# INTERNATIONELLA ENGELSKA SKOLAN

ANNUAL REPORT 2018/2019

Internationella Engelska Skolan

IES IMPROVES THE FUTURE PROSPECTS OF THOUSANDS OF CHILDREN EVERY YEAR

A POSITIVE FORCE IN SOCIETY

MEET AMINA FROM IES IN HELSINGBORG:
"THE STAFF SEE THE NEEDS OF EVERY
STUDENT AT THIS SCHOOL"





Our mission is to provide children and young people with the opportunity to fulfil their full potential, whatever their background.



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This is a translation of the Swedish original. In case of any inconsistency between the Swedish and the English version, the Swedish version shall prevail.









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"Now, we will continue to grow; in Sweden through establishing new independent schools in municipalities offering the right conditions and in Spain through acquiring bilingual private schools."

Cecilia Marlow Interim CEO and member of the board

### Internationella Engelska Skolan in brief

# LEADING IN SWEDEN – GROWING IN SPAIN

For more than 25 years, the operations have been conducted based on three strong principles – IES's ethos

- 1 To offer a safe and orderly school environment where teachers can teach and students learn
- 2 That students should learn to command English the key to the world
- **3** High academic expectations and aspirations

IES's aim is to become a world leading education provider by contributing to society and creating high aspirations for future generations.

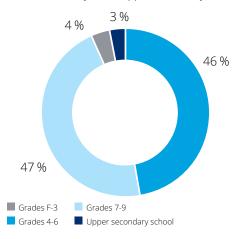
25,500
students in the Swedish schools

191,700
registrations in the queue to the Swedish IES schools

2,500
students in the Spanish schools

### **FOCUS ON YEAR 4-9**

In Sweden, IES conducts school operations from the first year of school (grade F) to the third and final year of upper secondary school.





50%

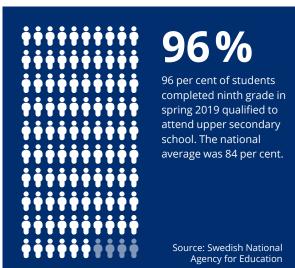
Half of teaching is conducted in English and about half of teachers have English as their first language

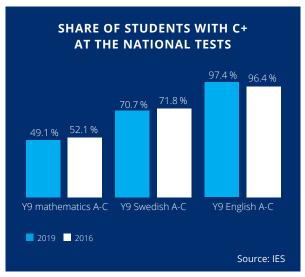


# LARGEST INDEPENDENT OPERATOR WITHIN COMPULSORY SCHOOLS (F-9) IES is Sweden's fourth largest operator of compulsory schools and 2.1 per cent of all compulsory school students attend an IES school 6.3 3.8 2.6 2.1 1.7 City of City of City of Malmö IES Uppsala municipality Source: Swedish National Agency for Education

1993

IES was founded in 1993 by Mrs Barbara Bergström, a science teacher from the USA





The number of schools and students in Spain per July 5, 2019. Other data as per June 30, 2019.

### The year in brief

# STRONG GROWTH IN BOTH SWEDEN AND SPAIN

In 2018/19, IES recorded continued strong growth in both Sweden and Spain. During the year, no fewer than seven new schools were announced in Sweden and three in Spain, where one was a buyout of the co-owner of three jointly owned schools. Opportunities to start new schools in Sweden and to acquire more school operations in Spain were also evaluated. The strong results can be explained by a better balance between school voucher funding and teacher salaries, solid cost control and a positive trend for the acquired Spanish schools.

+18%

Operating income increased by 18.4 per cent during the year.

**7**+3

During the year, seven new schools in Sweden were announced, planned to open in the coming three years. Three acquisitions were also made in Spain, where one was a buyout of the co-owner of three schools.

+37%

Operating profit (EBIT) increased by 36.9 per cent to 208.6 MSEK.

### GROUP

- Operating income increased by 18.4% to MSEK 2,781.1 (2,347.9), of which organic growth amounted to 11.1%
- Operating profit (EBIT) increased 36.9% to MSEK 208.6 (152.4)
- EBIT-margin was 7.7% (6.6 %), adjusted for items affecting comparability of MSEK 6.4 (2.7)
- Cash flow for the year was MSEK 122.8 (-76.5)
- Cecilia Marlow assumed the position as interim CEO in January
- Anna Sörelius Nordenborg was appointed new CEO in June and will assume her position in November 2019

### **OPERATIONS IN SWEDEN**

- 25,536 students attended a IES school at the end of the year (+7%)
- Operating income increased by 11% to MSEK 2,606.6 (2.346.7)
- Total revenues per student increased by 4.0% while personnel costs increased 3.9% and total costs per student by 3.0%
- The number of registrations in the queue as of June 30, 2019 was approximately 191,700 (+1%)
- New schools were opened in Länna and Sundbyberg
- A contract was signed to open a new school in Skellefteå for the 2019/20 school year
- New schools were also announced in Vallentuna, Upplands Väsby and Östersund, planned to open 2020/21, in Kungsbacka and Solna with a planned start 2021/22 and in Gothenburg with a planned start 2022/23
- At the end of the year, IES had 36 schools in Sweden



### **OPERATIONS IN SPAIN\***

- 2,506 students attended IES Spanish schools at the end of the year (-)
- Operating income amounted to MSEK 174.3 (-)
- Operating profit (EBIT) was MSEK 17.7 (-)
- In July, IES acquired the co-owner's shares in three jointly owned schools
- In April, a fee-paying private school in Valladolid with 294 students was acquired
- In June, a fee-paying private school in Majadahonda (Madrid) with 400 students was acquired
- After the end of the year, all shares in the jointly owned school Colegio IALE in Valencia were sold to the co-owners, the Monzonis family. The capital gain was MSEK 25
- At the end of the year, IES had five wholly-owned schools in Spain
- \* 2018/19 was the first year the Spanish operations were consolidated into Group



### Sweden's best mathematician

An IES Uppsala student has been crowned Sweden's best mathematician after victory in a national contest. Year nine student David Mörtberg recorded a near perfect score in the Högstadiets Matematiktävling, when he dropped only one point out of 42. Three other IES students were also in the top 20. Erik Bryland of IES Lund came joint eighth, Kian Esfandiari of IES Uppsala came 13th and Vidar Gustafsson of IES Nacka came joint 17th.

