

SPARROWHAWK 2 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2024

SPARROWHAWK 2 LIMITED

COMPANY INFORMATION

Directors	M Kotecha (resigned 18 October 2023) A Lawley (appointed 19 October 2023) L Bremermann-Richard T De Clerck T Wethered
Registered number	13246693
Registered office	17 Grosvenor Street London United Kingdom W1K 4QG
Independent auditors	BDO LLP Chartered Accountants & Statutory Auditors 55 Baker Street London United Kingdom W1U 7EU

SPARROWHAWK 2 LIMITED

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2024**

Introduction

The Directors present their Strategic Report for Sparrowhawk 2 Limited ("the Company") and its subsidiary undertakings (together "the Group") for the year ended 31 August 2024.

Principal activity

The Company is the holding company of the Oxford International Education Group ("OIEG") which provides a range of international education services to domestic and international students. The Group comprises two principal divisions, listed below:

- Higher Education, consisting of:
 - Partnerships with UK and North American universities to provide on-campus embedded colleges which allow international students to study academic foundation, undergraduate and postgraduate courses;
 - Independent pathways college ("OIPC"), providing remote pathways courses which allow international students to study academic foundation, undergraduate and postgraduate courses;
 - Digital services including providing potential higher education students with high quality online English Language testing and other pre-sessional courses; and year round academic language courses for adults;
 - Direct recruitment services providing student recruitment to higher education providers;
 - Provision of enrolment services for universities and other educational establishments;
 - Provision of International English Language Tests ("IELTS") testing for non-native English language speakers; and
 - Provision of Higher Education courses in Australia.
- English Language:
 - Academic and vocational based English courses to juniors principally during Easter and Summer holidays across numerous centres in the UK, Europe and North America, as well as year round English language programmes based in the UK and North America;
 - Provision of English Language courses in Australia.

Business review

During the year, the Group has executed its strategic plan to grow its capability across its range of academic activities particularly in its Higher Education division. The Group continues to invest in its global student recruitment capability which has helped significantly grow its academic student numbers.

The Group's embedded University Partnership colleges at De Montfort University, Bangor University, University of Dundee, University of Greenwich and University of Bradford, continued to provide excellent academic support to international students helping in the context of changing political circumstances, which restricted the UK international education market. This resulted in a 26.2% drop in overall revenues. Edinburgh Napier University and University of Kent are now fully launched and generating significant revenues during FY24, which has mitigated the impact of a smaller market. The Group also continued its investment in businesses providing enrolment services for universities and other educational establishments during the year. During the year significant political changes to student visas meant that most international students could no longer bring family members into the UK, which had a negative impact on the whole industry, reducing student numbers. Although this reduced student numbers and associated revenues, the Group managed to mitigate the impact on margins by flexing variable costs in order to ensure that it was still able to remain profitable and therefore sustain its provision. Applications and deposits for September 2025, however, increased 15% and 21% respectively, which compared very favourably to the wider market, where paid deposits are 54% lower.

Our independent pathways college, OIPC, saw a small reduction during the year, also due to the impact of changes to student visas. The 8.4% drop in revenue compares favourably to the wider UP performance, and therefore much more favourably compared to the wider market.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

Direct recruitment continued its success, generating increases of 349.5% in revenues, from £2.2m to £10.1m. This has been made possible due to the strength of the Oxford International brand, in conjunction with existing levels of expertise within the wider Group.

Digital services continued to grow, with revenue increasing by 9.2% in the year, due to continued investment in business development combined with increased recognition of our online English Language testing. New products have also contributed towards continued growth of the digital business. FY25 sees this trend continue, as we continue diversification of our product offerings and also branch out into overseas franchising.

Higher education offerings from our businesses in the USA and Canada saw an increase of 28.8% year on year as we increased our offering and further developed our career colleges.

Our enrolment services, based in India and acquired in FY22, saw a slight dip in revenues, from £6.9m to £6.1m. This drop of 11.3% is significantly better than prevailing market conditions and reflects the continued good quality service and good customer relationships that the division has generated and continues to underpin it.

English language courses saw a slight decrease in revenues of 2.2%. This reflects a 16.6% drop in UK revenues and similar in the US and Canada, boosted by the acquisition of Universal English Pty Limited in Australia in early July 2024. Reductions in trade are due to consolidation of the business and concentration on profitable centres in order to deliver better results for our students.

In July 2024, the Group acquired Universal Learning Group Pty Limited, which also owns Universal English Pty Limited and Universal Higher Education Pty Limited. These acquisitions are all based in Australia and represent the Group's intention to diversify geographical revenue streams in order to improve resilience.

Review of financial performance

The Group's key financial highlights are as follows:

	Year ended 31 August 2024	Year ended 31 August 2023
	£'000	£'000
Turnover	93,028	100,543
Gross Profit	43,612	47,985
Gross Profit %	46.9%	47.7%
Administrative expenses	(46,066)	(42,108)
Operating profit/(loss)	(2,454)	5,877

SPARROWHAWK 2 LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

KPIs

	Year ended 31 August 2024	Year ended 31 August 2023
	£'000	£'000
Revenue – University Partnerships	41,692	56,504
Revenue – OIPC	3,411	3,726
Revenue – Digital Services	5,077	4,648
Revenue – Direct Recruitment	10,109	2,249
Revenue – Enrolment Services	6,147	6,932
Revenue – IELTS	3,503	3,331
Revenue – Adults, North America	4,734	3,066
Revenue - Higher Education, Australia	447	-
Revenue – English Language Courses	17,908	20,087

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

FY24 saw an overall drop in revenue of 7.5%, predominantly driven by the impact of changes in UK student visas, which had the effect of reducing University Partnership revenue by £14.8m (26.2%). This was somewhat offset by a £0.4m increase in digital services revenue, as our product range diversified and more establishments began to recognise the ELLT qualification, along with a £7.9m increase in direct recruitment revenues. Gross margin was resilient, dropping from 47.7% to 47.1% demonstrating the Group's agility and ability to adapt and react in challenging market conditions, despite the loss of certain economies of scale. Administrative expenses increased, from £42.1m to £46.1m mainly as the result of increased non-recurring expenses related to refinancing, along with potential acquisition opportunities. Other costs remained relatively consistent as they do not tend to be directly related to revenue.

Despite significant drops in revenue from our University Partnerships division, gross margins managed to remain fairly resilient, dropping by only 5.4% from 54.6% to only 49.2%, due to good cost management within the division and good reaction to market conditions. Despite the 26.2% drop in revenue, this compares favourably to a general market drop of 34% (source: Enrolly). Whilst this has had an obvious impact on EBITDA, the market shows signs of recovery, with September 2025 applications and deposits up 15% and 21% respectively compared to FY24.

Our independent pathways college, OIPC was also impacted by changing market conditions, however saw a smaller drop in revenue of only 8.4%. Despite the drop in revenues, OIPC managed to increase EBITDA by £0.3m, reflecting its resilience.

Digital services saw a 9.2% increase in revenue as it finished its second full year of trading. This translated into a £0.7m (61.1%) increase in EBITDA as recognition of our offerings grew, along with the success of a diversified product range. New products have been developed for launch in FY25 and beyond, which are expected to not only grow our revenue, but also our profitability.

