M ARCH 2015
\$'000s	Note	
Interest received		
Bank deposits		191
Total interest received		191
Interest expense		
Interest on bank borrowings		(102)
Interest on other borrowings	26	(1,748)
Finance charges payable under finance leases		(3)
Total interest expense		(1,853)
Net finance expense		(1,662)

9. INCOME TAX

Income tax expense

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

	PERIOD ENDED
	31 M ARCH 2015
\$'000s	
Current income tax:	
Current income tax expense	186
Deferred tax:	
Relating to origination and reversal of temporary	
differences	(63)
Income tax expense reported in the statement of comprehensive income	123

Reconciliation of tax expense

Tax expense may be reconciled to accounting profit multiplied by New Zealand's company tax rate as follows:

	PERIOD ENDED 31 M ARCH 2015
\$'000s	
Loss before income tax	(7,935)
At statutory income tax rate of 28%	(2,222)
Non-deductible expenses for tax purposes:	
Contingent consideration re-measurement	(145)
Non-deductible expenses	141
Non-recurring non-deductible expenses	2,349
Income tax expense reported in statement of comprehensive income	123
Effective income tax rate	(1.55%)



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

9. INCOME TAX (continued)

Deferred tax

Deferred tax relates to the following:

	Consolidated Statement of Financial	Consolidated Statement of Comprehensive
	Position	Income
\$'000s		
Property, plant and equipment	1,391	(58)
Intangible assets	(1,602)	21
Employee entitlement provisions	500	(35)
Other timing differences	161	135
Deferred tax recovery		63
Net deferred tax assets	450	

Imputation credits

The amount of imputation credits available for use in subsequent reporting periods is \$478,150.

10. CASH AND CASH EQUIVALENTS

	31 W ARCH 2015
\$'000s	
Cash at banks and on hand	2,025
Short-term deposits	2,585
Total cash and cash equivalents	4,610

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.

11. OTHER CURRENT ASSETS

OTHER CORRENT ASSETS	
	31 M ARCH 2015
\$'000s	
Prepayments	205
Other current assets	882
Total other current assets	1,087

Other current assets includes supplies held in various ECE centres and other debtor balances.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

12. PROPERTY, PLANT AND EQUIPMENT

31 M arch 2015		Plant and Equipment	Office Furniture and Fititngs	Leasehold Improvements	M otor V ehicles	Work in Progress	Total
\$'000s	Note	Equipment	una i ititiigo	Improvements	Venioles	rrogress	Total
Cost							
Opening balance		-	-	-	-	-	-
Additions		21	164	45	-	10	240
Acquisition of							
businesses	14	181	4,232	539	199	23	5,174
Disposals		-	(93)	-	(47)	(20)	(160)
Closing balance		202	4,303	584	152	13	5,254
Depreciation and							
impairment							
Opening balance		-	-	-	-	-	-
Depreciation charge							
for period		(2)	(245)	(38)	(17)	-	(302)
Disposals		-	86	-	16	-	102
Closing balance		(2)	(159)	(38)	(1)	-	(200)
Net book value		200	4,144	546	151	13	5,054

13. GROUP INFORMATION

Information about subsidiaries

The consolidated financial statements of the Group include:

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



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

13. GROUP INFORMATION (continued)

Joint ventures

The consolidated financial statements of the Group include:

		Country of	Balance	Equity
Name	Principal Activities	Incorporation	Date	Interest
Lollipops Educare (Halfmoon Bay) Limited	ECE centre owner	New Zealand	31 March	50%

The carrying value of the investment in the joint venture is \$1,521,000 representing the initial investment in the joint venture plus the Group's share of the joint venture's profits since acquisition.

14. BUSINESS COMBINATIONS

The Company and Group was established to acquire a group of centrally-owned and managed early childhood education providers. This was achieved by acquiring the shares and/or businesses of a large number of owned ECE centres, Home-based ECE care providers and other related entities.

Net of purchase price adjustments the Company has paid \$169.5m for these businesses from a large number of separate vendors, including:

Lollipops and other ECE Centres:

- On 4 December 2014, the Group acquired 30 centres from Lollipops Educare Holdings Limited ("Lollipops") and its subsidiaries (Lollipops Educare Limited, Lollipops Educare Centres Limited) purchase price of \$66.7m payable in cash and shares in the Company. The Group also acquired the remaining interests in two Lollipops joint ventures (Lollipops Educare (Hastings) Limited and Lollipops Educare (Birkenhead) Limited) for \$1.5m payable in cash.
- Between 5 December 2014 and 31 March 2015 the Group acquired 56 centres from several separate vendors combined purchase price of \$86.2m payable in cash.

Home-based Care Providers:

• On 4 December 2014 the Group acquired 100% of Porse In-home Childcare (NZ) Limited and its related companies Porse Franchising (NZ) Limited, Porse Education & Training (NZ) Limited and For Life Education & Training Limited and on 17 December 2014 the Group acquired 100% of the shares in Au Pair Link Limited both in exchange for cash and an element of deferred and contingent consideration – for a combined purchase price of \$14.6m.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

14. BUSINESS COMBINATIONS (continued)

Financial summary of material acquisitions (assets acquired and liabilities assumed at settlement)

