

18 DECEMBER 2015

Evolve releases Interim Financial Report

Evolve Education Group Limited ("Evolve") advises that the Interim Financial Report for the six month period ended 30 September 2015 is being released today.

ENDS

Attachments:

1. Interim Financial Report for the six month period ended 30 September 2015

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evolve
education group

INTERIM FINANCIAL REPORT

FOR THE SIX MONTH PERIOD ENDED
30 SEPTEMBER 2015





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Chair and Chief Executive Officer's Report

For the six month period ended 30 September 2015



Norah Barlow

Chair

Evolve Education Group Limited



Alan Wham

Chief Executive Officer

Evolve Education Group Limited

Summary

We are pleased to report Evolve Education Group Limited's ("Evolve") strong result for the half year to 30 September 2015. Net Profit after Tax (NPAT) for the period was \$8.4m. Underlying NPAT¹ was \$9.3m for this period, which excludes one off acquisition and integration costs. This was achieved off revenue of \$70.1m and means Evolve is well on track to meet its PFI² guidance for FY16.

Evolve has undertaken, with considerable success, a major establishment period in acquiring and integrating a large number of early childhood education (ECE) centres and home-based ECE businesses. We now have a very solid foundation on which to build and grow further and we thank each one of our staff members for their support and commitment in helping us achieve this.

Our results confirm our model has been a success and the opportunity in front of us is to deliver growth through organic improvements of existing ECE businesses as well as maintaining momentum with the acquisition of new centres. We will continue to focus on supporting and developing our staff to deliver the highest quality ECE for all the children within our care.

ECE Centres

These financial results reflect the solid operational base created by the 85 early childhood education (ECE) centres acquired immediately post listing on the NZX and ASX. After an intense period of integrating these centres earlier in the year, over the last six months we have shifted focus to enhancing the performance of these centres and ensuring their long term sustainability and success.

Chair and Chief Executive Officer's Report

Evolve is committed to ensuring high quality both in terms of the educational outcomes for children and in the portfolio of businesses we operate. To achieve these goals, we have implemented a number of ongoing initiatives that go to the heart of our business. We are investing in additional resources and improved facilities in centres to enhance the learning and development environment for the children. We are committed to the professional development of our staff and hosted our first leadership development conference to inspire our centre leaders. This is being followed up by a wider programme of conferences and seminars to continue to develop our teachers and staff. We have enhanced engagement with our customers, the families and carers of our children, through the roll out of a communication channel called Storypark, which enables teachers and families to share children's progress and activities.

Such initiatives, in combination with the commitment of our staff, ensured that average centre occupancy was maintained at 87% during the first half year.

Acquisition and Integration

While refining our existing portfolio of centres, we have also maintained a steady flow of newly acquired ECE centres in the current financial year, which have been acquired at a lower average multiple than the original portfolio. We added 13 centres in the first half of this year which will contribute to the second half year and were pleased to announce recently that we had achieved a milestone of 100 ECE centres. We have continued to finesse our internal integration processes to help ensure smooth transitions and seamless operations for children and families.

Evolve's unutilised acquisition debt facility is currently in excess of \$40m, providing ample capacity for quality new acquisitions which we continue to pursue. Our current policy is to remain within a 2x debt: EBITDA¹ ratio, which provides a conservative policy without inhibiting our capacity to acquire within existing debt facilities.



Chair and Chief Executive Officer's Report

Home-based ECE

Porse and Au Pair Link offer early childhood education delivered through three choices available to families:

- self-employed, home-based educators in their own home who can look after up to four children ;
- nannies in the family's home; and
- live-in au pairs.

Our teachers visit the educator at least once a month to observe each child in their care and assist the educator in tailoring the learning for each child. We will continue to provide the best possible support for educators and to identify efficiencies between our two home-based businesses via operational efficiency.