Direct recruitment continued its success, generating increases of 349.5% in revenues, from £2.2m to £10.1m. This has been made possible due to the strength of the Oxford International brand, in conjunction with existing levels of expertise within the wider Group. Of this, £3.2m converted directly to EBITDA.

Enrolment services performed well in a tough market, a drop in revenues which was not as severe as the wider market, and still generating strong EBITDA of £5.6m. This increase was a result of our partners continuing to recognise the quality and reliability of services provided.

In July 2024, the Group acquired some businesses in Australia, including Universal Higher Education Pty Limited. This contributed £0.4m of revenue to the Group and with is £0.1m of EBITDA in the closing 2 months. It is expected that this business will be profitable going forwards, along with supporting our strategic aim of geographical diversification.

In North America, IELTS saw an increase in revenue, from £3.3m to £3.5m, with a similar increased margin and profitability. This is being continually monitored in order to ensure that it is sustainably provided. North American language courses for adults saw a £1.6m increase in revenues, mainly driven by our career college in Halifax, as it increased its offerings. This resulted in a £0.4m increase in EBITDA from these businesses. Overall, our North American higher education businesses improved their performance and are expected to continue to do so as we continue to invest in the region and expand our presence.

Our English Language business saw a drop in revenues of 13.0%, due to consolidation of the business and concentration on profitable centres in order to deliver better results for our students.

The UK was at capacity during Summer 2024, across a more restricted number of centres, generating £15.9m of revenue. As a result, EBITDA saw significant improvements compared to FY24.

Despite challenging market conditions, the Group managed to maintain a stable level of overhead cost. This reflects the relatively fixed cost base on which the Group operates, and also reflects the retention of certain costs in order to deal with increased levels of trading as the market recovers, which it is already starting to do.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

Another business acquired within our Australian acquisition, is Universal English Pty Limited. This contributed £0.4m of revenue in the closing 2 months post acquisition, however is expected to generate significant growth as they integrate more fully within OIEG.

Administrative expenses included £5.8m of amortisation (2023: £5.6m) relating to the separately identifiable intangible assets and goodwill that arose on consolidation as a result of the acquisition of the OIEG group by Sparrowhawk 3 Limited in FY21, the acquisition of Mohit Gambir Education Pvt Ltd and EXIMMG Educational Consultants Private Limited in India, East Coast School of Languages Limited in FY22 and Universal Learning Group Pty Limited and its subsidiary undertakings in July 2024. The Group has experienced increased payroll costs of £3.7m year on year, mainly due to inflationary increases and continued investment in our support services in order to ensure we have future scalability.

There was an increase in non-recurring costs in the year from £3.0m to £4.8m due in part to the refinancing that took place in January 2024, combined with costs involved in potential acquisition opportunities.

The Group continues to invest significantly to support its growing academic businesses and continues to work on both organic and acquisition growth opportunities. During FY24, the Group invested £1.5m in website and software as part of the ongoing strategy to support this growth, including the implementation of a new finance system. The year end net liabilities position is £3.9m. Adjusted net current assets (excluding deferred income and payments on account) as at the balance sheet date are £27.6m including a cash balance of £12.5m. Net current assets are adjusted for deferred income and payments on account as these are non-cash items and relate to an obligation to deliver a service rather than satisfaction via future cash flows.

On 15 January 2024, the Group was refinanced. The key elements of the resulting Senior Facilities Arrangement are as follows:

Term Loan

A term loan of £35m was provided on 15 January 2024 with a termination date of July 2029. Interest accrues at a rate of 1.58% margin on undrawn amounts, and 4.50% plus SONIA on drawn amounts, which is payable on a semi-annual basis.

Revolving credit facility

On 15 January 2024, Sparrowhawk 3, together with other members of the Group, entered into the Senior Facilities Agreement, which provides up to £5m of credit facility, all of which can be drawn by way of loans and ancillary facilities. As at 31 August 2024, none was drawn down.

Interest accrues at a rate of 1.40% margin on undrawn amounts, and 4.50% plus SONIA on drawn amounts, which is payable on a quarterly basis.

Acquisition credit facility

On 15 January 2024, Sparrowhawk 3, together with other members of the Group, entered into the Senior Facilities Agreement, which provides up to £20m of financing for acquisitions and capital expenditure, all of which can be drawn by way of loans. As at 31 August 2024, £10.8m was drawn down.

Interest accrues at a rate of 1.58% margin on undrawn amounts, and 4.50% plus SONIA on drawn amounts, which is payable on a quarterly basis.

Capitalised issue costs

Costs incurred in issuing the term loan totalled £1.8m. The costs are capitalised and allocated to the income statement over the terms of the related debt facility.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

Principal risks and uncertainties

The principal risk facing the business is around the continued recruitment of new students, which is influenced by certain external factors such as visa regulations and macro-economic conditions. Whilst the UK education market has been growing and remains strong, the Group does monitor and react to any weakness in the market to minimise its exposure. Following recent economic events which have triggered significant inflation, a recession and a fall in value of GBP, the Group's management have been closely evaluating the impact on trade. Although the cost of overseas suppliers has risen as a result of this, demand from overseas students has increased, in part due to exchange rates being favourable to them.

Given the volume of overseas trading, the Group considers foreign exchange risk to be a principal risk, however, the Group continues to monitor foreign exchange movements and has not experienced any significant impacts during the period as the result of changes in exchange rate.

Management pro-actively manages the risks associated with liquidity. These are managed by implementing effective financial policies and procedures and working capital management. In addition, and including post the balance sheet date, management continues to rigorously monitor the performance of the Group, controlling and minimising costs and preserving cashflow where possible. Were a pandemic such as, or similar to Covid-19 to arise again, this would have an impact on the Easter, Summer and Winter English Language programmes due to students being unable to travel. Management considers this not only to be remote, but also considered the Group to have sufficiently diversified its trade to minimise the impact at Group level.

Going concern

The Directors have reviewed the balance sheet for the period ended 31 August 2024 noting that, while the net current liabilities shown on the balance sheet total £6,009k, adjusting this to take account of £3,789k deferred income and £23,814k payments on account, which are non-cash current liabilities, leaves adjusted net current assets of £21,594k. Payments on account comprise non-refundable payments for language courses, while deferred income is reflecting the prepaid tuition and accommodation fees. The Group made a loss of £5,823k. Adjusting this for non-cash items such as £6,437k of amortisation and £467k of depreciation, means that the Group made an underlying profit of £1,081k. This is forecast to improve going forwards as market conditions improve.

Trading post period end is forecast to generate positive EBITDA during the year to 31 August 2025 and, with that, significant cash. Forecasting has taken place for the subsequent 2 years, continuing to forecast high levels of growth, EBITDA and cash generation. The directors have considered detailed cash flow projections, including scenario and sensitivity analysis and even when considering worst case scenarios, including a scenario whereby travel restrictions such as those experienced under Covid return, this further supports the net current assets position of the business going forward, as well as the cash and liquidity needed to support the business for at least 12 months from the date of signing. On this basis the Directors consider the Group to be a going concern.