				HOM E-BASED		
		LOLLIPOPS ACQUISITIONS	OTHER ECE CENTRES	CARE PROVIDERS	OTHER	TOTALS
\$'000s	Note		02.1111.20	71107112110	O T T L	1011120
Assets						
Cash and cash equivalents		5,404	-	10,119	-	15,523
Other current assets		768	507	835	-	2,110
Property, plant and equipment	12	1,396	2,290	1,488	-	5,174
Investment in equity						
accounted joint venture		1,500	-	-	-	1,500
Deferred tax assets		703	103	(319)	(101)	386
Brands	15	3,104	-	1,683	-	4,787
Other intangible assets	15	303	-	671	372	1,346
		13,178	2,900	14,477	271	30,826
Liabilities						
Trade and other payables		(509)	-	(1,713)	-	(2,222)
Funding received in advance		(3,698)	(3,524)	(5,750)	-	(12,972)
Employee entitlements		(1,699)	(1,179)	(1,258)	-	(4,136)
Current tax liabilities		(914)	-	(162)	(6)	(1,082)
Other current liabilities		(1,228)	(134)	(1,576)	-	(2,938)
		(8,048)	(4,837)	(10,459)	(6)	(23,350)
Total identifiable net						
assets/(liabilities) at fair						
value		5,130	(1,937)	4,018	265	7,476
0 1 111 111						
Goodwill arising on	15	62.726	00 122	10 545	635	162.029
acquisition Purchase consideration	13	62,726	88,132	10,545	033	162,038
transferred		67,856	86,195	14,563	900	169,514
transcried		07,030	00,133	14,505	300	105,514
Purchase consideration						
Cash		32,000	86,195	11,350	900	130,445
Completion payment due		-	· -	1,057	-	1,057
Shares issued, at fair value		36,210	_	, -	_	36,210
Contingent consideration		-	_	2,156	-	2,156
Fair value of previously						
held equity interest in						
jointly controlled entities						
acquired in stages		(354)	-	-	-	(354)
Total consideration		67,856	86,195	14,563	900	169,514

The goodwill of \$162m predominantly comprises the value of expected synergies and the value expected from bringing together a group of ECE Centres and Home-based Care Providers under one centrally managed group. Goodwill is allocated to each of the segments identified at Note 4.

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

14. BUSINESS COMBINATIONS (continued)

On the basis of prospective financial information issued to the New Zealand and Australian markets prior to listing it is expected that the ECE Centre revenue would have been \$105.1m and the Home-based Care Provider revenue would have been \$30m for a full year period. Estimated EBITDA (as defined in Note 4) would have been \$27.5m and \$3m respectively.

Analysis of cash flows on acquisition

	\$ 0008
Transactions costs of the acquisition (included in cash flows	
from operating activities)	(5,033)
Net cash acquired (included in cash flows from investing activities)	15,523
Net cash flow on acquisition	10,490

The Group issued 36,209,901 ordinary shares as part consideration for the 100% interest in Lollipops. The fair value of the shares is calculated with reference to the initial listing price of \$1/share in the Company. The fair value of the consideration given is therefore \$36,209,901.

Acquisition costs of \$5.033m related to business combinations have been expensed in the Statement of Comprehensive Income.

Contingent consideration

As part of the purchase agreement with the previous owners of the Home-based Care businesses acquired contingent consideration has been agreed. The terms of the agreements allowed for additional cash payments to the previous owners of up to \$2.3m subject to the achievement of certain earnings targets. The final amount, if any, is due for final measurement at various dates between 31 March and 31 December 2015. At the acquisition date, the fair value of the contingent consideration was estimated to be \$2.16m. The fair value is determined using a discounted cash flow methodology. Contingent consideration is a level 3 fair value measurement as it is derived from valuation techniques that includes inputs for the asset or liability that are not based on observable market data.

Significant unobservable valuation inputs are provided below:

- Forecast annual profit targets less minimum earnings multiplied by a multiple as specified in the agreements, and
- Discount rate of 12% (post tax)

A significant increase or decrease in the actual earnings achieved would result in a higher or lower fair value of the contingent consideration liability, while a significant increase or decrease in the discount rate would result in lower or higher fair value of the liability.

At balance date the trading results of the acquired businesses indicate that the vendors were less likely to achieve the top end of the respective earnings targets. As the earn out periods were at varying stages of completion between balance date and the end of the respective earn out periods there remains the possibility that earnings achieved could improve and achieve the respective targets. The fair value of the contingent consideration determined at balance date reflects this uncertainty and a re-measurement charge has been recognised through profit or loss. A reconciliation of the fair value measurement of the contingent consideration liability is:

Contingent consideration liability at balance date (note 17)	1,638
Unrealised fair value changes recognised in profit or loss (note 5)	(518)
Liability arising on business combination	2,156
	\$'000s



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

15. INTANGIBLE ASSETS

31 M arch 2015		Customer Lists	Syllabus Material	M anagement Contracts	Software	Brands	Goodwill	Total
\$'000s	Note							
Cost								
Opening balance		-	-	-	-	-	-	-
Additions		-	-	-	491	-	-	491
Acquisition of								
businesses	14	301	200	372	473	4,787	162,038	168,171
Closing balance		301	200	372	964	4,787	162,038	168,662
Amortisation and								
impairment								
Opening balance		-	-	-	-	-	-	-
Amortisation for								
period		(25)	(17)	(31)	(64)	-	-	(137)
Closing balance		(25)	(17)	(31)	(64)	-	-	(137)
Net book value		276	183	341	900	4,787	162,038	168,525

16. 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 three cash generating units ("CGUs") below, which are also operating segments. Brands included below with ECE Centres are assessed for impairment using the same approach as described below for the ECE Centres CGU but at a lower level which is representative of the group of centres to which the brand relates.

- ECE Centres
- Home-based ECE

31 M arch 2015 \$'000s	ECE Centres	Home-based ECE	ECE M anagement	Total
Goodwill	150,858	10,545	635	162,038
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

The recoverable amount of the ECE Centres and Home-care Provider CGUs was \$219.1m at balance date. It has been determined based on a value in use calculation using cash flow projections from the Group's prospective financial information issued to the New Zealand and Australian market in the Company's Prospectus dated 14 November 2014 prior to listing in late 2014 and financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 16% and cash flows beyond the five-year period are extrapolated using a 2% growth rate that is consistent with information contained in the prospective financial information and 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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES (continued)

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
- 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. Revenue is assumed to grow by 2% per annum on average and assumes the Ministry of Education continues to support early childhood education to the value of 67% of total revenue earned. If the Government reduces their funding it could lead to the increased requirement of parents and caregivers to make up the difference. Also effecting operating earnings are centre wages and other operating expenses such as operating lease costs. Expenses are forecast to grow by 2% which is currently consistent with the inflation rate projections in New Zealand.