### International technology project

Students and teachers from Turkey, Ireland, Romania, Latvia and Italy visited IES Kista during the year for a week of learning and knowledge sharing in technology. IES Kista is part of the Erasmus STEAM project, an education initiative aimed at facilitating the teaching of "difficult" subjects, including chemistry, physics, technology and mathematics through interdisciplinary, creative and practical applications.

### Best also in French and Spanish

During the year, students from IES schools proved that they excel in languages other than English and Swedish. In the Swedish final of the International Language Competition, students from IES Karlstad took the first prize in French for those under 16 while the team from IES Lund performed best in Spanish. The contest was held at the end of March at Malmö Latinskola and students were tested on their vocabulary, grammar and cultural understanding during the contest.

FIVE-YEAR SUMMARY	2018/19	2017/18	2016/17	2015/16	2014/15
Number of students in IES's schools in Sweden	25,536	24,000	21,400	19,775	17,471
Share of students with a foreign background, %	38	38	36	36	35
Number of queue registrations in Sweden, at year-end	191,700	190,000	144,000	112,000	100,000
Number of schools in Sweden	36	34	30	29	26
Number of new schools in Sweden	2	4	1	3	3
Number of students in IES's schools in Spain	2,506	-	-	-	-
Number of schools in Spain*	5	-	_	_	_
Number of new schools in Spain	2	-	-	-	_
Operating income, MSEK	2,781.1	2,347.9	2,043.3	1,806.8	1,547.3
Operating profit (EBIT), MSEK	208.6	152.4	198.0	169.5	155.5
Equity/assets ratio, %	61.9	72.9	74.2	62.6	61.8

<sup>\*</sup>Previously, IES owned a part in three of these schools through a joint venture.

### CFO's statement

# A STRONG ORGANISATION THAT BUILDS SUCCESSFUL SCHOOLS

Strong growth that exceeds the goal. Sound financial results. Continued academic success, as our students year after year achieve better results than the national average in the core subjects. These are all indicators of the strength of our ethos, established more than a quarter of a century ago, and in which the core is to create a safe and orderly school environment. Another clear sign is that the waiting list to our schools keeps growing – while an increasing number of municipalities express interest in us establishing operations.

During my years on the Board of Directors for Internationella Engelska Skolan, I have gained insight into the stability, experience and knowledge that characterise our organisation. Since I took up the position as interim CEO, I have been even more impressed. Every morning, IES receives 25,500 students in Sweden and 2,500 in Spain, welcomed by our incredibly engaged staff. It is clear that the students and the daily life of the schools are their main priority. Meanwhile, intense work is going on planning for new schools, which also requires a lot of effort. It is a privilege to be part of all this.

### Strong growth

During the past financial year, we recorded strong and fast growth, both in Sweden and Spain. In Sweden, we opened two new IES schools; in Länna and Sundbyberg. We also signed agreements regarding no fewer than seven new schools during the year – Skellefteå which opened in August 2019, as well as Vallentuna, Upplands Väsby, Östersund, Kungsbacka, Solna and Gothenburg, which will be opened in the coming three years. Moreover, the Swedish Schools Inspectorate approved all applications that we handed in at the beginning of 2019.

In parallel, we acquired two schools in Spain and performed a buyout of the co-owner of three existing schools. We finalised the process of streamlining the ownership just after the year-end when we sold our part of the remaining school in the joint venture that we have owned together with the Monzoni family since 2016. We now have five wholly owned schools in Spain. There is a great potential to grow in both Sweden and Spain.

Meanwhile, we have continuously improved our profitability. An important reason behind this is that there is a better balance today than in previous years between the increase of teachers' pay, compared with the increase in school voucher. In addition, we have a long history and culture of being cost conscious and taking advantage of our size to operate our schools in an efficient way, without lowering our standards of quality. The acquisitions in Spain have also developed in a positive way and contribute to the improved results.

### **Quality in focus**

We are working in a structured way to continuously improve the quality of our operations. Focus during the year was on grading and strengthening the schools' processes, among other things. The aim of this work is to eliminate the risk that the performance of a student does not correlate with the grade issued. This work, which has only just begun, will take centre stage next year as well. The results at the national tests are an important quality indicator for us. During the year, the Swedish Schools Inspectorate conducted a review of a number of national tests. Of the 23 tests and the some 2,000 examples that were randomly picked for grading and comparison, no fewer than 20 were left without comment. One of the tests proved to have been graded more strictly by IES's teachers and two more generously. We welcome this type of review, which we consider contributes to more equal grading. We would, in fact, appreciate if there were more national tests – and also if they were always corrected by an independent body.



Proof of the quality of our education is that 96 per cent of the students who graduated from year 9 were eligible for upper secondary school, compared with the national average of 84 per cent, as well as the fact that our students continuously perform better than the national average at

"It is also obvious that parents and children associate us with a calm and orderly environment, both in the classrooms and in the corridors. More and more parents see the advantages of this type of environment for their children."

national tests. Yet another is that nine out of ten parents would recommend their IES school, while nine out ten students say they feel safe at school. Nine out of ten members of staff would also recommend IES as a workplace - in Universum's latest survey IES was ranked as the fourth most attractive workplace in the school sector.

### Based on our ethos

IES's main strength is our ethos, i.e. to offer an orderly school environment, that students should encounter high academic expectations and that they should be provided

with the key to the English language. We know that peace and quiet is extremely important to achieve high academic results, which is why this has been our foundation for more than quarter of a century. It is also obvious that parents and children associate us with a calm and orderly environment, both in the classrooms and in the corridors. More and more parents see the advantages of this type of environment for their children, something that was reflected in the number of registrations in the queue to our schools in Sweden, now amounting to about 200,000. Peace and quiet, a clear structure and a quiet classroom contributes strongly to the wellbeing of both students and teachers and provides them with the right conditions to teach and to take in knowledge. This applies to everybody, children and grown-ups alike, regardless of background and prerequisites.