Dividend

We are pleased to report our first dividend for the six months to 30 September 2015, in line with our prospectus guidance. A fully-imputed dividend of 2.38 cents per share will be paid on 18 December 2015 to shareholders on the register on 8 December. A dividend reinvestment plan has been introduced.

Outlook

We are confident both in reconfirming the FY16 PFI² guidance and about Evolve's future. The plans and initiatives we are putting in place now will help to assure these outcomes.


To ensure FY16 ends on a high note and FY17 delivers growth, our current focus is on extending our occupancy base. To maximise enrolments in the key months between December and March, we have implemented a number of initiatives. These include training our staff how to assist with enrolment enquiries and establishing websites for each one of our centres to make it as easy as possible for families to find our centres.

The 13 centres acquired in the first half of the year delivered \$4.4m revenue in these first six months, and will be fully accretive in the second half. We intend to continue adding quality acquisitions to our portfolio and to pursue a centre development model that delivers purpose-built centres that Evolve will grow and operate from day one. This, together with the ability to strengthen ties between our centre-based and home-based businesses, presents an exciting opportunity.

Chair and Chief Executive Officer's Report

We believe that putting the children's interests at the heart of what we do will help deliver the business growth that our shareholders desire. Our teachers are at the core of this strategy and we remain committed to their professional development to ensure they in turn deliver the best quality early education for children. As an example we have structured our nationwide portfolio of centres around regional peer groups to enable our centre leaders and staff to share best practice and cultivate new ideas to strengthen the success of children's learning and our centres.

We thank you, our shareholders, for your continued support and hope that you will remain part of our growth story.



Norah Barlow
Chair



Alan Wham
Chief Executive Officer



Ref

- 1 Underlying NPAT is defined as net profit after tax adjusted for acquisition and integration costs. EBITDA is defined as earnings before interest, tax, depreciation, amortisation and adjusted for acquisition and integration costs. Underlying NPAT and EBITDA are non-GAAP financial measures and are not prepared in accordance with NZ IFRS. These measures are intended to supplement the NZ GAAP measures presented in Evolve Group's financial statements, should not be considered in isolation and are not a substitute for those measures.
- 2 PFI refers to Prospective Financial Information as disclosed in Evolve Group's Prospectus dated 14 November 2014.



Operational Focus

Commitment

Ensuring high quality educational outcomes for children

Cross Functional Teams

Driving engagement, best practice and peer support

Solid Foundation

Building and growing through organic improvements of existing ECE businesses and targeted acquisitions

Supporting Staff

Supporting and developing staff to deliver the highest quality ECE for all children within our care

Centre Development Model

Pursuit of a centre development model that delivers purpose-built centres that Evolve will grow and operate

Extending our Occupancy Base

Establishing websites, training staff on enrolment enquiries

Operational Performance and Quality Acquisitions

Operational performance and quality acquisitions anchor the business

Centre Leadership & Professional Development

Centre leadership, business efficiencies and professional development key to operational performance



Financial and Operational Highlights

at 30 September 2015

+14

**100th
ECE Centre
Acquired¹**

31 March 2015:
86 Centres

+562

**13,860
ECE Licensed
Places**

31 March 2015:
13,298 Places

\$70.1m

**Group
Revenue**

PFI: 31 March 2016²
\$136.2m

\$8.4m

**Group Net Profit
After Tax**

PFI: 31 March 2016²
\$16.6m

2.38cps

**First Dividend
Announced**

Fully imputed, payable
18 December 2015
PFI: 2.35 cents per share²

\$13.8m

EBITDA³

PFI: 31 March 2016²
\$25.7m

\$9.3m

**Underlying
Group Net
Profit After Tax³**

PFI: 31 March 2016²
\$16.6m

51.2%

**ECE Centres
Wage to
Revenue Ratio**

PFI: 31 March 2016²
52.5%

\$64.6m

**Undrawn
Debt
Facilities**

As at 30 September 2015

DRP

**Dividend
Reinvestment Plan
Introduced**



Financial and Operational Highlights

Reconciliation of Underlying Net Profit After Tax³

	Unaudited 6 Months 30 September 2015 \$'000	PFI ² 12 Months 31 March 2016 \$'000
Net profit after tax	8,435	16,627
Acquisition expenses	723	-
Integration expenses (net of tax)	148	-
Underlying net profit after tax	9,306	16,627