SECTION 172 STATEMENT

Section 172(1) of the Companies Act 2006 requires the Directors to act in a way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders, having regard to (amongst other things) the following:

- The likely long term consequences of decisions;
- The interests of employees;
- The need to foster relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and the environment; and
- The desirability to maintain a reputation for high standards of business conduct.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

Identity of shareholders

The Group is jointly owned by its founders, members of the senior leadership team and THI Holdings GmbH.

Aims and values

The Group is a unique accredited education provider dedicated to creating life-enhancing experiences for students worldwide. The Group's extensive portfolio covers academic short courses, university partnership programmes, English language courses for adult and junior students in the UK, Canada and USA and a comprehensive range of online academic courses through the Group's OI Digital Institute.

The Group is focused on quality and academic outcomes, with a strong desire to lead in its chosen market sectors. The Group's workforce is dedicated, enthusiastic and like-minded, with a genuine interest in what it does.

Other key stakeholders

These include the following:

- Pupils, students and their respective fee payers;
- Employees of the Group; and
- Certain suppliers.

Key decisions during the year

The Board regularly discusses proposals for new business opportunities, capital expenditure investment and various efficiency initiatives. Whilst financial benefit and shareholder return is one of the key decision criteria, the long-term effect on the Group's going concern, the quality of the learning environment, job security and staff satisfaction, the quality of student academic outcomes, value and service for key stakeholders and fair trading terms for suppliers are also key considerations.

Maintaining a reputation for high standards of business conduct and monitoring of risk

The Group has its own internal governance processes and is also regulated by a number of external bodies including The Office for Students, Independent Schools Inspectorate and the British Council. External regulatory bodies regularly inspect the Group's activities/sites to ensure regulatory standards are, as a minimum, being met.

The Group maintains its own Internal Code of Ethical and Professional Conduct with which all employees are required to affirm compliance annually.

The Board of Directors maintains a Risk Register to:

- Identify the nature and extent of significant risks facing the Group's business;
- Advise the Board on the Group's appetite and tolerance of the risks it is willing to take in achieving its strategic objectives; and
- To consider mitigation plans to address key risks and to present solutions for managing those which cannot be eliminated.

Future developments

The Group continues to invest in its infrastructure, innovate its programme content and streamline operations to ensure it provides both a comprehensive as well as a quality driven educational experience to its students.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

Equality and diversity policy

The Group is firmly committed to equality and diversity in all areas of its activities. As part of its responsibilities under the Equality Act 2010, the Company has a duty to promote equality of opportunity as well as tackling unlawful discrimination (whether direct and/or indirect and this also incorporates victimisation).

Under the Equality Act 2010, the Company ensures that characteristics such as age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation are protected. Recruitment is carried out on the sole basis of the applicant's abilities and suitability for the job not taking into account any of the above mentioned characteristics. The Company recognises that all employees have equal rights to training, promotion, and other aspects of career development based purely on their abilities. Promotion and training will be made accessible to disabled employees by such adjustments as are reasonable. The Group seeks to involve all employees through regular internal communication.

This report was approved by the board and signed on its behalf:

L Bremermann-Richard
Director

Date: 22 January 2025

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2024**

The Directors present their report and the financial statements for the year ended 31 August 2024.

Results and dividends

The loss for the year, after taxation, amounted to £5,823,206 (2023 - profit £3,487,817).

The Directors have paid a dividend of £40,500,000 during the year (2023: nil).

Directors

The Directors who served during the year were:

M Kotecha (resigned 18 October 2023)
A Lawley (appointed 19 October 2023)
L Bremermann-Richard
T De Clerck
T Wethered

SECR reporting

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per student, the recommended ratio for the sector.

UK Greenhouse gas emissions and energy use data for the year 1 September 2023 to 31 August 2024

	Current reporting year 2023/2024	Previous reporting year 2022/2023
Energy consumption used to calculate emissions (kWh)	245,878	285,899
Energy consumption breakdown (kWh) (optional):		
- Gas	113,948	114,565
- Electricity	131,930	171,334
- Transport fuel	n/a	n/a
Scope 1 emissions in metric tonnes CO ₂ e		
Gas consumption	20.80	20.91
Scope 2 emissions in metric tonnes CO ₂ e		
Purchased electricity	25.51	33.13
Scope 3 emissions in metric tonnes CO ₂ e		
Business travel in employee owned vehicles	n/a	n/a
Total gross emissions in metric tonnes CO ₂ e	46.31	54.05
Intensity ration (metric tonnes CO ₂ e per student)	0.04	0.04

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

Measures taken to improve energy efficiency

We are continuing to encourage staff behaviour to increase awareness of turning off air-conditioning units when leaving the office. Most meetings are conducted by video-conferencing thus reducing the need to travel and, since the Covid pandemic, most staff are permitted to work flexibly only having to travel into the office two days a week, thus, reducing commuting into the office.

The Grosvenor Street office has bike racks and showers available for employees and we offer the Cycle to Work scheme to encourage reduced reliance on driving. Additionally, there is no parking and our Grosvenor Street office is within the congestion charge zone so all staff use public transport, walking/running or cycling to reach this office.

We run a largely digital office: our Admissions team do not use paper files and our finance team do not use paper invoices. Same for our HR teams. We encourage tutors to use online only materials and avoid printing handouts unless absolutely essential. Our digital division is providing the majority of the teaching materials for face-to-face teaching as well as online in a digital format.

Political donations

The company made no political donations or incurred any political expenditure during the current year (2023: £nil).

Financial risk management

Price risk

Future turnover remains sensitive to changes in overall market dynamics within the education sector. The group performs periodic market reviews to ensure that all rates remain competitive.

Credit risk

The Group ensures that appropriate credit checks are made on potential customers before sales are made. Management regularly reviews outstanding receivables and debtor recovery plans, together with credit limits across most of our largest customers. The Group's policy is to deposit surplus cash with internally approved banks. These banks are reviewed at least annually to ensure that appropriate credit ratings are maintained.

Cash flow/liquidity risk

The Group has sufficient funds to service the annual cost of its financing. The Group has access to a £5m revolving credit facility. As at 31 August 2024, the facility was undrawn.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

SPARROWHAWK 2 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024**

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

L Bremermann-Richard
Director

Date: 22 January 2025

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2024**

The Directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPARROWHAWK 2 LIMITED

Opinion on the financial statements

We have audited the financial statements of Sparrowhawk 2 Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 August 2024, which comprise Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 August 2024 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPARROWHAWK 2 LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group and Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group and Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPARROWHAWK 2 LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be the compliance with Companies Act 2006, UK Accounting standards and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health, safety and environmental laws as well as the UK Bribery Act.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPARROWHAWK 2 LIMITED (CONTINUED)

- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the existence of revenue and completeness of deferred income and management override of controls.