We have an international atmosphere at our schools, something that both students and teachers from different parts of the world contribute to. Many students thrive in this atmosphere, both those who wish to work internationally in the future, but also those who come from other backgrounds than Swedish. Our percentage of children with a foreign background is markedly higher than the average in Swedish schools and we are proud of contributing to improved integration in the country – both through our schools in socially excluded areas and through the fact that it is possible for everyone to join the queue for any of our schools. It is a fantastic opportunity for parents to be able to choose a school free of charge, and thereby improve the future prospects of their child.

No school, however, will be successful without strong and clear leadership. I am immensely proud of our principals. Together with teachers, student care teams and other staff they put a lot of engagement and dedication into ensuring that our strong values are put into practice and that every child can develop to their full potential. The more schools

"Our view is that conclusions should be drawn based on knowledge - and not on opinions and preconceived ideas. If we can contribute to this, I am convinced that it will lead to improved understanding of how society works - and, ultimately, to strengthening our democracy."

I visit, the stronger my conviction becomes that this is what distinguishes us from the majority of other schools in Sweden.

### Growing number of children - and enquiries

The strength of our ethos, with bilingual teaching and academic success of our students, contribute to the fact that IES receives a growing number of enquiries from municipalities around the country to start schools there. A growing number of children will also become of school age in the coming years, resulting in a growing need for new schools in many municipalities. Meanwhile, municipalities realise that it is costly, complicated and takes a great deal of resources to start and operate a school, which means that they look for other alternatives. In certain municipalities - the most recent example being Skellefteå - a good school is also considered as essential for attracting the necessary competence to the municipality when a new company establishes operations there. For a number of years, we have been working on establishing good dialogues with many municipalities. There are, however, civil servants and politicians in certain municipalities who on principle have a negative attitude towards independent schools, which means that they oppose independent school operators. Examples of this are whether all operators have the opportunity to compete on equal terms, transparency in

decisions regarding school vouchers, and building permits. We enter into long-term commitments when we establish a new school, which means that stable and just conditions are essential for us. The January agreement between five political parties is therefore important for us and we would like to see a corresponding commitment at a local level regarding school issues. Everybody wants schools in Sweden to be equal – and equal terms for school operators are a good way to start. Most important is that everybody with influence on Swedish school focuses on improving the quality of teaching for all children in Sweden and not on finding faults on those who do it well.

### Teach responsibility, tolerance and ambition

IES's most important contribution to society is that the children who attend our schools - regardless of background, previous experiences and home conditions - are provided with the opportunity to reach their full potential. They also acquire knowledge and norms that they will benefit from for the rest of their lives. They become young adults who take responsibility, are tolerant and ambitious. They understand that conclusions should be drawn based on knowledge and not on opinions or preconceived ideas, being fostered in a multicultural and international environment. I am convinced that this contributes to increased understanding of how society works - and ultimately to strengthening our democracy.

Now we will continue to grow; in Sweden through establishing new independent schools in municipalities offering the right conditions and in Spain through acquiring private schools that follow the English curriculum. Even if the conditions differ between the two countries, the operations are based on the same strong principles. Furthermore, the potential to grow is continued great on both markets.

I would like to thank our students, parents, staff, shareholders and Board of Directors warmly for wanting to be part of our development. I would also like to take the opportunity to welcome our new CEO, Anna Sörelius Nordenborg, who assumes her position in November 2019.

Stockholm, October 9, 2019 Cecilia Marlow Interim CEO and Board member



### Quick Q&A with IES's new CEO Anna Sörelius Nordenborg:

### Why did you want the job as CEO of IES?

Mainly for two reasons. Firstly because I believe schools and education are key issues in our society. Secondly, I am impressed by the strong culture and philosophy IES has created and look forward to being part of, and leading, this organisation to improve it even further.

### What do you want to contribute with to IES?

A clear line in the leadership, among other things. In addition, I have experience from building and developing organisations in fast-growing knowledge industries, both from a strategic and operational point of view.

### What impression do you have of IES so far?

I am deeply impressed by the engagement shown by all those involved in IES's operations in different ways - from principals and teachers to administration, management and the Board of Directors. I appreciate the clear line of the ethos, which has guided the operations since the start. Also, the organisation is built on a strongly decentralised leadership, something I think is essential in an organisation which is about people, the way IES is.

### What is your view on the quality of Swedish schools?

That it varies a lot. There are both good and less good examples. There are many skilled teachers who are really passionate about their work and who do a fantastic job

- meanwhile the shortage of teachers is a great challenge for Swedish schools. Here IES plays an important part through recruiting competent and well-educated teachers from other countries.

### Which are your most important goals for this assignment?

To nurture and develop the strong culture that exists in IES, to ensure that we continue to deliver really good education and to make sure that our staff enjoy their job and work towards the same goals.

### Short description of yourself!

I was born in Boden, raised in Örnsköldsvik and am now living in Stockholm. I hold a Master of Science degree in Engineering Physics from the Royal Institute of Technology, but for the last 15 years I have dedicated my career to leadership – and that is also what I'm passionate about. I have three children and the eldest has started school. I like to run and get my best ideas on the jogging trails.

Footnote: Anna Sörelius Nordenborg assumes her position as CEO of IES on November 25, 2019. She most recently served as Country Manager, Sweden, for veterinary care company Anicura. Previously, she was responsible for business development at Sandvik Mining and worked as a consultant at McKinsey, among other things.

# **BUSINESS CONCEPT,** TARGETS AND STRATEGIES

IES's overall goal is to help students develop into skilled and responsible individuals who can start their adult life with self-confidence. The school's strategies are divided into three overall areas: Academic quality, Profitability and Growth. Backed by its strong leadership, IES provides a safe and orderly school environment, which produces good academic results. The aim is that all students should qualify for further studies.