Reconciliation of EBITDA³

	Unaudited 6 Months 30 September 2015 \$'000	PFI ² 12 Months 31 March 2016 \$'000
Net profit after tax	8,435	16,627
Net finance expense	566	674
Income tax expense	2,833	6,466
Depreciation and amortisation	1,001	1,938
Acquisition expenses	723	-
Integration expenses	205	-
EBITDA	13,763	25,705

1 100th centre acquired in November 2015; the number of centres at 30 September 2015 was 99.

2 PFI refers to Prospective Financial Information as disclosed in Evolve Group's Prospectus dated 14 November 2014. References to 31 March 2016 relate to the year ending on that date.

3 Underlying NPAT is defined as net profit after tax adjusted for acquisition and integration costs. EBITDA is defined as earnings before interest, tax, depreciation, amortisation and adjusted for acquisition and integration costs. Underlying NPAT and EBITDA are non-GAAP financial measures and are not prepared in accordance with NZ IFRS. These measures are intended to supplement the NZ GAAP measures presented in Evolve Group's financial statements, should not be considered in isolation and are not a substitute for those measures.



Evolve Education Group Limited

Interim Financial Report For the six month period ended 30 September 2015

The Directors have pleasure in presenting the Interim Financial Report of Evolve Education Group Limited, for the six month period ended 30 September 2015.

The Interim Financial Report presented is signed for and on behalf of the Board and was authorised for issue on 23 November 2015.



Norah Barlow

Chair

23 November 2015



Alistair Ryan

Director

23 November 2015

Consolidated Statement of Comprehensive Income

For the six month period ended 30 September 2015

\$'000	Note	UNAUDITED 6 MONTHS 30 SEPTEMBER 2015	UNAUDITED PERIOD 30 SEPTEMBER 2014
Revenue	2	70,093	-
Share of profit of equity accounted joint venture		122	-
Total income		70,215	-
Expenses			
Employee benefits expense		(37,910)	(301)
Building occupancy expenses		(8,512)	(10)
Direct expenses of providing services		(7,826)	-
Acquisition expenses		(723)	(2,868)
Integration expenses		(205)	(126)
Depreciation		(779)	-
Amortisation	4	(222)	-
Other expenses		(2,204)	(406)
Total expenses		(58,381)	(3,711)
Profit/(loss) before net finance expense and income tax		11,834	(3,711)
Finance income		102	-
Finance costs		(668)	(802)
Net finance expense		(566)	(802)
Profit/(loss) before income tax		11,268	(4,513)
Income tax expense		(2,833)	-
Profit/(loss) after income tax attributed to the owners of the Company		8,435	(4,513)
Other comprehensive income		-	-
Total comprehensive income/(loss) attributed to the owners of the Company		8,435	(4,513)
Earnings per share			
Basic (and diluted) earnings per share (expressed as cents per share)		4.8	(90.3)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes. Further to those notes and in relation to the comparative balances, the Company was incorporated on 20 May 2014 and the comparative period is from the date of incorporation to 30 September 2014. During this period the Company was preparing to list and as a result earned no revenue but incurred costs to enable it to commence operations as a listed entity on 5 December 2014 on the NZX and ASX.