Our procedures in respect of the existence of revenue and completeness of deferred income included:

- We performed a review of the Group's revenue recognition policy to confirm that it was in line with applicable standards.
- Where applicable, we recalculated expected recognisable and deferred tuition fee income based on published fee rates and student number data extracted from the internal systems. A sample of students were traced to registration and attendance supporting records to confirm existence. We compared our expectation of revenue to revenue recognised and deferred at year end in the financial statements.
- We substantively tested a sample of tuition fees and other income to registration and attendance to confirm existence and examined supporting evidence of revenue value and point of recognition.
- To address the risk of fraud relating to revenue recognition, through our journal testing we obtained a list of journal entries to revenue and reviewed postings which we considered to be unusual or outside of normal course of business.

Our procedures in respect of management override of controls:

- We tested a sample of journal entries throughout the year, which met a defined risk criterion to supporting documentation;
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate a risk of material misstatements due to fraud; and
- Testing a sample of journal entries throughout the year that do not meet a defined risk criteria (i.e. non risky journals);

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

SPARROWHAWK 2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPARROWHAWK 2 LIMITED (CONTINUED)

David Wildey (Senior Statutory Auditor)
for and on behalf of
BDO LLP
Statutory Auditors
London, UK

23 January 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

SPARROWHAWK 2 LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2024

	Note	2024 £	2023 £
Turnover	3	93,028,085	100,543,142
Cost of sales		(49,416,442)	(52,557,710)
Gross profit		43,611,643	47,985,432
Administrative expenses		(46,065,540)	(42,108,419)
Operating (loss)/profit	4	(2,453,897)	5,877,013
Profit/(loss) on sale of tangible/intangible assets		133	(15,302)
(Loss)/profit on ordinary activities before interest		(2,453,764)	5,861,711
Interest receivable and similar income	8	292,858	453,851
Interest payable and similar expenses	9	(2,795,432)	(334,839)
(Loss)/profit before taxation		(4,956,338)	5,980,723
Tax on profit/(loss)	10	(866,868)	(2,492,906)
(Loss)/profit for the financial year		(5,823,206)	3,487,817
Foreign exchange		(281,426)	(412,017)
Total comprehensive income for the year		(6,104,632)	3,075,800
Owners of the parent Company		(5,823,206)	3,487,817

There were no recognised gains and losses for 2024 or 2023 other than those included in the consolidated statement of comprehensive income.

The notes on pages 26 to 52 form part of these financial statements.

SPARROWHAWK 2 LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2024

	Note	2024 £	2023 £
Fixed assets			
Intangible assets	11	57,721,551	52,767,845
Tangible assets	12	1,234,134	1,148,994
		<u>58,955,685</u>	<u>53,916,839</u>
Current assets			
Stocks	15	346,931	231,216
Debtors: amounts falling due within one year	16	29,790,412	12,817,876
Cash at bank and in hand	17	12,458,757	36,126,256
		<u>42,596,100</u>	<u>49,175,348</u>
Creditors: amounts falling due within one year	18	(48,606,365)	(46,419,802)
Net current (liabilities)/assets		<u>(6,010,265)</u>	<u>2,755,546</u>
Total assets less current liabilities		<u>52,945,420</u>	<u>56,672,385</u>
Creditors: amounts falling due after more than one year	20	(44,503,455)	(1,138,611)
Provisions for liabilities			
Deferred taxation	22	(5,383,021)	(6,087,085)
Other provisions		(999,700)	(782,813)
		<u>(6,382,721)</u>	<u>(6,869,898)</u>
Net assets		<u><u>2,059,244</u></u>	<u><u>48,663,876</u></u>

SPARROWHAWK 2 LIMITED
REGISTERED NUMBER: 13246693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 AUGUST 2024

	Note	2024 £	2023 £
Capital and reserves			
Called up share capital	24	492,060	492,060
Share premium account		-	48,713,981
Foreign exchange reserve		(691,836)	(410,410)
Profit and loss account		2,259,020	(131,755)
Equity attributable to owners of the parent		<u>2,059,244</u>	<u>48,663,876</u>
Company		<u>2,059,244</u>	<u>48,663,876</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

T De Clerck
Director

Date: 22 January 2025

The notes on pages 26 to 52 form part of these financial statements.

SPARROWHAWK 2 LIMITED
REGISTERED NUMBER: 13246693

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2024

	Note	2024 £	2023 £
Fixed assets			
Fixed asset investments		49,206,041	49,206,041
Creditors: amounts falling due within one year	18	(340,366)	(203,365)
Net current liabilities		(340,366)	(203,365)
Total assets less current liabilities		48,865,675	49,002,676
Net assets		48,865,675	49,002,676
Capital and reserves			
Called up share capital	24	492,060	492,060
Share premium account		-	48,713,981
Profit and loss account		48,373,615	(203,365)
		48,865,675	49,002,676

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The loss in the financial statements of the parent company for the year ended 31 August 2024 was £137,000 (2023: £111,803 loss).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

T De Clerck
Director

Date: 22 January 2025

The notes on pages 26 to 52 form part of these financial statements.

SPARROWHAWK 2 LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2024

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 September 2022	492,060	48,713,981	1,607	(3,619,572)	45,588,076
Comprehensive loss for the year					
Profit for the year	-	-	-	3,487,817	3,487,817
Foreign exchange	-	-	(412,017)	-	(412,017)
At 1 September 2023	492,060	48,713,981	(410,410)	(131,755)	48,663,876
Comprehensive income for the year					
Loss for the year	-	-	-	(5,823,206)	(5,823,206)
Foreign exchange	-	-	(281,426)	-	(281,426)
Contributions by and distributions to owners					
Dividends paid	-	-	-	40,500,000)	40,500,000)
Share premium reduction	-	48,713,981)	-	48,713,981	-
At 31 August 2024	492,060	-	(691,836)	2,259,020	2,059,244

The notes on pages 26 to 52 form part of these financial statements.

SPARROWHAWK 2 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2024

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 September 2022	492,060	48,713,981	(91,562)	49,114,479
Comprehensive loss for the year				
Loss for the year	-	-	(111,803)	(111,803)
At 1 September 2023	492,060	48,713,981	(203,365)	49,002,676
Comprehensive loss for the year				
Loss for the year	-	-	(137,001)	(137,001)
Dividends received	-	-	40,500,000	40,500,000
Contributions by and distributions to owners				
Dividends paid	-	-	40,500,000)	40,500,000)
Share premium reduction	-	48,713,981)	48,713,981	-
At 31 August 2024	<u>492,060</u>	<u>- 48,373,615</u>	<u>48,865,675</u>	

On 8 January 2024, a special resolution was passed to reduce the share premium of the Company from £48,713,981 to nil. This reduction was credited to distributable reserves.

The notes on pages 26 to 52 form part of these financial statements.