### ACADEMIC **PROFITABILITY OUALITY** ensures capital for IES is first choice growth **STRONG LEADERSHIP** GROWTH enables more students to join

### **ACADEMIC QUALITY**

- A safe and orderly school environment where teachers can teach and students learn
- High academic expectations and aspirations
- Strong leaderships in each
- Recruitment of skilled teachers worldwide
- Quality control systems

### **PROFITABILITY**

- Ensure that procedures are streamlined to allow school staff to focus on the academics
- Work long-term on premises needs to ensure cost-efficient solutions
- Large number of students per school and effective central admin leads to lower overheads per student

### **GROWTH**

· Focus on starting new schools that can benefit from other, already established IES schools

IES schools

- Expand existing compulsory schools down into F-3, where market shares are lower, and add parallel classes, mainly in Stockholm, south of Sweden and Gothenburg
- · Develop dialogue with municipalities
- Expand the Spanish operation

### **ACADEMIC QUALITY**

Target: 100% qualified for upper secondary school Performance 2018/19: 96%



### **PROFITABILITY**

Target: minimum operating margin 8% Performance 2018/19: 7.5% (7.7% adjusted)



### **GROWTH**

Target: 10% organic growth Performance 2018/19: 11.1%



# **SYSTEMATIC QUALITY WORK**

# IES's quality work is based on four indicators Student surveys Parent surveys 2 Teacher surveys National tests



IES strives to continuously improve the quality of its schools in order to fulfil its promise to parents and students. The work is based on its Basic Defining Policy documents, where the schools' objectives, expectations and ethical guidelines are described. The principal is responsible that the operations live up to these. All students and parents are expected to sign the ethical guidelines, while the teachers are expected to serve as role models for how these should be put into practice.

### Structured follow-up

The quality work is conducted according to a carefully structured process. In May every year, surveys are performed among students, parents and staff in order to investigate how well the operations live up to the objectives. The answers are evaluated during the summer by the quality managers, i.e. IES's COO, head of academics, head of pastoral as well as the principal of each school. Any variations compared with the objectives are identified and an action plan is developed with each school at the beginning of the academic year.

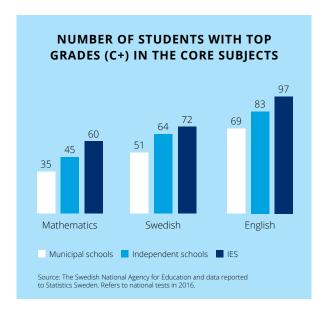
The students' achievements regarding grades and results at the national tests are also closely monitored. Any variation in grading compared with the results on the national tests, as well as variations compared with the IES average and national average respectively, are looked into in order to ensure that the teachers' grades are correct. IES's quality system enables evaluation in several different dimensions, including those regarding every student, school, year and

subject. This also enables comparisons over time. All of this is put together in a report, which every school works with during the whole academic year.

In order to facilitate the teachers' work and ensure equal grades, a process of collective evaluation between the subject teachers in IES schools has been initiated. In addition, specific subject facilitators have been appointed, responsible for coordinating the quality and grading between the schools. School visits are conducted at the schools where variations from the average are found, or where the schools underperform on several parameters, compared with IES's objectives. During the school visits, which last for several days, the COO, the head of academics and head of pastoral, interview teachers, principals and academic managers. They also attend lessons, after which they make an action plan, which is followed up continuously over the year with the principal.

### Better results than the national average

So far, IES students have performed better on average in the national tests than the national average. An example that illustrates this is that 70 per cent of IES students were awarded grades A-C at the national tests for year 9 in Swedish in 2019. The national average for 2019 had not been published by the Swedish National Agency for Education at the publication of this annual report. However, in 2016 – the most recent year where there is reliable and comparable data – the corresponding figure for IES was 72 per cent, compared with a national average of 51 per cent.



Meanwhile, the average qualification points (meritvärde) at the IES schools amounted to 271 for year 9 in 2019, compared with the national average of 230.

To analyse what IES schools contribute to each child's learning, irrespective of their socioeconomic background, we compare the value which IES adds for its students with the national average. IES calls the difference positive school effect. In this analysis, results at the national tests in year 6 are compared, student per student, with the results in year 9, as well as with national data for municipal schools. If the difference has increased, this means that IES has evidence that the school has contributed in a positive way to the student's progress during the school period. At the publication of this report, comparative data at a national level had not yet been published. In 2016, the most recent year for which such an analysis could be made, the school effect was positive.

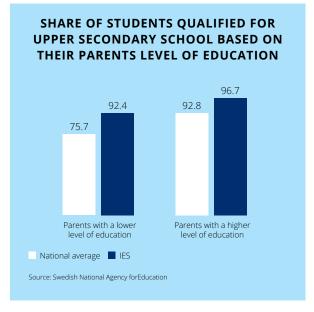
### Motivating students to do their best

IES strives to help all students reach their full potential. This means that the school should help those in need of support, while also ensuring that high achieving students are stimulated and challenged. The students perform diagnostic tests in Swedish and mathematics in year 4 and 6 to identify those in need of extra support. Since the start in 1993, as well regular lessons, IES has been offering homework support and academic surgeries during which students have the opportunity to go deeper into a subject, receive greater challenges or have support after school hours.

of IES students are qualified for upper secondary school. The national average is 84 per cent

The schools with a large share of students from weaker socioeconomic backgrounds often stay open extra hours in the afternoons in order to offer students a quiet place to do their homework. They also serve breakfast to ensure that the students get a good start to the day.

Through motivating every single student to do their best and having the same expectations of all students, IES achieves better results for students from all types of backgrounds. One example of this is that 92 per cent of IES students with parents without college education were qualified for studies at upper secondary school, compared with the national average of 76 per cent.