If Government funding was to decrease it is highly probable that expenses will also decrease particularly if the reduction in funding cannot be recovered from parental fees. If there was no increase in Government funding and no increase from parental fees or a reduction in expenses there may be an impairment of the Home-based ECE CGU. However, if expenses increased by 1% (instead of the 2% assumed) in response to zero revenue growth there would unlikely be an impairment of the Home-based ECE CGU.

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 22% and 32% 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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

17. TRADE AND OTHER PAYABLES

	31 M ARCH 2015
\$'000s Note	
Trade payables	1,832
Amounts accrued in respect of contingent consideration 14	1,638
Amounts accrued in respect of business combinations	1,057
Goods and services tax	3,737
Other payables	2,704
Total trade and other payables	10,968

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled within 60-day terms
- Contingent consideration is payable between April 2015 and December 2015 (Note 14)
- Other payables are non-interest bearing and have an average term of 2 months

18. 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.

	31 M ARCH 2015
\$'000s	
Funding received in advance	18,668
Funding receivable	(3,022)
Total funding received in advance	15,646

19. EMPLOYEE ENTITLEMENTS

	31 M ARCH 2015
\$'000s	
Employee leave provisions	2,582
Accrued wages and salaries	2,272
Other	237
Total employee entitlements	5,091



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

20. ISSUED CAPITAL Authorised shares

		31 M ARCH 2015
	Number	\$'000s
Ordinary shares authorised, issued and fully paid		
Opening balance	-	-
Ordinary shares issued:		
On incorporation	1,200	-
Issue of shares following share split (31 October 2014)	4,999,200	-
Issue of shares to certain Directors and employees (31 October 2014)	1,250,000	550
Issue of shares (14 November 2014)	1,855,707	-
Share based payment (4 December 2014)	449,438	225
Issue of shares arising from business combination (4 December 2014)	36,209,901	36,210
Issue of shares following initial public offering (4 December 2014)	132,317,278	132,317
Less share issue costs incurred relating to the initial public offering	-	(12,376)
Closing balance	177,082,724	156,926

400 shares in the Company were initially issued to Kern Group (Licensing) Pty Ltd. These shares were transferred on 17 June 2014 to Kern Group NZ Limited, and were split into 1,666,800 shares on 31 October 2014. 618,569 further shares were issued by the Company on 14 November 2014.

320 shares in the Company were initially issued to Era Education Group Pty Limited and 80 shares in the Company were initially issued to GG Super Investments Pty Ltd. These 400 Shares were transferred on 15 July 2014 to Wraith Capital Group NZ Limited, and were split into 1,666,800 Shares on 31 October 2014. 618,569 further shares were issued by the Company on 14 November 2014.

On incorporation 400 shares were issued to Stuart and Gillian James as trustees of the S.B. James Superannuation Fund. These shares were split into 1,666,800 shares on 31 October 2014. 618,569 further shares were issued by the Company on 14 November 2014.

At balance date of the shares issued:

- 36,209,901 were issued to the vendors of the Lollipops Educare acquisition, including 21,347,382 to interests of Mark Finlay, an Executive Director of the Company.
- 2,285,369 were issued to Kern Group NZ Limited, an entity related to Greg Kern, a director of the Company.
- 2,285,369 were issued to Wraith Capital Group NZ Limited.
- 2,285,369 were issued to Stuart and Gillian James as trustees of the S.B. James Superannuation Fund.
- 1,250,000 were issued to certain directors and senior management.
- 449,438 were issued to Hayes Knight Business Services (QLD) Pty Limited (or its nominees) in consideration for the provision of management assistance in connection with the acquisition of certain ECE centres.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

21. 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 losses of the Group as well as 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. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

Dividend Policy

The dividend policy of the Group is to pay dividends between 40% and 60% of net profit after tax in respect of the preceding half year period subject to the discretion of the Board. The first dividend is not expected to be paid until December 2015, in respect of the period ended 30 September 2015.

Financial Covenants

In order to achieve this overall objective, 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 period.

22. 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:

	PERIOD ENDED
	31 M ARCH 2015
Profit attributed to ordinary equity holders of the parent (\$'000s)	(8,058)
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Weighted average number of ordinary shares for basic and diluted EPS	62,392,887
weighted average number of ofulfiary shares for basic and diruted LF3	02,392,007
Basic (and diluted) earnings per share (expressed as cents per share)	(12.9)

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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

23. 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 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. At the reporting date the Group had no borrowings.

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.

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 Statement of Financial Position and Notes to the Financial Statements. The Group does not hold any collateral.

The Group has no significant credit risk exposure.

Liquidity risk

Vigilant 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 million for general corporate and working capital purposes. The facility expires on 30 April 2018 (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 million for funding of future acquisitions. It expires on 30 April 2018 (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 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 shares and assets and undertakings of the Group, together with an all obligations cross guarantee and indemnity.

With the exception of the lease guarantee facility (Note 25), there are no drawn facilities at balance date.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

23. FINANCIAL ASSETS AND LIABILITIES

Remaining contractual maturities

The contractual maturity for the Group's financial instrument liabilities is disclosed at Note 17. 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 carry value of financial assets and financial liabilities presented represent a reasonable approximation of fair value.