SPARROWHAWK 2 LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2024

	2024 £	2023 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(5,823,206)	3,487,817
Adjustments for:		
Amortisation of intangible assets	6,437,488	5,621,903
Depreciation of tangible assets	471,844	423,949
Profit on disposal of tangible assets	432	-
Interest paid	2,767,032	35,546
Interest received	(292,881)	(453,851)
Taxation charge	866,868	2,492,906
(Increase) in stocks	(115,715)	(88,435)
(Increase) in debtors	(17,519,603)	(1,977,802)
Increase/(decrease) in creditors	2,610,144	(596,417)
Corporation tax (paid)	(3,285,506)	(2,098,660)
Unwinding of deferred consideration	28,398	299,293
Loss on disposal of intangible assets	-	15,303
Net cash generated from operating activities	(13,854,705)	7,161,552
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,470,941)	(2,312,783)
Purchase of tangible fixed assets	(478,020)	(431,621)
Interest received	304,207	453,851
Purchase of subsidiary undertaking, net of cash acquired	(9,512,969)	-
Cash payment in relation to deferred consideration for the purchase of subsidiary undertakings	(1,163,957)	(1,226,451)
Bank loans received	10,783,000	-
Net cash from investing activities	(1,538,680)	(3,517,004)
Cash flows from financing activities		
Bank loans received	35,000,000	-
Interest paid	(2,540,040)	(35,546)
Dividends paid	(40,500,000)	-
Net cash used in financing activities	(8,040,040)	(35,546)
Net (decrease)/increase in cash and cash equivalents	(23,433,425)	3,609,002
Cash and cash equivalents at beginning of year	36,126,256	32,937,064
Foreign exchange gains and losses	(234,074)	(419,810)

SPARROWHAWK 2 LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2024

	2024	2023
	£	£
Cash and cash equivalents at the end of year	<u>12,458,757</u>	<u>36,126,256</u>

The notes on pages 26 to 52 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

1. General information

Sparrowhawk 2 Limited is a private company limited by shares and incorporated, domiciled and registered in England and Wales in the United Kingdom. The registered number is 13246693 and the registered address is 17 Grosvenor Street, London, W1K 4QG, United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements and key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. There are no key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Debtor recoverability

Debtors are reviewed regularly by management based on value, age and other qualitative metrics in order to ascertain the risk of bad debt and therefore the level of provision required. As a result, this is considered to be an area of significant judgement.

Significant judgements

Impairment of goodwill and intangible assets

Goodwill arising on consolidation represents the excess of the fair value of consideration given over the fair value of the identifiable net assets acquired, including intangible assets identified. The Group tests annually whether goodwill and intangible assets have suffered any impairment, in accordance with the Group's accounting policy. Management uses judgment to assess whether any indicators of impairment exist as at year end and whether an impairment review is required. Management reviews both internal and external impairment triggers as per the requirements of FRS 102.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

2. Accounting policies (continued)

Fair value of deferred consideration

Deferred consideration is valued at par and discounted based on the Group's WACC. This has been determined with reference to internal and external economic factors.

2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.4 Going concern

The Directors have reviewed the balance sheet for the period ended 31 August 2024 noting that, while the net current liabilities shown on the balance sheet total £6,009k, adjusting this to take account of £3,789k deferred income and £23,814k payments on account, which are non-cash current liabilities, leaves adjusted net current assets of £21,594k. Payments on account comprise non-refundable payments for language courses, while deferred income is reflecting the prepaid tuition and accommodation fees. The Group made a loss of £5,823k. Adjusting this for non-cash items such as £6,437k of amortisation and £467k of depreciation, means that the Group made an underlying profit of £1,081k. This is forecast to improve going forwards as market conditions improve.

Trading post period end is forecast to generate positive EBITDA during the year to 31 August 2025 and, with that, significant cash. Forecasting has taken place for the subsequent 2 years, continuing to forecast high levels of growth, EBITDA and cash generation. The directors have considered detailed cash flow projections, including scenario and sensitivity analysis and even when considering worst case scenarios, including a scenario whereby travel restrictions such as those experienced under Covid return, this further supports the net current assets position of the business going forward, as well as the cash and liquidity needed to support the business for at least 12 months from the date of signing. On this basis the Directors consider the Group to be a going concern.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP, rounded to the nearest pound.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.6 Revenue

Revenue represents the invoiced value of services supplied net of discounts and is recognised in the profit and loss when these services are delivered as follows:

- University Partnerships and Independent Pathways - revenue recognised over the period these courses are provided to the students
- Digital Services - revenue recognised over the period these courses are provided to the students
- Direct Recruitment and Enrolment Services - revenue is recognised once student information is fully processed and they have commenced their course
- International English Language Tests - revenue recognised over the period these courses are provided to the students
- Other English Language Courses - revenue recognised over the period these courses are provided to the students

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

2. Accounting policies (continued)

2.7 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

2. Accounting policies (continued)

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Customer Relationships	-	10 - 18 years
Trade Names	-	10 years
Digital Content	-	5 years
Goodwill	-	10 years
Capitalised Software and Website Costs	-	4 years

Internally generated software costs if it can be demonstrated that:

- It is technically feasible to develop the software;
- The software will generate future economic benefits;
- Expenditure on the software can be measured reliably.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property renovation	- 4-15 years straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 25% straight line
Office equipment	- 25% straight line
Teaching equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Stocks

Stocks are stated at the lower of cost and estimated selling price. Cost is based on the first-in first-out principle and other costs in bringing them to their existing location and condition.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.16 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

2. Accounting policies (continued)

2.17 Financial instruments

The Group has elected to apply the provisions of Section 11 “Basic Financial Instruments” of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group’s Statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instruments any contract that evidences a residual interest in the assets of the Group after the deduction of all its liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

2. Accounting policies (continued)

2.17 Financial instruments (continued)

Basic financial liabilities, which include trade and other payables, bank loans, other loans and loans due to fellow group companies are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Group transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Group will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

Finance costs are charged to profit and loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

SPARROWHAWK 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

3. Turnover

An analysis of turnover by class of business is as follows:

	2024 £	2023 £
University Partnerships and Independent Pathways	45,550,197	60,229,704
Digital Services	5,077,243	4,647,673
Direct Recruitment and Enrolment Services	16,256,354	9,181,000
International English Language Testing	3,502,623	3,330,524
Other English Language Courses	22,641,668	23,154,241
	<u>93,028,085</u>	<u>100,543,142</u>

Analysis of turnover by country of destination:

	2024 £	2023 £
United Kingdom	82,336,033	92,339,529
USA	2,171,586	2,510,382
Canada	7,719,656	5,693,231
Australia	800,810	-
	<u>93,028,085</u>	<u>100,543,142</u>

4. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting):

	2024 £	2023 £
Amortisation of intangible assets	6,437,488	5,621,903
Depreciation of tangible assets	471,844	423,949
Exchange differences	64,459	(95,305)
Other operating lease rentals	1,568,498	1,669,284
Loss on disposal of fixed assets	432	-

SPARROWHAWK 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

5. Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors:

	2024	2023
	£	£
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	265,341	250,236
Fees payable to the Group's auditors in respect of other advisory services	5,040	8,560
Fees payable to auditor associated firms in respect of other non-audit services	365,980	-

6. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group	Group
	2024	2023
	£	£
Wages and salaries	29,982,785	26,570,229
Social security costs	1,463,654	1,179,440
Cost of defined contribution scheme	376,524	264,172
	31,822,963	28,013,841

The average monthly number of employees, including the Directors, during the year was as follows:

	2024	2023
	No.	No.
Directors	4	4
Human Resources and Finance	40	40
Sales	32	40
Marketing	22	29
Operations	655	495
Teaching Staff	578	518
	1,331	1,126

The Company has no employees other than the Directors (2023: Nil) who were remunerated through the Group and related companies. No recharges are made given the size and practicality of such a recharge.