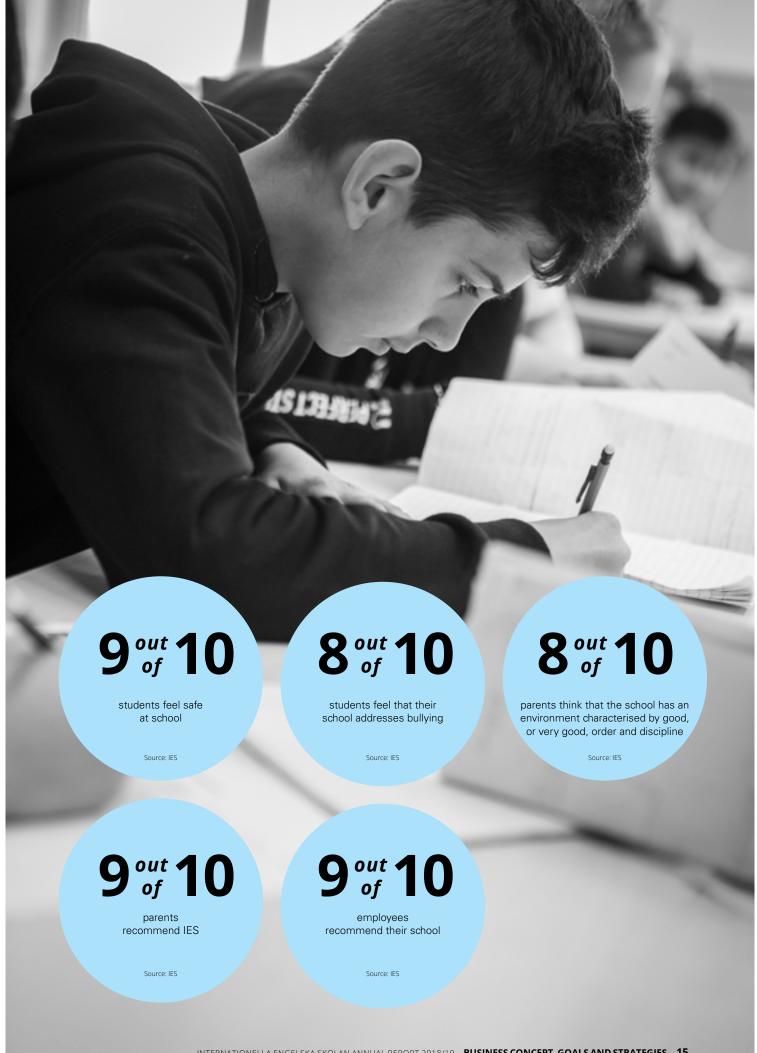
### International tests for further challenges

IES students can choose to take extra tests, know as IGCSEs (International General Certificate of Secondary Education) from Cambridge Assessment International Education. These tests are internationally acknowledged and based on teaching material from Cambridge, where the goals set are much higher than in the Swedish curriculum.



### Cambridge Associate

Internationella Engelska Skolan is a registered associate of Cambridge Assessment International Education.





### IES's role in society

# A GOOD SCHOOL IS **GOOD FOR SOCIETY**

Internationella Engelska Skolan teaches its students to have high expectations both of themselves and of life. When they are in doubt or encounter difficulties, there are always supporting adults close by to help them regain confidence. For more than 25 successful years, IES has proved that it is the calm and orderly school environment with clear rules that decides whether a child can develop to its full potential – background or ethnicity are not relevant. Good schools are of longterm importance for the whole society. IES's contribution is to create confident, well-educated and responsible global citizens.

92%

of students of parents with a lower level of educational qualification that left grade 9 were qualified for upper secondary school. The national average was 76 per cent.

36%

of the about 3,700 students who graduated year 9 in spring 2019, had a foreign background. The national average was 25 per cent.

96%

of students graduating from IES's compulsory schools qualify for upper secondary school. The national average is 84 per cent.

# CHALLENGES IN SWEDISH **SCHOOLS:**

1

### **Growing number of students:**

The number of students in compulsory school (F-9) grew by more than 21,700 students over the past year, compared with the academic year 2017/18. The majority of these students live in Sweden's largest urban areas. By 2028, close to 1,000 new schools will be needed to meet the growing number of students.

### IES establishes new schools

Since the start more than 25 years ago, IES has emerged as the leading independent school operator of compulsory schools in Sweden. The majority of the 36 schools can be found in the largest urban areas. The aim is to continue to grow by 2-3 schools per year. The establishment of an independent school means that the municipality can meet a growing number of students, while avoiding costly investments in new buildings or renovations.

In the past five years, IES has opened ten new schools and the number of students has increased by 8,000.

Source. Swedish National Agency for Education and IES

3

### School results in Sweden are declining

In the past few years, there have been a number of alarming reports indicating that Swedish students are performing poorly compared to 20 years ago. Meanwhile, Sweden's future welfare is dependent on today's students acquiring the necessary education, knowledge and competence to make them confident individuals who can compete on an increasingly global labour market and who can contribute to the continued development of Swedish society.

### IES students perform better than average

IES delivers high academic results thanks to a safe and orderly school environment, clear leadership and high academic expectations. IES students perform better at the national tests in the core subjects Swedish, English and maths than the national average, as well as the average of the independent schools.

Source: Swedish National Agency for Education and IES

2

### Shortage of teachers in Sweden

Calculations show that 80,000 new teachers will be needed in Sweden in the next ten years. In order to handle this situation, many schools are forced to employ teachers without qualifications.

### IES hires skilled teachers from other countries

IES handles the shortage of teachers in Sweden by engaging skilled and ambitious teachers from English speaking countries around the world. Many of these stay on in Sweden and also apply for Swedish teacher certification. About 50 per cent of IES's teachers have a teacher education from a country other than Sweden, and in total a higher number of IES's teachers are qualified, compared with the average in the country.

Source: Statistics Sweden and IES

4

### Growing gap between children's school results

Every child should have equal access to education in Sweden, according to the law. Everyone should learn the same things and have equally good lessons, regardless of how much their parents earn, how well educated they are or if the students were born in another country. But a survey made by the Swedish National Agency for Education in 2018 shows that this is not the case. The fact is that it is of great importance where students live and if they were born abroad. The parents' education and income also have a major impact on the grades the student will receive. Furthermore, the differences have increased in the last, few years.