24. RECONCILIATION OF LOSS AFTER TAX TO NET OPERATING CASH FLOWS

	PERIOD ENDED 31 MARCH 2015
\$'000s	
Loss after tax	(8,058)
Adjustments for:	
Depreciation and amortisation	439
Share-based payments	775
Fair value movement in contingent consideration	(518)
Expenses paid on behalf of the Group (Note 26)	1,040
Net finance expense	1,662
Deferred tax	(450)
Share of profits in joint venture	(21)
Changes in operating assets and liabilities:	
Working capital movements:	
Increase in funding received in advance	2,674
Decrease in other current assets	1,023
Increase in trade and other payables	5,032
Increase in current income tax liabilities	674
Increase in employee entitlements	955
Other items:	
Completion payment classified as investing	(1,057)
Contingent consideration unpaid classified as investing	(1,638)
Net cash from operating acivities	2,532

The other items specified above relate to accruals classified as working capital on the Statement of Financial Position but as they relate to the acquisition of businesses they are investing activities for the purposes of the Statement of Cash Flows.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

25. 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 M ARCH 2015
	\$'000s
Within one year	14,612
After one year but not more than five years	49,099
More than five years	38,491
Total	102,202

Guarantees

\$2,042,000 of the lease guarantee facility disclosed at Note 23 has been utilised.

There are no other material commitments or contingencies.

26. 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, Alan Wham and formerly Russell Daly (who resigned as director on 13 November 2014).
- Executives and senior managers 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, a company associated with Mark Finlay.
- Wraith Capital Group NZ Limited, one of the Company's shareholders.
- Stuart Bruce James and Gillian Doreen James as trustees of the S.B. James Superannuation Fund, one of the Company's shareholders.

Related party transactions arising during the period:

- The following transactions with persons or entities related to the Group arose as part of the Company's
 initial public offering ("IPO") and acquisition of the initial portfolio of ECE centre acquisitions:
 - ERA Education Management Pty Limited ("ERA"), a company related to a former shareholder of the Company, received AUD\$1,000,000, representing funding disclosed in Note 24 from S.B. James Superannuation Fund (see below). The funds were held on behalf of the Group in an AUD bank account by ERA and were used to pay AUD\$900,000 of the Group's creditors for expenses recognised in the Statement of Comprehensive Income. The remaining balance of the ERA AUD bank account was repaid to the Company prior to year end.
 - Kern Group (Paddington) Pty Ltd (a company of which Greg Kern is a director and shareholder) received AUD\$1,000,000 in their capacity as financial advisers to the Company in relation to the IPO. This amount is included in the share issue costs in Note 20.
 - Wraith Capital Group NZ Limited received AUD\$300,000 for the provision of consultancy services to
 the Company in connection with the acquisition of the initial portfolio of ECE centres. This amount is
 included in the acquisition costs in the Statement of Comprehensive Income.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

26. RELATED PARTY TRANSACTIONS (continued)

- Following completion of the Lollipops Educare Acquisition, the Company became party to a centre
 management agreement whereby the Group will initially manage five ECE Centres for LEP Limited
 and its related companies.
- LEP Limited is the landlord of the Group's head office and it is the landlord of four of the Lollipops Educare Owned ECE Centres acquired by the Group. Rent of \$220,620 has been paid by the Group to LEP Limited during the period. A further commitment to make future rent payments of \$4,834,000 over the next 3 to 8 years (depending on the term of each lease) is included in Note 25.
- The Group entered into various loan agreements with Stuart Bruce James and Gillian Doreen James as trustees of the S.B. James Superannuation Fund, Kern Group NZ Limited and with Wraith Capital Group NZ Limited. The lenders agreed to provide unsecured loans to the Company of AUD\$1,600,000 in aggregate (being AUD\$1,200,000 from Stuart Bruce James and Gillian Doreen James as trustees of the S.B. James Superannuation Fund, AUD\$200,000 from Kern Group NZ Limited and AUD\$200,000 from Wraith Capital Group NZ Limited). The loans were repaid in December 2014. In addition to the obligation to repay the loans, the Group paid an additional AUD\$1,600,000 (NZ\$1,748,000) in aggregate by way of interest following the successful listing and this is included in interest on other borrowings at Note 8.
- Refer to Note 20 regarding share transactions.
- Transactions between the Company and its Directors and members of its Senior Management team and certain employees can be summarised as follows:
 - Directors' remuneration The Directors' fees pool is currently \$500,000 per annum, 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. Mark Finlay also has a consultancy agreement with the Group, with the fees associated with this included in the table below. These fees are unpaid at balance date and there is a commitment of a further \$40,000 in the next financial year. Norah Barlow, Alan Wham and Alistair Ryan received share based payments, with the amount paid to Alan Wham being included in the key management personnel table below. A summary of Directors remuneration follows:

	Directors Fees	Other	PERIOD ENDED 31 MARCH 2015
\$'000s			\$'000s
Norah Barlow	51	63	114
Alistair Ryan	34	63	97
Mark Finlay	26	40	66
Greg Kern	26	-	26
Russell Daly	-	-	-
Total Directors Remuneration	137	166	303

• **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.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

26. RELATED PARTY TRANSACTIONS (continued)

- Other transactions with parties related to the Directors' of the Group Heath Finlay and Anna Finlay, the brother and sister-in-law respectively of Mark Finlay, are centre directors at two centres owned by the Group. In addition, Heath Finlay is a shareholder in the Company via his interest in the Heath Finlay Investment Trust.
- Compensation of key management personnel of the Group as per the table below:

	PERIOD ENDED
	31 M ARCH 2015
	\$'000s
Short-term employee benefits	1,285
Share-based payment transactions	475
Total compensation paid to key management personnel	1,760

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

- Other transactions with key management personnel of the Group rent of \$102,960 was paid to entities related to Jenny Yule, the Chief Executive Officer of the Porse group of entities. The Group has a commitment to pay a further \$2,825,550 rent over the next 8 9 years and this is included in the lease commitments disclosed in Note 25.
- Shareholding interests of Directors and Senior Management/Employees of the Company are:

Shareholder	No of shares
Mark Finlay	21,347,382
Kern Group NZ Limited	2,285,369
Alan Wham	550,000
Vivek Singh	300,000
Norah Barlow	80,000
Alistair Ryan	80,000
David Smith	80,000
Beverley Gordon	80,000
Paula Hawkings	80,000
	24,882,751

Shares were issued to Mark Finlay as partial settlement of the Lollipops acquisition as disclosed in Note 14. The shares issued to Alan Wham, Vivek Singh, Norah Barlow, Alistair Ryan, David Smith, Beverley Gordon and Paula Hawkings were issued pursuant to the share-based payment plan as disclosed above. The shares fully vested on 31 March 2015.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

27. AUDITOR'S REMUNERATION

During the period the following fees were paid or payable for services provided by the Group's auditor, PricewaterhouseCoopers:

	PERIOD ENDED 31 MARCH 2015
\$'000s	
Audit services:	-
Consolidated financial statements for the period ended	
31 March 2015	230
Audit of special purpose financial statements as at 31	
August 2014	15
Total audit services	245
Other services:	
Due diligence services	523
Integration services	1,444
Taxation services	55
Total other services	2,022
Total payments to auditor	2,267

The audit of the special purpose financial statements was a condition of listing.