SPARROWHAWK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

7. Directors' remuneration

	2024 £	2023 £
Directors' emoluments	471,804	632,831
Group contributions to defined contribution pension schemes	13,656	-
	<u>485,460</u>	<u>632,831</u>

The highest paid Director received remuneration of £261,131 (2023: £351,022).

8. Interest receivable and similar income

	2024 £	2023 £
Bank interest receivable	<u>292,858</u>	<u>453,851</u>

The Company has no interest receivable or similar income.

9. Interest payable and similar expenses

	2024 £	2023 £
Bank interest payable	2,767,034	35,546
Unwinding of deferred consideration	28,398	299,293
	<u>2,795,432</u>	<u>334,839</u>

The Company has no interest payable or similar expenses.

SPARROWHAWK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

10. Taxation

	2024 £	2023 £
Corporation tax		
Current tax on profits for the year	<u>1,682,094</u>	<u>2,407,299</u>
Deferred tax		
Origination and reversal of timing differences	<u>(815,226)</u>	<u>85,607</u>
Total deferred tax	<u>(815,226)</u>	<u>85,607</u>
Tax on profit	<u>866,868</u>	<u>2,492,906</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2023 - *higher than*) the standard rate of corporation tax in the UK of 25% (2023 - 21.4%). The differences are explained below:

	2024 £	2023 £
(Loss)/profit on ordinary activities before tax	<u>(4,956,338)</u>	<u>5,980,723</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 - 21.4%)	<u>(1,239,085)</u>	<u>1,281,843</u>
Effects of:		
Expenses not deductible for tax purposes	1,600,049	704,474
Current year losses on which deferred tax asset is not recognised	622,689	-
Higher rate taxes on overseas earnings	199,999	269,001
Change in tax rate	-	200,762
Under/(over) provision in prior year	(271,976)	80,408
Group relief	(44,808)	(43,582)
Total tax charge for the year	<u>866,868</u>	<u>2,492,906</u>

Factors that may affect future tax charges

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

10. Taxation (continued)

The Group operates in a number of jurisdictions and its future tax charge is subject to various factors outside of the Group's control as outlined above with changes in statutory tax rates and legislative alterations.

The Group has carried forward gross tax losses of £5,078,635 (FY23: £3,802,957) in respect of overseas entities in the USA and Canada. No deferred tax asset is recognised on these losses due to significant uncertainty regarding future taxable profits within the relevant entities against which these losses may be utilised. Total losses of £Nil in relation US Federal losses and the £594,096 of Canadian losses can be carried forward indefinitely. The US losses are also subject to local state and city tax returns and the related losses have a 20-year expiry period: £479,358 for FY20 will expire by 2040, £350,967 for FY21 by 2041, £958,707 for FY22 by 2042 and £653,978 for FY23 by 2043.

The Group has carried forward gross tax losses of approximately £2,800,000 (FY23: £nil) in respect of overseas entities in Australia. No deferred tax asset is recognised on these losses due to significant uncertainty regarding future taxable profits within the relevant entities against which these losses may be carried forward indefinitely.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

11. Intangible assets**Group**

	Capitalised software and website costs £	Customer relationships £	Trade names £	Digital content £	Goodwill £	Total £
Cost						
At 1 September 2023	3,400,048	21,756,000	5,128,000	246,000	35,608,611	66,138,659
Additions	1,472,475	-	-	-	9,999,445	11,471,920
Foreign exchange movement	(463)	(219)	-	-	(80,738)	(81,420)
			5,128,000			
At 31 August 2024	4,872,060	21,755,781		246,000	45,527,318	77,529,159
Amortisation						
At 1 September 2023	412,344	3,107,680	1,239,875	118,958	8,491,957	13,370,814
Charge for the year	649,112	1,479,428	513,924	49,309	3,745,715	6,437,488
Foreign exchange movement	(336)	(219)	-	-	(139)	(694)
			1,753,799			
At 31 August 2024	1,061,120	4,586,889		168,267	12,237,533	19,807,608
Net book value						
At 31 August 2024	3,810,940	17,168,892	3,374,201	77,733	33,289,785	57,721,551
			3,888,125			
At 31 August 2023	<u>2,987,704</u>	<u>18,648,320</u>	<u>3,888,125</u>	<u>127,042</u>	<u>27,116,654</u>	<u>52,767,845</u>

The Company has no intangible or tangible fixed assets.

SPARROWHAWK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

12. Tangible fixed assets

Group

	Leasehold property and renovation £	Vehicles £	Fixtures and fittings £	Office equipment £	Teaching equipment £	Total £
Cost or valuation						
At 1 September 2023	688,654	14,911	379,323	979,793	39,751	2,102,432
Additions	300,884	-	59,775	226,183	6,718	593,560
Disposals	(3,807)	(14,368)	(7,772)	(2,144)	-	(28,091)
Exchange adjustments	(8,743)	(543)	(26,016)	(23,266)	(1,194)	(59,762)
At 31 August 2024	976,988	-	405,310	1,180,566	45,275	2,608,139
Depreciation						
At 1 September 2023	376,663	4,240	137,748	414,003	20,784	953,438
Charge for the year	153,069	821	57,029	252,649	8,276	471,844
Disposals	(93)	(3,843)	-	(1,717)	-	(5,653)
Exchange adjustments	(7,785)	(1,218)	(20,157)	(15,842)	(622)	(45,624)
At 31 August 2024	521,854	-	174,620	649,093	28,438	1,374,005
Net book value						
At 31 August 2024	455,134	-	230,690	531,473	16,837	1,234,134
At 31 August 2023	311,991	10,671	241,575	565,790	18,967	1,148,994

SPARROWHAWK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2023	49,206,041
At 31 August 2024	49,206,041
Net book value	
At 31 August 2024	49,206,041
<i>At 31 August 2023</i>	<i>49,206,041</i>

SPARROWHAWK 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
LIPC Partnership Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
OIDI Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
BIC Partnership Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
JIC Partnership Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
ICD Partnership Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
Greenwich International College Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
Bradford International College Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
Sparrowhawk 3 Limited*	17 Grosvenor Street, London, W1K 4QG	Ordinary	100%
IES LLC	415 Broadway, San Diego, CA 92101 USA	Ordinary	100%
Oxford International Education and Travel Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
Vancouver Maple Leaf Language Colleges Inc	205-815 West Hastings Street, Vancouver BC, Canada V3M 2G4	Ordinary	100%
Beijing Pathways Education Consulting Company Limited	7f-126, 101, floor 7, No. 219, Wangfujing Street, Dongcheng District, Beijing	Ordinary	100%
East Coast School of Languages Limited	1256 Barrington Street, Halifax, NS B3J 1Y6	Ordinary	100%
OIEG Education Services LLP	A-004A Boomerang, Chandivali Farm Road, Powai, Mumbai - 400 072	Ordinary	100%
Mohit Gambir Education Pvt Limited	A-1103/04, Lake Lucerne, Adi Shankaracha, Rya Marg, Gopal Sharma School, Powai, Mumbai	Ordinary	100%
EXIMMG Educational Consultants Private Limited	A-1103/04, Lake Lucerne, Adi Shankaracha, Rya Marg, Gopal Sharma School, Powai, Mumbai	Ordinary	100%
Oxford International Education Group Services Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
Oxford International Education Group Limited (formerly RDDB Limited)	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%