### IES provides all children with the opportunity to realise their potential

A safe and orderly school environment, as well as high academic expectations of every single student contribute to the fact that IES students perform better, on average - regardless of background and situation at home. IES's extensive investments in student care, including student health, counsellors and support teachers, make it easier for teachers to focus on high quality teaching. An indication that this is an effective way of creating equal opportunities for all is that 82 per cent of IES's students with a foreign background left compulsory school in 2019 with passing grades in all subjects. The corresponding figure for all schools in Sweden was 57 per cent.

Source: Swedish National Agency for Education and IES



One of the major industrial investments in Skellefteå is Northvolt's planned large-scale battery factory – one of the biggest industrial projects in Sweden in decades. Fully operational, the number of employees is estimated at around 2,500. A brand new Skellefteå is expected to grow around Northvolt. Illustration: Northvolt.

# IES - A KEY ELEMENT IN MAKING A MUNICIPALITY ATTRACTIVE

A good school contributes to making a municipality attractive to both businesses and people. IES's strong brand has resulted in an increasing number of municipalities, regardless of political leadership, turning to IES with requests to establish schools. One of these is Landskrona, where IES opened a school in 2017, and Skellefteå, where IES opened a school in 2019. "We believe that this establishment, and Skellefteå's education opportunities as a whole, are crucial for continued, sustainable growth", Maria Marklund (S), vice president of the city council in Skellefteå, says in a comment.

Skellefteå boasts the most vibrant and high tech business community in northern Sweden, featuring a mix of successful, world leading corporates, extensive tech know-how and cutting-edge technology. In order to keep developing, these companies must be able to attract talented people from all over the world.

- We believe that a competitive and international business community creates an attractive and expanding job market. To achieve this, businesses must be able to recruit experts to their operations, and Skellefteå must be perceived as an attractive place to live - for both Swedish and foreign families, says Kristina Sundin Jonsson, head of administration in Skellefteå.

A key element in this, identified by the municipality, was to be able offer a good school. They chose IES, which will open a compulsory school from grade F-9 as well as a "fritids" (youth recreation centre) in the school year 2019/20.

- For a long time, Skellefteå's business community, as well as its parents, have expressed their desire for the type of

education that IES offers. We have listened to this, Maria Marklund says.

### Positive development in Landskrona

In Landskrona, Torkild Strandberg, liberal politician and chair of the municipality of Landskrona's executive board, has conducted intense lobbying to persuade IES to open a school in the municipality ever since 2008. Nine years later, in 2017, the school materialised.

- My main task is to turn the negative trend in Landskrona and to make the municipality attractive for both businesses and people. In this process, a good school like IES plays an important part, he says.

Today, Torkild Strandberg is positive concerning the future of the municipality, which recently has attracted new, substantial industrial establishments, including the German wind power giant Enercon.

- We have a bit to go, but we're definitely on the right track, he says.

# "A MULTICULTURAL MIX THAT BENEFITS ALL"

"It's an enormous challenge that many of the students who attend our school have very poor command of both Swedish and English; some 150 out of 450 students speak Arabic as their first language, for instance. We're still searching for the optimal way to handle this. But, I'm extremely proud of what we have achieved in only four terms – what will we have achieved in eight?" asks Joakim Andersson, principal of IES Helsingborg.

IES Helsingborg first opened its doors in autumn 2017. This meant that the impressive, more than a hundred year old school building, perched on top of a hill in "Söder" (the southern part of the city), was restored to its former position as a compulsory school after a number of years housing other activities. But from previously being a school primarily for children in Söder, it has now become a school for the whole of Helsingborg. Today, around 30 per cent of the children come from the neighbouring area, while the rest live in other parts of the municipality and other nearby municipalities. Some 15 per cent had just arrived to Sweden at the start of the first term.

- Our school is one way of dealing with segregation in the municipality. We have managed to attract students from all parts of Helsingborg and to create a successful mix in a very short time, Joakim Andersson says.
- But there are challenges like the fact that a number of students who come here almost only speak Arabic. We deal with this through our school councellors and mother tongue teachers who speak Arabic and who become our communication channels to these students until they learn to speak Swedish and English. We're also fighting a small battle every day to encourage our students to speak English during breaks, for instance, he continues.

### "Security is good for children"

Joakim Andersson has a background as a woodwork teacher, employed at both municipal and independent schools. In 2000, he was appointed as a school leader and soon after this as principal. His previous position was with Kunskapsskolan.

- I felt that it was time for something new and I wanted to be part of starting a new school. Furthermore, I was attracted by IES's concept.

> - I've now tested the concept in real life and I've seen that it works. All children benefit from routines, and knowing the rules. It creates a sense of security. This is why it's so effective that all lessons, for example, start in the same way with the students queuing in an orderly way outside the classroom. This creates a peaceful start to the lesson and contributes to a calm learning environment, which is extremely important for the learning process. The respect that everybody in

the school is expected to show each other is also of vital importance, as this prevents bullying and creates a good atmosphere, Joakim Andersson says.

"Our school is one way of dealing with segregation in the municipality. We have managed to attract students from all parts of Helsingborg and to create a successful mix in a very short time."

### **Activities that suit many students**

The school offers a number of different activities in order to increase the contact between the students outside the classroom, including dance, chess, yoga, sports and robotics.

- We try to find things that as many children as possible take part in. The activities fulfil a number of purposes.

IES HEI SINGBORG

391

students

parents recommend the school

different mother tongues

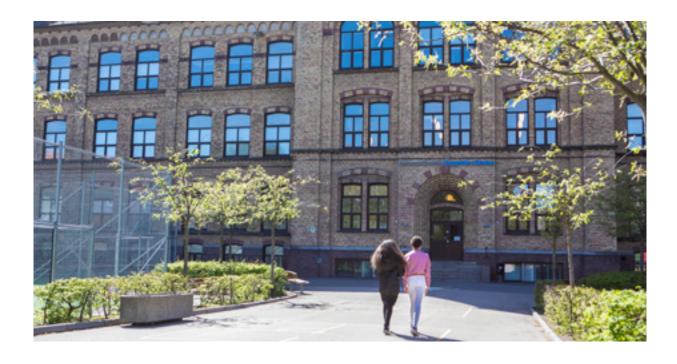
teachers from ten countries

students feel safe at school



One of these is that it's a both effective and positive way for the students to release energy. Another that it creates a sense of belonging and contact between different groups of students. Apart from this, there are students who lack encouragement from home to exercise and here they get an opportunity to do that, Joakim Andersson says.