Consolidated Statement of Movements In Equity

For the six month period ended 30 September 2015

	ISSUED SHARE CAPITAL	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	TOTAL
\$'000			
Balance at 31 March 2015 (audited)	156,926	(8,058)	148,868
Profit for the period (unaudited)	-	8,435	8,435
Other comprehensive income for the period (unaudited)	-	-	-
Total comprehensive income (unaudited)	-	8,435	8,435
Balance as at 30 September 2015 (unaudited)	156,926	377	157,303

UNAUDITED	ISSUED SHARE CAPITAL	ACCUMULATED LOSSES	TOTAL
\$'000			
Balance at 20 May 2014 (incorporation date)	-	-	-
Loss for the period	-	(4,513)	(4,513)
Other comprehensive income for the period	-	-	-
Total comprehensive loss	-	(4,513)	(4,513)
Balance as at 30 September 2014	-	(4,513)	(4,513)

The above Consolidated Statement of Movements in Equity should be read in conjunction with the accompanying notes. Further to those notes and in relation to the comparative balances, the Company was incorporated on 20 May 2014 and the comparative period is from the date of incorporation to 30 September 2014. During this period the Company was preparing to list and as a result earned no revenue but incurred costs to enable it to commence operations as a listed entity on 5 December 2014 on the NZX and ASX.

Consolidated Statement of Financial Position

As at 30 September 2015

		UNAUDITED AS AT 30 SEPTEMBER 2015	AUDITED AS AT 31 MARCH 2015	UNAUDITED AS AT 30 SEPTEMBER 2014
\$'000	Note			
Current assets				
Cash and cash equivalents		2,717	4,610	193
Other current assets		1,826	1,087	3,784
Total current assets		4,543	5,697	3,977
Non-current assets				
Property, plant and equipment		5,785	5,054	-
Investment in equity accounted joint venture		1,584	1,521	-
Deferred tax asset		826	450	-
Intangible assets	4	182,205	168,525	13
Total non-current assets		190,400	175,550	13
Total assets		194,943	181,247	3,990
Current liabilities				
Trade and other payables	5	5,060	10,968	6,638
Current income tax liabilities		1,101	674	-
Funding received in advance	6	112	15,646	-
Employee entitlements		5,942	5,091	-
Related party borrowings	7	-	-	1,865
Total current liabilities		12,215	32,379	8,503
Non-current liabilities				
Borrowings	7	25,425	-	-
Total non-current liabilities		25,425	-	-
Total liabilities		37,640	32,379	8,503
Net assets		157,303	148,868	(4,513)
Equity				
Issued share capital		156,926	156,926	-
Retained earnings/(Accumulated losses)		377	(8,058)	(4,513)
Total equity		157,303	148,868	(4,513)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. Further to those notes and in relation to the comparative balances, the Company was incorporated on 20 May 2014 and the comparative period is from the date of incorporation to 30 September 2014. During this period the Company was preparing to list and as a result earned no revenue but incurred costs to enable it to commence operations as a listed entity on 5 December 2014 on the NZX and ASX.

Consolidated Statement of Cash Flows

For the six month period ended 30 September 2015

		UNAUDITED 6 MONTHS 30 SEPTEMBER 2015	UNAUDITED PERIOD 30 SEPTEMBER 2014
\$'000	Note		
Cash flows from operating activities			
Receipts from customers (including Ministry of Education funding)		52,966	109
Dividends received		59	-
Payments to suppliers and employees		(61,372)	(66)
Taxes paid		(2,782)	-
Net cash flows from operating activities	8	(11,129)	43
Cash flows from investing activities			
Payments for purchase of businesses	3	(14,713)	-
Payments for property, plant and equipment		(1,151)	-
Interest received		102	-
Net cash flows from investing activities		(15,762)	-
Cash flows from financing activities			
Interest paid on borrowings		(427)	-
Bank borrowings drawn		45,425	-
Bank borrowings repaid		(20,000)	-
Pre-listing funding received		-	150
Net cash flows from financing activities		24,998	150
Net cash flows		(1,893)	193
Cash and cash equivalents at beginning of period		4,610	-
Cash and cash equivalents at end of period		2,717	193

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. Further to those notes and in relation to the comparative balances, the Company was incorporated on 20 May 2014 and the comparative period is from the date of incorporation to 30 September 2014. During this period the Company was preparing to list and as a result earned no revenue but incurred costs to enable it to commence operations as a listed entity on 5 December 2014 on the NZX and ASX.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