SPARROWHAWK 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
Oxford International Worldwide Educational Services Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
Edinburgh Napier International College Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
Kent International College Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG	Ordinary	100%
Sparrowhawk Aus HoldCo Pty Ltd	Rogerson Kenny Busines Accountants, Suite 13, 241-243 Blackburn Road, Mountwaverley, VIC 3149	Ordinary	100%
Sparrowhawk Aus BidCo Pty Ltd	Rogerson Kenny Busines Accountants, Suite 13, 241-243 Blackburn Road, Mountwaverley, VIC 3149	Ordinary	100%
Universal Learning Group Pty Ltd	Rogerson Kenny Busines Accountants, Suite 13, 241-243 Blackburn Road, Mountwaverley, VIC 3149	Ordinary	100%
Universal Higher Education Pty Ltd	Rogerson Kenny Busines Accountants, Suite 13, 241-243 Blackburn Road, Mountwaverley, VIC 3149	Ordinary	100%
Universal English Pty Ltd	Rogerson Kenny Busines Accountants, Suite 13, 241-243 Blackburn Road, Mountwaverley, VIC 3149	Ordinary	100%

* only Sparrowhawk 3 Limited is directly held by the company with the remaining subsidiaries being indirectly held.

SPARROWHAWK 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 August 2024 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
LIPC Partnership Limited	5,822,549	5,080,441
OIDI Limited	(66,273)	(1,508,070)
BIC Partnership Limited	3,071,368	974,012
JIC Partnership Limited	(356,490)	(1,919)
ICD Partnership Limited	(334,474)	(583,894)
Greenwich International College Limited	2,759,738	1,137,766
Bradford International College Limited	2,601,195	965,292
Sparrowhawk 3 Limited*	3,524,060	(4,758,165)
IES LLC	(3,373,928)	(1,199,764)
Oxford International Education and Travel Limited	(3,282,242)	(6,318,509)
Vancouver Maple Leaf Language Colleges Inc	102,868	(430,072)
Beijing Pathways Education Consulting Company Limited	(89,570)	45,177
East Coast School of Languages Limited	(1,781,176)	(722,386)
OIEG Education Services LLP	551,442	90,464
Mohit Gambir Education Pvt Limited	1,432,807	830,212
EXIMMG Educational Consultants Private Limited	4,913,184	3,242,642
Oxford International Education Group Services Limited	(87,510)	(38,827)
Oxford International Education Group Limited (formerly RDDB Limited)	60,844	-
Oxford International Worldwide Educational Services Limited	3,068,005	3,061,027
Edinburgh Napier International College Limited	119,223	154,454
Kent International College Limited	(387,755)	(382,750)
Sparrowhawk Aus HoldCo Pty Ltd	9,631,220	-
Sparrowhawk Aus BidCo Pty Ltd	8,195,150	-
Universal Learning Group Pty Ltd	200,160	(49,853)
Universal Higher Education Pty Ltd	(1,180,422)	(777,257)
Universal English Pty Ltd	(252,592)	(796,415)

SPARROWHAWK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2024

14. Audit exemption for subsidiary companies

The following subsidiaries have claimed exemption from the requirements of Companies Act 2006 relating to the audit of their accounts, under section 479A of the Act:

Company name and number:

Sparrowhawk 3 Limited - 13248723

Oxford International Education Group Limited - 02848684

OIDI Limited - 09392947

LIPC Partnership Limited - 09113650

BIC Partnership Limited - 10202145

JIC Partnership Limited - 10279629

ICD Partnership Limited - 10589826

Greenwich International College Limited - 11053072

Bradford International College Limited - 13307083

Edinburgh Napier International College Limited - 14946701

Kent International College Limited - 14769936

Oxford International Education Group Services Limited - 10893385

Oxford International Worldwide Educational Services Limited - 14062230

15. Stocks

	Group 2024 £	Group 2023 £
Travel cards, bus tickets and luncheon vouchers	346,931	231,216

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The amount included in cost of sales in the year amounted to £151,596 (2023: £399,978).

16. Debtors

	Group 2024 £	Group 2023 £
Trade debtors	6,739,782	6,195,718
Amounts owed by group undertakings	14,563,932	331,597
Other debtors	626,602	623,950
Prepayments and accrued income	6,251,023	5,622,766
Corporation taxation	1,460,549	-
Deferred taxation (note 22)	148,524	43,845

<u>29,790,412</u>	<u>12,817,876</u>
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SPARROWHAWK 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

16. Debtors (continued)

Amounts owed by parent undertaking are non-interest bearing and repayable on demand. The Company has no debtors.

17. Cash and cash equivalents

	Group 2024 £	<i>Group 2023 £</i>
Cash at bank and in hand	<u>12,458,757</u>	<u><i>36,126,256</i></u>

Some bank accounts are subject to an intercompany guarantee secured on the assets of UK based Group companies.

18. Creditors: Amounts falling due within one year

	Group 2024 £	<i>Group 2023 £</i>	Company 2024 £	<i>Company 2023 £</i>
Bank loans (note 19)	(63,955)	-	-	-
Trade creditors	4,729,099	5,505,195	-	-
Payments received on account	23,815,777	21,364,329	-	-
Amounts owed to group undertakings	-	-	220,366	103,765
Corporation tax	218,971	234,262	-	-
Other taxation and social security	1,258,174	929,153	-	-
Other creditors	2,159,738	1,814,076	-	-
Accruals and deferred income	16,488,561	16,572,787	120,000	99,600
	<u>48,606,365</u>	<u><i>46,419,802</i></u>	<u>340,366</u>	<u><i>203,365</i></u>

Payments on account comprise non refundable payments and deferred income reflects prepaid tuition and accomodation fees.

Amounts owed to group undertaking are non-interest bearing and repayable on demand.

Other creditors includes £1,155,690 (2023: £1,148,682) of deferred consideration in respect of the acquisition of Mohit Gambir Education Pvt Limited and EXIMMG Educational Consultants Private Limited, payable in less than one year. This was issued in the form of preference share capital. The preference shares have fixed repayment dates but do not carry any voting rights or fixed coupon. On the basis it is considered that the preference shares have more of the characteristics of a liability than equity and have been classified as such.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

19. Borrowings

	2024 £	2023 £
Falling due in less than 1 year		
Term loan	(23,983)	-
Revolving credit facility	(8,631)	-
Acquisition credit facility	(205,704)	-
Capitalised issue costs	302,273	-
	<u>63,955</u>	<u>-</u>
Falling due between 2-5 years		
Term loan	(35,000,000)	-
Acquisition credit facility	(10,783,000)	-
Capitalised issue costs	1,279,545	-
	<u>(44,503,455)</u>	<u>-</u>

The Group borrowings are comprised of:

Term Loan

A term loan of £35m was provided on 15 January 2024 with a termination date of July 2029. Interest accrues at a rate of 1.58% margin on undrawn amounts, and 4.50% plus SONIA on drawn amounts, which is payable on a semi-annual basis.