Spring 2019, there were 41 teachers at the school, approximately half of whom were Swedish and the rest from the UK, the US, Canada, Germany, Turkey, South Africa and Australia. In addition, there were another 23 staff in various support functions. New teachers as well as more new students are expected to start autumn 2019.



Helsingborg's school administration:

# "IES CONTRIBUTES TO THE DEVELOPMENT OF SÖDER"

"We wanted something new and different that could add a new dimension to a socially vulnerable area. A school with an international touch also feels totally right for Söder with its multicultural mix". This is how Maria Holm, assistant director of education for Helsingborg municipality, describes the reasoning behind the decision to choose Internationella Engelska Skolan as operator when an old compulsory school was reopened in 2017.



When the municipality decided to convert the old Gustaf Adolf school in Söder to its former function after being home to other activities for a number of years, the vision was to create a school for the whole of Helsingborg.

Söder was built in the 19th century during the strong expansion of Helsingborg. Following the construction of the harbour and the railway, many industries were established there and housing estates built for the workers in the area. The result was that Helsingborg became a segregated city very early on. The workers, and later also many immigrants, lived in Söder, while the people who were better off settled in the northern part of the city. During the last couple of years, the municipality of Helsingborg has carried out a number of measures in order to make Söder an attractive and safe area.

"The reason we chose IES was based, among other things, on the fact that IES has a strong brand and we wanted a school that could attract students from the whole municipality and thus contribute to an increased exchange between the different parts of Helsingborg."

- The municipality is growing and we need more schools, not least in the central parts of the city. This was an important reason why we decided to transform the Gustaf Adolf school into a compulsory school again. We're continuously looking for suitable premises, and this was the last existing centrally located one that we could use, says Maria Rosenqvist, coordinator of independent compulsory school operations in the municipality of Helsingborg.

- We like to have a mix of schools where some are operated by the municipality, some by independent schools. At the moment, only 24 per cent of our compulsory schools are independent schools, which is why we felt that it would be appropriate to add another, she continues.

### Aiming for a mix

The decision to let an independent school operator run the school was not uncontroversial, however.

- The municipality of Helsingborg was an early adopter of "skolpeng" (school subsidy), but the attitude towards independent school operators has been fluctuating over the years depending on political majorities and winds. Now the time was right, says Maria Holm.

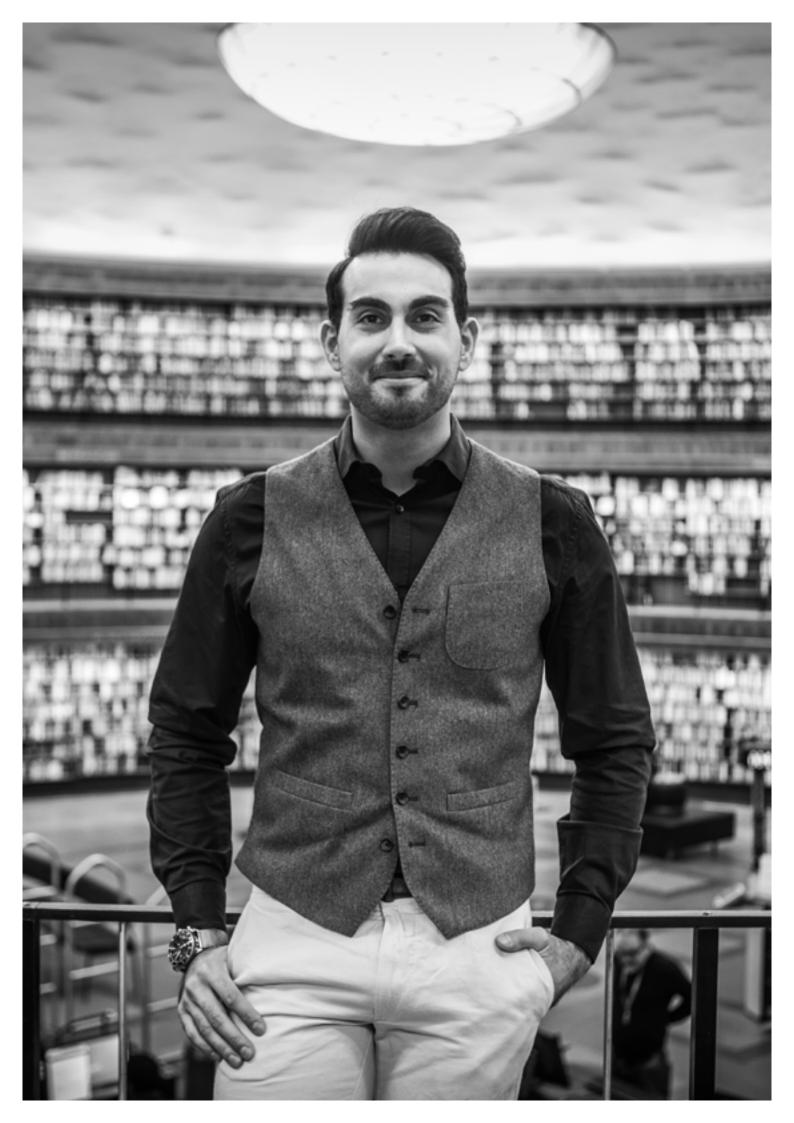
Discussions between the municipality of Helsingborg and IES were initiated in 2016 and after the decision had been made, the school - which is one Helsingborg's biggest as well as oldest - was thoroughly renovated.