1. Basis of Presentation and Accounting Policies

The principal activities of Evolve Education Group Limited (the "Company") and its subsidiaries (the "Group") are the investment in the provision and management of high quality early childhood education services which give parents and caregivers the option of which service best suits their child's learning and care needs (see Note 2, Segment Information). The Group operates within New Zealand. During the period the Group acquired a number of additional early childhood education centres, as disclosed in Note 3, as part of its strategy to form centrally managed early childhood education services.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the NZX Main Board 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.

These condensed interim financial statements were approved for issue on 23 November 2015.

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

These consolidated condensed interim financial statements of the Group are unaudited and have been prepared using the same accounting policies, methods of computation, significant judgements, estimates and assumptions, as the financial statements and related notes included in the Group's audited financial statements for the period ended 31 March 2015. Accordingly, this report is to be read in conjunction with those audited financial statements.

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

Going Concern

The financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

1. Basis of Presentation and Accounting Policies (continued)

Functional and Presentation Currency

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

Comparative Period

As the Company was incorporated on 20 May 2014 the comparative period is from the date of incorporation to 30 September 2014. During this period the Company was preparing to list and as a result earned no revenue but incurred costs to enable it to commence operations as a listed entity on 5 December 2014 on the NZX and ASX.

2. Segment Information

The Group has two reportable operating segments, as described below, which are the strategic business models the Group invests in within the wider teacher-led early childhood education ("ECE") industry in New Zealand. The Group operates entirely within New Zealand. Each segment is managed separately. For each of the segments, the Group's Chief Executive Officer ("CEO" and the "Chief Operating Decision Maker") reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

ECE Centres – generally purpose built facilities that offer all day or part-day early childhood services, and

Home-based ECE – involves an 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.

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

Information regarding the results of each reportable segment is included below. Performance is measured based on NZ GAAP measures of profitability and in relation to the Group's segments, segment profit before income tax. In addition to GAAP measures of profitability, the Group also monitors its profitability using non-GAAP financial measures (that is, earnings before interest, tax,

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

2. Segment Information (continued)

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 and integration costs reflects a number of adjustments including the acquisitions identified in Note 3. These adjustments may be defined as:

- **Acquisition expenses** – in acquiring the businesses and net assets in Note 3 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.

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

The segments referred to above only came into existence following the acquisition of the initial portfolio of early childhood centres. The activities of the Group between its incorporation date and 30 September 2014, as disclosed in the Statement of Comprehensive Income, are regarded as an unallocated amount.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

2. Segment Information (continued)

Unaudited 30 September 2015	ECE Centres \$'000	Home-based ECE \$'000	Unallocated \$'000	Consolidated \$'000
Total revenue	56,085	13,143	865	70,093
Share of profit of equity accounted joint venture	122	-	-	122
Operating expenses	(41,322)	(11,628)	(3,502)	(56,452)
EBITDA before acquisition and integration expenses	14,885	1,515	(2,637)	13,763
Acquisition expenses	-	-	(723)	(723)
Integration expenses	-	-	(205)	(205)
EBITDA	14,885	1,515	(3,565)	12,835
Depreciation	(526)	(226)	(27)	(779)
Amortisation	(30)	(99)	(93)	(222)
Earnings before interest and tax	14,329	1,190	(3,685)	11,834
Net finance expense	-	-	(566)	(566)
Reportable segment profit/(loss) before tax	14,329	1,190	(4,251)	11,268