Fees paid in respect of due diligence services relate to the listing of the Company and Group. The integration services relate to the subsequent integration requirements (for example, creating new employment contracts, centralising supplier relationships) of the acquired businesses. These fees were incurred relevant to the listing and immediately subsequent to listing, as set out in the Company's Prospectus and Investment Statement.

Taxation services relate to compliance services and general tax advice.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

28. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI)

Consolidated Statement of Comprehensive Income

	ACTUAL	PROSPECTUS FORECAST
	31 M ARCH 2015	31 M ARCH 2015
	\$'000s	\$'000s
Revenue	32,940	29,028
Share in equity accounted investees profit	123	55
Otherincome	518	-
Expenses		
Employee expenses	(20,013)	(17,492)
Building occupancy expenses	(4,384)	(3,789)
Direct expenses of providing services	(3,659)	(3,852)
Acquisition expenses	(5,033)	(4,126)
Integration expenses	(1,494)	-
Listing costs	(1,308)	-
Depreciation	(302)	(339)
Amortisation	(137)	(121)
Other expenses	(3,524)	(6,138)
Total expenses	(39,854)	(35,857)
Results from operating activities	(6,273)	(6,774)
Net finance expense	(1,662)	(2,117)
Loss before income tax	(7,935)	(8,891)
Income tax expense	(123)	(607)
Loss after income tax attributed to the owners of the Company	(8,058)	(9,498)
Other comprehensive income	-	-
Total comprehensive loss attributed to the owners of the Company	(8,058)	(9,498)

Due to the timing of acquisitions and improved occupancy rates revenue is ahead of PFI. As a consequence expenses and in particular employee expenses are also higher than PFI but less than the increase in revenue.

Acquisition expenses reflects additional due diligence costs not originally anticipated required in order to achieve acquisition of the initial portfolio of centres.

Integration expenses and listing costs were included in other expenses in the PFI.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

28. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI) (continued)

Non-GAAP measures - Underlying Earnings

		PROSPECTUS
	ACTUAL	FORECAST
	31 M ARCH 2015	31 M ARCH 2015
\$'000s		
Net loss after tax	(8,058)	(9,498)
Net finance expense	1,662	2,117
Income tax expense	123	607
Earnings before interest and tax (EBIT)	(6,273)	(6,774)
Depreciation	302	339
Amortisation	137	122
EBITDA including one-off acquisition, integration and listing related costs	(5,834)	(6,313)
Acquisition expenses	5,033	4,126
Integration expenses	1,494	1,430
Listing costs	1,308	1,253
Other	(198)	320
Total adjustments for one-off items	7,637	7,129
Underlying EBITDA excluding one-off acquisition, integration and listing		
related costs	1,803	816

EBITDA excluding non-recurring items reflects the pass through (net of expenses) of the higher revenues disclosed above. EBITDA and Underlying EBITDA have been defined in Note 4.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

28. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI) (continued)

Consolidated Statement of Movements in Equity

ACTUAL	CONTRIBUTED EQUITY	ACCUMULATED LOSSES	TOTAL
\$'000s			
Balance at 20 May 2014	-	-	-
Loss for the period	-	(8,058)	(8,058)
Other comprehensive income for the period	-	-	-
Total comprehensive income	-	(8,058)	(8,058)
Issue of share capital (net of costs)	156,926	-	156,926
Balance as at 31 March 2015	156,926	(8,058)	148,868

Balance as at 31 March 2015	156,945	(9,498)	147,447
Issue of share capital (net of costs)	156,945	-	156,945
Total comprehensive income	-	(9,498)	(9,498)
Other comprehensive income for the period	-	-	-
Loss for the period	-	(9,498)	(9,498)
Balance at 20 May 2014	-	-	-
\$'000s			
PROSPECTUS FORECAST	EQUITY	LOSSES	TOTAL
	CONTRIBUTED	ACCUMULATED	



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

28. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI) (continued)

Consolidated Statement of Financial Position

		PROSPECTUS
	ACTUAL	FORECAST
Álasa	31 M ARCH 2015	31 M ARCH 2015
\$'000s	\$'000s	\$'000s
Current assets		
Cash and cash equivalents	4,610	22,822
Other current assets	1,087	3,188
Total current assets	5,697	26,010
Non-current assets		
Property, plant and equipment	5,054	5,657
Investments	1,521	1,832
Deferred tax asset	450	· -
Intangible assets	168,525	163,803
Total non-current assets	175,550	171,292
Total assets	181,247	197,302
Current liabilities		
	10.069	0 107
Trade and other payables Current income tax liabilities	10,968 674	8,197
		12 205
Funding received in advance	15,646	12,285
Employee entitlements Lease liabilities	5,091	5,060
	-	589
Other current liabilities Total current liabilities	32,379	2,364
Total current habilities	32,379	28,495
Non-current liabilities		
Deferred tax liability	-	1,340
Bank borrowings	-	20,000
Finance lease liability	-	20
Total non-current liabilities	-	21,360
Total liabilities	32,379	49,855
Net Assets	148,868	147,447
NET MODELS	140,808	147,447
Equity		
Issued shared capital	156,926	156,945
Accumulated losses	(8,058)	(9,498)
Total Equity	148,868	147,447

The decrease in cash and cash equivalents and borrowings reflects the funding of business acquisitions from cash flows as opposed to through borrowings. Further, no debt was drawn at balance date as forecast in the PFI. The increase in intangibles reflects the higher price paid and more resulting goodwill for certain acquisitions than allowed for in the PFI.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

28. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI) (continued)

Trade receivables is lower compared to PFI due to debtors days outstanding being significantly lower than assumed in the PFI. Other current liabilities, as per the PFI, has been reclassified to trade and other payables above.