Revolving credit facility

On 15 January 2024, Sparrowhawk 3, together with other members of the Group, entered into the Senior Facilities Agreement, which provides up to £5m of credit facility, all of which can be drawn by way of loans and ancillary facilities. As at 31 August 2024, none was drawn down.

Interest accrues at a rate of 1.40% margin on undrawn amounts, and 4.50% plus SONIA on drawn amounts, which is payable on a quarterly basis.

Acquisition credit facility

On 15 January 2024, Sparrowhawk 3, together with other members of the Group, entered into the Senior Facilities Agreement, which provides up to £20m of financing for acquisitions and capital expenditure, all of which can be drawn by way of loans. As at 31 August 2024, £10.8m was drawn down.

Interest accrues at a rate of 1.58% margin on undrawn amounts, and 4.50% plus SONIA on drawn amounts, which is payable on a quarterly basis.

Capitalised issue costs

Costs incurred in issuing the term loan totalled £1.8m. The costs are capitalised and allocated to the income statement over the terms of the related debt facility.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024**

20. Creditors: Amounts falling due after more than one year

	Group 2024 £	<i>Group 2023 £</i>
Bank loans (note 19)	44,503,455	-
Other creditors	-	1,138,611
	<u>44,503,455</u>	<u>1,138,611</u>

Other creditors includes £Nil (2023: £1,138,611) of deferred consideration in respect of the acquisition of Mohit Gambir Education Pvt Limited and EXIMMG Educational Consultants Private Limited.

This was issued in the form of preference share capital. The preference shares have fixed repayment dates but do not carry any voting rights or fixed coupon. On this basis it is considered that the preference shares have more of the characteristics of a liability than equity and have been classified as such.

21. Financial instruments

	Group 2024 £	<i>Group 2023 £</i>	Company 2024 £	<i>Company 2023 £</i>
Financial assets that are measured at amortised cost				
Trade debtors	6,739,782	6,195,718	-	-
Amounts owed by parent undertaking	14,563,931	331,597	-	-
Other debtors	626,602	623,950	-	-
Cash at bank and in hand	12,458,757	36,126,256	-	-
	<u>34,389,072</u>	<u>43,277,521</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortised cost				
Trade creditors	4,729,099	5,505,195	-	-
Amount owed to parent undertaking	-	-	-	103,765
Other creditors	2,159,738	1,814,076	-	-
	<u>6,888,837</u>	<u>7,319,271</u>	<u>-</u>	<u>103,765</u>

Fair value of financial instruments approximates to carrying value.

SPARROWHAWK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

22. Deferred taxation

Group

	2024 £	2023 £
At 1 September 2023	(6,043,240)	(5,941,009)
Credited/(charged) to profit or loss	815,226	(85,606)
Utilised in year	(6,483)	(16,625)
At end of year	(5,234,497)	(6,043,240)

Company

	2024	2023
At beginning of year	-	12,203
Utilised in year	-	(12,203)
At end of year	-	-

The deferred tax balance is made up as follows:

	Group 2024 £	Group 2023 £
Accelerated capital allowances	(758,815)	(433,000)
Tax losses carried forward	683,552	43,845
Acquired intangibles	(5,159,234)	(5,654,085)
	(5,234,497)	(6,043,240)
Comprising:		
Asset - due within one year	148,524	43,845
Liability	(5,383,021)	(6,087,085)
	(5,234,497)	(6,043,240)

Deferred tax is measured at 25%, being the rate substantively enacted on 22 July 2020, taking effect from 1 April 2023, and being the rate at which deferred tax is expected to crystallise.

SPARROWHAWK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

23. Provisions

Group

Other
provisions
£

At 1 September 2023	782,813
Charged to profit or loss	(283,113)
Additional provision	500,000
At 31 August 2024	999,700

At 31 August 2024 the Group held current provisions of £220k in respect of dilapidations. A further provision of £563k was made in 2023, in respect of an onerous lease. This is now recorded as £279k, to reflect the remaining economic outflow expected. These reflect the economic outflow expected as a result of restoring leased properties to their original condition on termination of the relevant lease agreements. A further provision of £500k was made during the year in respect of certain tax liabilities.

The company has no provisions.

24. Share capital

	2024 £	2023 £
Allotted, called up and fully paid		
49,206,041 (2023 - 49,206,041) Ordinary shares of £0.01 each	<u>492,060</u>	<u>492,060</u>

SPARROWHAWK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

25. Business combinations

On 4 July 2024, Sparrowhawk Aus BicCo Pty Ltd acquired 100% of Universal Learning Group Pty Ltd, which in turn owned 100% of both Universal Higher Education Pty Ltd and Universal English Ltd.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustments £	Fair value £
Trade and other debtors	287,864	-	287,864
Cash at bank and in hand	243,610	-	243,610
Trade and other creditors	(1,738,658)	-	(1,738,658)
Total identifiable net liabilities	(1,207,184)	-	(1,207,184)
Goodwill			9,894,089
Total purchase consideration			8,686,905
Consideration			
			£
Cash consideration			8,686,905

Due to the proximity to the year end, management has been unable to perform a purchase price estimate. These results are therefore provisional and will be finalised within the 12 month measurement period permitted.

26. Pension commitments

The Group operates a defined contribution pension scheme for the benefit of all employees. The assets of the scheme are administered by the trustees in a fund independent from those of the Group.

The total contributions payable in the year amounted to £365,469 (2023: £264,172). The amount unpaid at 31 August 2024 was £Nil (2023: £Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

27. Commitments under operating leases

At 31 August 2024 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2024 £	<i>Group 2023 £</i>
Not later than 1 year	2,051,546	<i>2,099,976</i>
Later than 1 year and not later than 5 years	3,649,685	<i>3,873,382</i>
Later than 5 years	2,795,108	<i>1,952,687</i>
	<u>8,496,339</u>	<i><u>7,926,045</u></i>

During the year, £1,568,498 (2023: £1,669,284) was recognised as an expense in the profit and loss account in respect of operating leases. Where a lease agreement includes a rent-free period or other lease incentives, these are accounted for by spreading the total cost of the lease payments over the term of the lease. The rent-free period benefit is therefore allocated over the term of the lease.

28. Related party transactions

The company has taken advantage of the exemption permitted by Section 33 'Related party disclosures' not to provide disclosures of transactions entered into with other wholly owned members of the Group.

The land and buildings at Brighton are leased, at arm's length, from a director on a 15 year period starting 25 March 2011. During the year Oxford International Education & Travel Limited paid rent amounting to £48,000 (2023: £48,000) to D Brown, a director of Oxford International Education & Travel Limited, with no amount owing as at the balance sheet date.

29. Controlling party

The Directors consider THI Holdings GmbH to be the ultimate controlling party by virtue of the fact they are the majority shareholder of the Company's ultimate parent company, Sparrowhawk 1 Limited.

The largest group in which the results of the Company are consolidated is THI Holdings GmbH. Copies of financial statements are available on request from THI Investments, Eberhardstraße 65, 70173 Stuttgart Germany.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.