Unaudited 30 September 2014	ECE Centres \$'000	Home-based ECE \$'000	Unallocated \$'000	Consolidated \$'000
Total revenue	-	-	-	-
Share of profit of equity accounted joint venture	-	-	-	-
Operating expenses	-	-	(717)	(717)
EBITDA before acquisition and integration expenses	-	-	(717)	(717)
Acquisition expenses	-	-	(2,868)	(2,868)
Integration expenses	-	-	(126)	(126)
EBITDA	-	-	(3,711)	(3,711)
Depreciation	-	-	-	-
Amortisation	-	-	-	-
Earnings before interest and tax	-	-	(3,711)	(3,711)
Net finance expense	-	-	(802)	(802)
Reportable segment (loss) before tax	-	-	(4,513)	(4,513)

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

3. Business Combinations

Centre Acquisitions

The Company and Group were established to acquire a group of centrally-owned and managed ECE providers. This was achieved by acquiring the assets of or shares in a number of owned ECE centres, home-based ECE providers and other related entities up to and including 31 March 2015. By 31 March 2015 the Group consisted of 86 ECE centres.

During the six months ended 30 September 2015 the Group acquired 13 centres from several separate vendors, for a combined purchase price of \$13.5m payable in cash. Total net liabilities acquired were \$154,000 resulting in goodwill on acquisition of \$13.7m. Total acquisition costs incurred during the period were \$723,000 and these are included in the Statement of Comprehensive Income and cash flows from operating activities in the Statement of Cash Flows. No cash was acquired.

Assets and liabilities acquired and consideration paid		\$'000
Assets		
Other current assets		75
Property, plant and equipment		463
		538
Liabilities		
Funding received in advance		(654)
Employee entitlements		(24)
Other current liabilities		(14)
		(692)
Total identifiable net assets at fair value		(154)
Goodwill arising on acquisition		13,702
Purchase consideration transferred		13,548
Purchase consideration		
Cash paid		13,353
Cash payable relating to retentions		195
Total consideration		13,548

The goodwill of \$13.7m predominantly comprises the future earnings potential of the acquired ECE centres and the value expected from continuing to bring together a group of ECE centres and home-based ECE providers under one centrally managed group. Goodwill is allocated to each of the segments identified at Note 2, as appropriate.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

3. Business Combinations (continued)

Year to date the acquisitions have contributed revenue of \$4.4m and a net loss after tax of \$262,000 to the Group's results after allowing for upfront acquisition expenses and integration costs, interest and taxation. As the acquisitions were made at different times during the six month period it is anticipated these acquisitions would have contributed revenue of \$5.8m and a net loss after tax of \$91,000 (including upfront and non-recurring acquisition costs of \$723,000 (before tax) and integration expenses of \$205,000 (before tax)) had they all been acquired on 1 April 2015 and operated for the full six month period covered by this interim financial report.

Other Transactions Relating to Business Combinations

As disclosed in the Consolidated Statement of Cash Flows the Group made payments of \$14.7m in respect of the purchase of businesses. In addition to the ECE Centre acquisitions referred to above completion payments were also made to the vendors of the Home-based ECE businesses acquired in December 2014.

Contingent Consideration

Further to the disclosure made in the 31 March 2015 financial statements the Group has re-evaluated the amount of contingent consideration to be paid in respect of the acquisition of the Home-based ECE businesses acquired last reporting period.

	\$'000
Contingent consideration liability at 31 March 2015	1,638
Changes in amounts provided arising from amounts settled during the reporting period, unwind of discount and unrealised fair value changes recognised in profit or loss	(626)
Contingent consideration liability at 30 September 2015	1,012

4. Intangible Assets

Intangible assets comprise goodwill, brands, customer lists, software, syllabus material and management contracts.

The total cost of intangible assets has increased by \$13.9m during the period. This is mainly due to the acquisitions detailed in Note 3 which have resulted in additional goodwill of \$13.7m. As at 30 September 2015 goodwill is \$175.9m (31 March 2015: \$162.0m).

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

4. Intangible Assets (continued)

The remaining change in the cost of intangible assets is due to other purchase price adjustments, affecting goodwill, relating to business combinations acquired in the prior reporting period and software additions. There have been no additions or disposals relating to brands, customer lists, syllabus material and management contracts during the period.