The deferred tax asset is caused by the recognition of acquisition provisions for employee entitlements and fair value adjustments relating to property, plant and equipment acquired.

Funding received in advance is higher than PFI due to improved funding cycles in respect of certain acquired entities.

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows		PROSPECTUS
	ACTUAL	FORECAST
Alega	31 M ARCH 2015	31 M ARCH 2015
\$'000s	\$'000s	\$'000s
Cash flows from operating activities		
Receipts from customers (including Ministry of Education funding)	37,117	33,503
Payments to suppliers and employers	(34,107)	(31,921)
Taxes paid	(478)	(303)
Net cash flows from operating activities	2,532	1,279
Cash flows from investing activities		
Payments for purchase of businesses	(130,445)	(115,680)
Cash acquired from purchase of businesses	15,523	-
Payments for property, plant and equipment	(240)	(682)
Interest received	191	-
Net cash flows from investing activities	(114,971)	(116,362)
Cash flows from financing activities		
Proceeds from issue of shares	132,317	132,317
Share issue costs	(12,376)	(12,356)
Interest paid on borrowings and pre-listing funding	(1,853)	(2,056)
Bank borrowings drawn	10,000	20,000
Bank borrowings repaid	(10,000)	-
Pre-listing funding received	704	1,798
Pre-listing funding repaid	(1,743)	(1,798)
Net cash flows from financing activities	117,049	137,905
Net cash flows	4,610	22,822
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	4,610	22,822

Increases in receipts from customers and payments to suppliers can be explained by the higher revenues and expenses previously disclosed above under the heading Consolidated Statement of Comprehensive Income.

Payments for the purchase of businesses has been discussed above under the heading Consolidated Statement of Financial Position, and should be read in conjunction with cash acquired from the purchase of businesses.

Net finance costs paid are less than PFI due to less reliance on bank borrowings to fund acquisitions. As already disclosed the Group had no borrowings at balance date.



FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2015

29. EVENTS AFTER THE REPORTING PERIOD

During April 2015 the Group acquired a further eight ECE centres for consideration of \$8.23m. The acquisitions are a continuation of the Group's strategy to form a nationwide group of centrally-owned and managed early childhood education providers. The goodwill acquired comprises the value of expected synergies arising from the acquisitions including those that occurred during the reporting period. The purchase price was funded by borrowings.

A summary of the provisional net assets acquired is below. Acquisition costs of approximately \$120,000 were incurred.

	\$'000s
Assets	
Other current assets	46
Property, plant and equipment	321
	367
Liabilities	
Funding received in advance	(402)
Employee entitlements	-
Other current liabilities	(14)
	(416)
Total identifiable net assets at fair value	(49)
Goodwill arising on acquisition	8,279
Purchase consideration transferred	8,230
Purchase consideration	
Cash	8,230
Total consideration	8,230

In April and May 2015 the Group also entered into agreements to acquire a further 4 ECE centres for \$4.8m total consideration. At the date of signing these financial statements, three of these contracts remain conditional and one is unconditional and for settlement on 26 June 2015.



Independent Auditor's Report

to the shareholders of Evolve Education Group Limited

Report on the Financial Statements

We have audited the Group financial statements of Evolve Education Group Limited ("the Company") on pages 2 to 42, which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, the statement of movements in equity and the statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial period.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Group. Our firm has carried out other services for the Group in the areas of other assurance, advisory and tax services. Appropriate safeguards were applied to reduce the threats to independence from the provision of these other services to an acceptable level. The provision of these other services has not impaired our independence as auditor of the Group.



Independent Auditor's Report

Evolve Education Group Limited

Opinion

In our opinion, the financial statements on pages 2 to 42 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. 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.

Chartered Accountants

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25 May 2015

Auckland









Agenda

- Result Highlights
- Integration Update and Operational Performance
- 3 Financial Performance
- 4 Strategy and Outlook
- Appendices







Result Highlights





FY2015 Result Highlights

Evolve Exceeds FY15 Prospectus Guidance

- ✓ Loss after tax favourable to Prospectus
- ✓ Centre acquisition target exceeded
- ✓ Additional 8 centres acquired and 4 centres under contract since balance date
- ✓ Successful acquisition integration
- ✓ Revenue ahead of forecast
- ✓ Cost growth % managed below revenue growth %
- ✓ Occupancy and Wage-to-Revenue ratios ahead of forecast
- ✓ Enhanced cash position through effective working capital management
- ✓ Management structures well established
- ✓ A strong establishment, integration and initial trading period



FY2015 Results Highlights

Prospectus guidance exceeded

(NZ\$000s)	Actual FY15	PFI ¹ forecast FY15	Variance (\$'000)	Variance (%)
Revenue	32,940	29,028	+3,912	+13.5%
Profit/(Loss) After Tax	(8,058)	(9,498)	+1,440	+15.2%
Underlying EBITDA ²	1,803	816	+987	+121.0%
Adjusted Net Debt ³	11,079	10,072	+1,007	+10.0%
Net Cash/(Debt) ⁴	4,610	2,822	+1,788	+63.3%



¹ Prospective Financial Information included in Evolve's Prospectus dated 14 November 2014.

² Underlying EBITDA is profit before finance costs, income tax, depreciation and amortisation and adjusted for acquisition, integration and other one-off costs. It is reconciled to reported profit in Appendix B (page 16). EBITDA is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS.

³ Adjusted net debt comprises borrowings, finance leases and the liability for MOE funding received in advance, less cash and cash equivalents.

⁴ Net cash/(debt) comprises cash net of bank borrowings.





Integration Update and Operational Performance





Operational Performance – ECE Centres at 31 March 2015

Management has implemented a number of initiatives aimed at optimising ECE centre performance and identifies occupancy and wage-to-revenue ratio as key performance indicators

Metric	Comments
ECE Centres	✓ 86 V PFI: 85
ECE Licensed Places	✓ 6,018 v PFI: 5,954
MOE Occupancy (ECE Centres Only)	✓ 82% v PFI: 79%
Wage-to-Revenue Ratio (ECE Centres Only)	✓ 53.7% V PFI: 56.7%



Integration Update

Evolve has successfully integrated all ECE centres in its Initial Portfolio and is following its business model by continuing to drive efficiencies and integrate newly acquired / contracted ECE centres

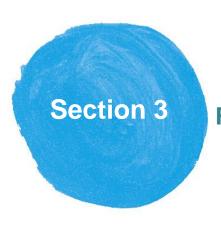
Evolve's Business Model



- Integration successfully completed and now in-house
- Centre Manager Training Programme completed for 86 centres
 - Marketing programme to drive occupancy
 - Roster management
 - Info-care ECE software
 - Financial processes established
 - Management support model
 - Intranet and web
 - HR processes established
- Operational support structures in place
- Established preferred suppliers







Financial Performance



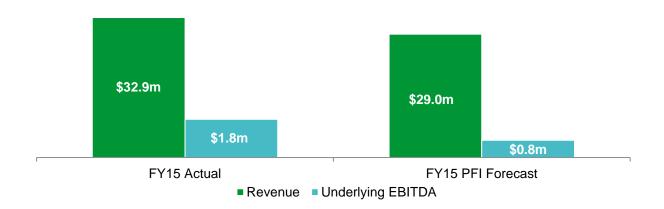


FY2015 Financial Performance against PFI

Revenue and Underlying EBITDA ahead of PFI forecast

- Revenue growth driven by accelerated acquisition settlements and improved operational performance in occupancy and wage-torevenue ratios
- Costs managed at 10.6% growth against revenue growth of 13.5%

(NZ\$000s)	Actual FY15	Forecast FY15	Variance (\$'000)	Variance (%)
Revenue	32,940	29,028	3,912	13.5%
Share in equity accounted investee's profits	123	55	68	123.6%
Operating Expenses	(31,260)	(28,267)	(2,993)	(10.6%)
Underlying EBITDA	1,803	816	987	121.0%





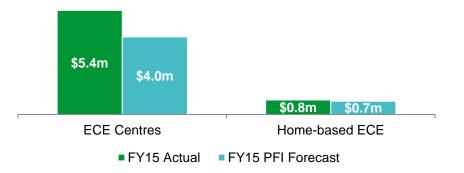
Segment Performance

ECE Centres and Home-Based ECE segments exceeded revenue and earnings forecasts

Revenue (NZ\$000s)	Actual FY15	PFI Forecast FY15	Variance (\$'000)	Variance (%)
ECE Centres	24,626	21,564	3,062	14.2%
Home-based ECE	7,928	7,195	733	10.2%
Other ¹	386	269	117	43.5%
Group Revenue	32,940	29,028	3,912	13.5%

EBITDA (NZ\$000s)	Actual FY15	PFI Forecast FY15	Variance (\$'000)	Variance (%)
ECE Centres	5,438	4,048	1,390	34.3%
Home-based ECE	765	696	69	10.0%
Other ²	(4,400)	(3,928)	(472)	(12.0%)
Group Underlying EBITDA	1,803	816	987	121.0%





² Includes corporate and head office expenses including corporate salaries and wages, advertising, insurance, training and governance expenses.



¹ Includes corporate revenue (commissions, consulting, courses and seminars, teacher registration, sundry income and web hosting) and management fees franchise fees and royalties.

Funding and Cash Management

Efficient cash flow management

- No debt drawn at balance date
 - One additional centre acquired
- Net cash position favourable by \$1.8m compared to PFI
- Cash flow and revenue managed to minimise bank funding
- Undrawn facilities
 - Senior revolving credit facility \$30m
 - Acquisition facility \$60m







Strategy and Outlook





Strategy and Outlook

Focus on organic growth and acquisitions. On track towards FY16 forecast.

Organic growth focus

- Child occupancy
- Managing rosters (wage cost)
- Parental revenue
- Supplier agreements
- Home-based ECE cost efficiencies

A primary focus of Evolve is adding to its acquisition pipeline

- Mandate for quality centres
- Investigate new centre developments
- Bank acquisition facility and robust cash management provides capacity for acquisitions

As at May 2015, Evolve on track to meet its FY16 PFI forecast

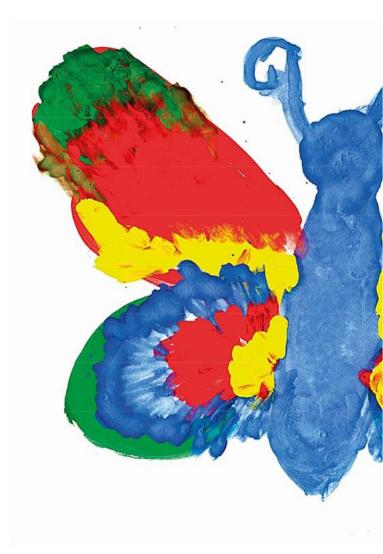
- Forecast metrics re-affirmed
- Dividend re-affirmed as per Prospectus







- A. Overview of Evolve Education
- B. Reconciliation of Non-GAAP Financial Information
- **C. Financial Position**
- **D. Cash Flows**





Appendix A Overview of Evolve Education

Evolve Education is a provider of high quality early childhood education which gives parents and caregivers the option of which service best suits their child's learning needs, whether that be in a centre-based or home-based environment