Amortisation for the six month period is \$222,000.

5. Trade and Other Payables

	UNAUDITED 30 SEPTEMBER 2015	AUDITED 31 MARCH 2015	UNAUDITED 30 SEPTEMBER 2014
\$'000			
Trade payables	1,135	1,832	-
Amounts accrued in respect of contingent consideration	1,012	1,638	-
Amounts accrued in respect of business combinations	-	1,057	-
Goods and services tax	-	3,737	-
Other payables	2,913	2,704	6,638
Total trade and other payables	5,060	10,968	6,638

The timing of Ministry of Education funding, as disclosed at Note 6, affects the timing of goods and services tax ("GST") payable. Accordingly, as funding was received on 1 March 2015 GST is payable in respect of that funding at 31 March 2015. GST payable in respect of funding received in July 2015 was paid in August 2015.

The amounts accrued in respect of business combinations were settled during the reporting period.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

6. Funding Received in Advance

	UNAUDITED 30 SEPTEMBER 2015	AUDITED 31 MARCH 2015	UNAUDITED 30 SEPTEMBER 2014
\$'000			
Funding received in advance	7,256	18,668	-
Funding receivable	(7,144)	(3,022)	-
Total funding received in advance	112	15,646	-

Ministry of Education funding is received three times per year on 1 March, 1 July and 1 November. Each funding round includes 75% of the estimated funding for the four months ahead. At 30 September 2015 funding received in advance relates to October 2015. Funding receivable relates to the remaining 25% of funding, adjusted for any changes in occupancy levels, in respect of June to September 2015.

7. Borrowings and Related Party Borrowings

Borrowings

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

	UNAUDITED 30 SEPTEMBER 2015	AUDITED 31 MARCH 2015	UNAUDITED 30 SEPTEMBER 2014
\$'000			
Facility Limits			
Senior revolving facility	30,000	30,000	-
Acquisition facility	60,000	60,000	-
Total lending facilities	90,000	90,000	-
Utilisation			
Senior revolving facility	8,800	-	-
Acquisition facility	16,625	-	-
Total borrowings	25,425	-	-
Total unused facilities	64,575	90,000	-

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

7. Borrowings and Related Party Borrowings (continued)

Related Party Borrowings

	UNAUDITED 30 SEPTEMBER 2015	AUDITED 31 MARCH 2015	UNAUDITED 30 SEPTEMBER 2014
\$'000			
S B James Superannuation Trust	-	-	1,865

The loan from the S B James Superannuation Trust was repaid in December 2014.

8. Reconciliation of Profit/(Loss) After Tax to Net Operating Cash Flows

	UNAUDITED 6 MONTHS 30 SEPTEMBER 2015	UNAUDITED PERIOD 31 MARCH 2014
\$'000		
Profit/(loss) after tax	8,435	(4,513)
Adjustments for:		
Depreciation and amortisation	1,001	-
Contingent consideration adjustments	(294)	-
Expenses paid on behalf of the Group	-	890
Net finance expense	412	802
Deferred tax	(376)	-
Share of profits in joint venture	(63)	-
Other	(91)	10
Changes in operating assets and liabilities:		
<i>Working capital movements:</i>		
Increase/(decrease) in funding received in advance	(16,188)	-
(Increase)/decrease in other current assets	(739)	(3,784)
Increase/(decrease) in trade and other payables	(6,043)	6,638
Increase/(decrease) in current income tax liabilities	427	-
Increase/(decrease) in employee entitlements	827	-
<i>Other items:</i>		
Business combination completion payment classified as investing	937	-
Change in contingent consideration provided classified as investing	626	-
Net cash flows from operating activities	(11,129)	43

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

8. Reconciliation of Profit/(Loss) After Tax to Net Operating Cash Flows (continued)

The contingent consideration adjustments amount of \$294,000 above relates to amounts settled or re-estimated and included in the Statement of Comprehensive Income during the period. As this amount relates to business combinations it is regarded as relating to investing activities for the purposes of the Statement of Cash Flows.