ECE Centres Home-based ECE Locations









ECE Centres

6,018

Licensed Places

\$24.6m

FY2015 Revenue

91

ECE Licences

7,280

Licensed Places

\$7.9m

FY2015 Revenue



	North Island					
	Region	# of Centres	# of Home- based Licences			
1	Northland	1	1			
2	Auckland	39	27			
3	Waikato	4	7			
4	Bay of Plenty	5	9			
5	Hawkes Bay	5	7			
6	Taranaki	1	5			
7	Manawatu - Whanganui	5	5			
8	Wellington	11	17			
	Total	71	78			

South Island					
	Region	# of Centres	# of Home- based Licences		
1	Nelson	1	2		
2	Marlborough	2	1		
3	West Coast	5	1		
4	Canterbury	5	7		
5	Otago	1	2		
6	Southland	1	_		
	Total	15	13		
	Total	86	91		



Appendix B

Reconciliation of Non-GAAP Financial Information

Evolve ahead of PFI at NPAT and Underlying EBITDA level

- Loss after tax favourable to PFI by \$1.4m
- Underlying EBITDA ahead by \$1.0m

(NZ\$000s)	Actual FY15	PFI Forecast FY15	Variance (\$'000)	Variance (%)
Profit/(Loss) After Tax	(8,058)	(9,498)	1,440	15.2%
Net Finance Expense	1,662	2,117	455	21.5%
Income Tax Expense	123	607	484	79.7%
EBIT	(6,273)	(6,774)	501	7.4%
Depreciation	302	339	37	10.9%
Amortisation	137	121	(16)	(13.2%)
EBITDA Including Acquisition, Integration and Listing Related Costs	(5,834)	(6,314)	480	7.6%
Acquisition Expenses	5,033	4,126	(907)	(22.0%)
Integration Expenses	1,494	1,430	(64)	(4.5%)
Listing Costs	1,308	1,253	(55)	(4.4%)
Other	(198)	321	519	161.7%
Total Adjustments	7,637	7,130	507	(7.1%)
Underlying EBITDA	1,803	816	987	121.0%



Appendix C Financial Position

Balance Sheet at 31 March 2015 vs Forecast

- No debt drawn at balance date and one additional centre settled
- Higher net cash position
- Higher MOE funding received in advance due to timing of settlement of acquisitions
- Undrawn facilities of:
 - Senior revolving credit facility: \$30m
 - Acquisition facility: \$60m

(NZ\$ m)	Actual FY15	PFI Forecast FY15	Variance (\$m)
Current Assets			
Cash and Cash Equivalents	4.6	22.8	(18.2)
Trade, Receivables and Other Current			
Assets	1.1	3.2	(2.1)
Total Current Assets	5.7	26.0	(20.3)
Non-current Assets			
Property, Plant and Equipment	5.0	5.7	(0.7)
Deferred tax asset	0.5	-	0.5
Investments	1.5	1.8	(0.3)
Intangibles	168.5	163.8	4.7
Total Non-current Assets	175.5	171.3	4.2
Total Assets	181.2	197.3	(16.1)
Current Liabilities			•
Trade and Other Payables	11.6	8.2	(3.4)
Funding Received in Advance	15.7	12.2	(3.5)
Employee Entitlements	5.1	5.1	-
Lease Liabilities	-	0.5	0.5
Other Current Liabilities	-	2.5	2.5
Total Current Liabilities	32.4	28.5	(3.9)
Non-current Liabilities			
Deferred Tax Liability	-	1.3	1.3
Bank Borrowings	-	20.0	20.0
Finance Lease Liability	-	-	0.0
Total Non-current Liabilities		21.3	21.3
Total Liabilities	32.4	49,8	17.4
Net Assets	148.8	147.5	1.3
Total Equity	148.8	147.5	1.3
Net Cash/(Debt)	4.6	2.8	1.8
Adjusted Net Debt	11.1	10.1	1.0



Appendix D Cash Flows

Accelerated acquisition settlements, acquired cash and working capital assisted in improving cash flows

- Operating cash flows better than PFI forecast due to accelerated acquisition settlements and improved operational performance
- Lower net cash outflow from investing activities due to funding from working capital and cash acquired
- Nil bank borrowing at balance date, lower by \$20m assumed in PFI
- Bank facilities remain undrawn

(NZ\$ in millions)	Actual FY15	PFI Forecast FY15	Variance (\$m)
Cash Flow from Operating Activities			
Receipts from customers	37.1	33.5	3.6
Payments to suppliers and employees	(34.1)	(31.9)	(2.2)
Taxes paid	(0.5)	(0.3)	(0.2)
Net Cash Flow from Operating Activities	2.5	1.3	1.2
Cash Flow from Investing Activities			
Payments for purchase of businesses	(114.9)	(115.7)	0.8
Payments for property, plant and equipment	(0.2)	(0.7)	0.5
Interest received	0.2	-	0.2
Net Cash Flow from Investing Activities	(114.9)	(116.4)	1.5
Cash Flow from Financing Activities			
Proceeds from issue of shares	132.3	132.3	0
Share issue costs	(12.4)	(12.3)	(0.1)
Financing costs	(1.9)	(2.0)	0.1
Pre-listing funding drawn/(repaid)	(1.0)	-	(1.0)
Bank Borrowing drawn/(repaid)	-	20.0	(20.0)
Net Cash Flow from Financing Activities	117.0	138.0	(21.0)
Net Cash Flow	4.6	22.9	(18.3)



Important Notice

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 period ended 31 March 2015. Please refer to the audited financial statements for the period ended 31 March 2015 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.

- Evolve Education Group annual report will be available in the last week of June 2015.
- Underlying EBITDA is profit before finance costs, income tax, depreciation and amortisation and adjusted for acquisition, integration and other one-off
 costs. It is reconciled to reported profit in Appendix A. 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's financial statements, should not be considered in isolation and is
 not a substitute for those measures.