The amount of \$937,000 relating to business combination payments above relates to purchase price completion payments in respect of the home-based ECE businesses acquired in December 2014. The change in contingent consideration of \$626,000 is a result of amounts settled and amounts re-estimated in respect of the business combinations contingent consideration liabilities. Both of these items 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.

As per Note 6, Ministry of Education ("MOE") funding is received by Evolve every four months. In the six months to 30 Sept 2015 MOE funding was received on 1 July 2015 only, with the next funding due on 1 November 2015 and then again on 1 March 2016.

9. Commitments and Contingencies

Guarantees

In addition to the lending facilities disclosed at Note 7, the Group has a lease guarantee facility of \$3,000,000 (31 March 2015: \$3,000,000; 30 September 2014: Nil). At the reporting date utilisation of the facility was \$2,363,000 (31 March 2015: \$2,042,000; 30 September 2014: Nil).

10. 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).

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

10. Related Party Transactions (continued)

- 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 and Wildfire Limited, companies 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:

In addition to wages and salaries paid to executives and senior managers of the Group the following related party transactions have occurred between 31 March 2015 and 30 September 2015:

- Directors' fees of \$192,500.
- Acquisition related costs paid or payable to Kern Group of \$211,000 in respect of acquisitions in the current and prior period.
- Acquisition related costs paid to Wraith Capital Group NZ Limited of \$221,000 in respect of acquisitions in the current and prior period.
- Payment for consultancy services relating to the previous financial period to Mark Finlay of \$40,000.
- Rent, in respect of certain ECE centres and the support office, paid to interests of Mark Finlay of \$395,000.
- Rent paid to interests of Jenny Yule, CEO of the PORSE Group of companies, of \$161,000.

11. Events After the Reporting Period

Dividend

On 23 November 2015, the Board approved the payment of a fully imputed dividend of 2.38 cents per share, payable in December 2015. The Company also announced the establishment of a Dividend Reinvestment Plan.

Acquisitions

On 6 November 2015 the Group settled the acquisition of a further ECE centre. The acquisition includes \$2.0m of goodwill acquired and this comprises the future earnings potential of the centre acquired. The purchase price was funded by borrowings.

Notes to the Consolidated Financial Statements

For the six month period ended 30 September 2015

11. Events After the Reporting Period (continued)

On 17 November 2015 the Group entered into an unconditional agreement for the purchase of an ECE centre. Settlement is due to occur in December 2015. Based on the provisional value of net assets to be acquired the acquisition is likely to result in goodwill of \$850,000 and comprises the future earnings potential of the centre acquired.

Both acquisitions are a continuation of the Group's strategy to form a nationwide group of centrally-owned and managed ECE providers.



Independent Review Report to the shareholders of Evolve Education Group Limited

Report on the Interim Financial Statements

We have reviewed the accompanying consolidated financial statements of Evolve Education Group Limited ("the Company") and its controlled entities ("the Group") on pages 13 to 29, which comprise the consolidated statement of financial position as at 30 September 2015, and the consolidated statement of comprehensive income, the consolidated statement of movements in equity and the consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

Directors' Responsibility for the Financial Statements

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

Our Responsibility

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

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax compliance and advisory. The provision of these other services has not impaired our independence.

Conclusion

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

Restriction on Use of Our Report

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

Chartered Accountants
23 November 2015

Auckland

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Mark Finlay
Greg Kern
Alistair Ryan
Alan Wham

Senior Management Team

Alan Wham – Chief Executive Officer
Vivek Singh – Chief Financial Officer
and Company Secretary
David Smith – Chief Operating Officer
Rachel Nottingham – Acquisitions
and Property Manager
Allan McGilvray – General Manager,
People and Capability
Casey Muraahi – General Manager,
Au Pair Link Limited
Paula Hawkings – General Manager,
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