- The reason we chose IES was based, among other things, on the fact that IES has a strong brand and we wanted a school that could attract students from the whole municipality and thus contribute to an increased exchange between the different parts of Helsingborg. Furthermore, IES has taken an active part in the process, showing an interest in starting a school in our municipality for a number of years and through these contacts we had already obtained a good impression of the company.

According to Maria Holm and Maria Rosenqvist, the school project has been successful and the mix of student that was aimed for achieved.

- We already feel that the IES school contributes to the development of Söder, Maria Holm says.





### Meet a former student

# "IES MADE ME A **GLOBAL CITIZEN"**

"Today's students must learn to understand and master diversity to be able to become a vital part of tomorrow's globalised and complex society. This is something I really learnt during my years at Internationella Engelska Skolan", says Baykal Yurtsever. Coming from a Turkish background, he was raised in the housing project Stockholm suburb Tensta, but commuted to Barbara Bergström's schools during his compulsory school years. After finishing his Manchester Business School degree, 29-year old Baykal now works at Stockholm School of Economics.

The regular drilling in critical thinking and to question information, along with the ability to command and even excel in English. This is all part of what Baykal claims to value most from what he learnt during his school years at IES.

- Most important of all, however, was the constant exposure to other cultures, and above all, to learn to appreciate other cultures. This becomes increasingly important in a society in which a great deal of innovation and new thinking comes from intercultural and crossborder cooperation, he says.

### Important from both a personal and career perspective

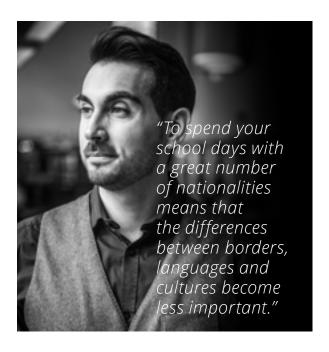
He is a good example of a successful merger of several cultures. Baykal's Turkish parents are university graduates who fled to Sweden in 1982 as a result of the political climate in the country. They settled down in the housing project suburb of Tensta outside Stockholm and started a family business. Baykal and his brother spent their childhood in Tensta, but when it was time for them to start school, their mother felt that the municipal school would not be able provide satisfactory education for her children. She had heard of Barbara Bergström's school on Valhallavägen in the city, where she managed to enrol her sons. When IES opened its first school in the suburb of Gubbängen, they continued there.

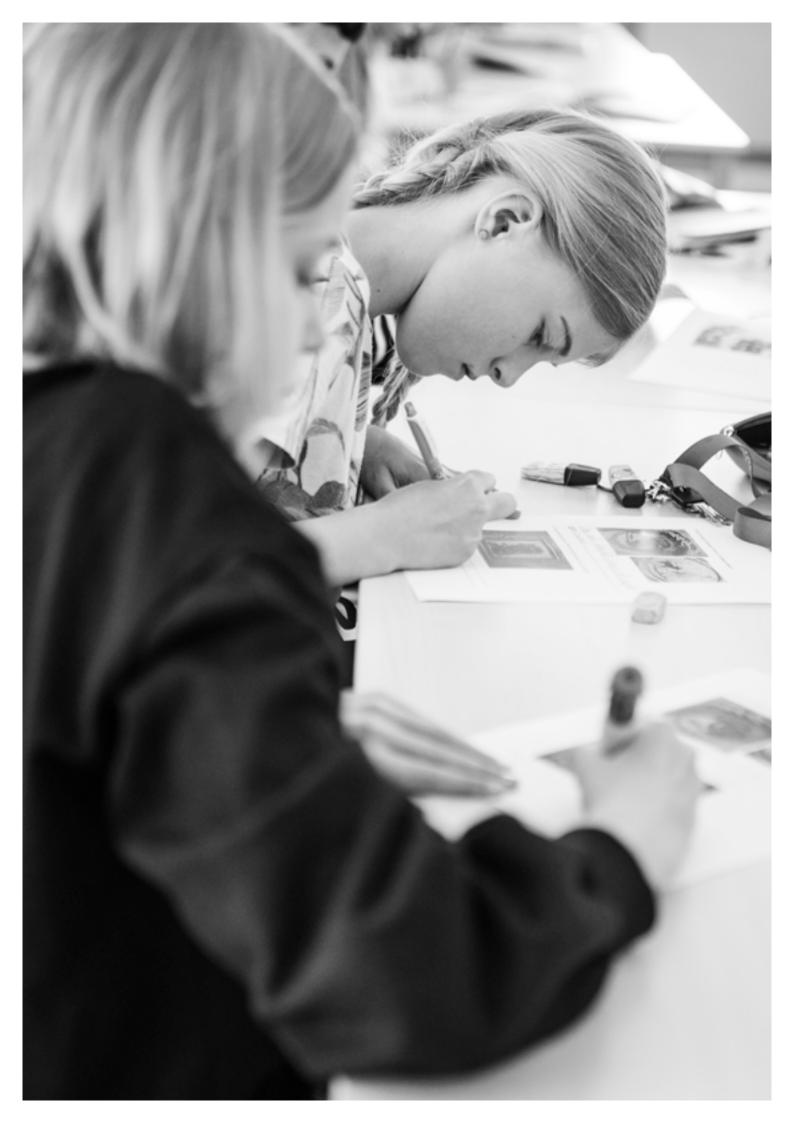
- I'm so grateful for this. It meant a lot to me to go to an IES school, both from a personal and career perspective. To spend your school days with a great number of nationalities means that the differences between borders, languages and cultures become less important. It becomes very clear that we are all human beings, driven by the same sort of needs. My best friends today, many of whom I got to know at school, come from countries like India, Bangladesh, Palestine, Israel and the Philippines.

- Of course, the academic knowledge was also of great importance. My proficiency in English, for instance, meant that I could continue my studies at Manchester Business School, Baykal says.

Today, Baykal works with international programmes at SSE Excecutive Education and travels a great deal in his job, mainly to India.

- My IES education has provided me with the ability to communicate with people of different nationalities and cultures. I've become a global citizen – thanks to IES, says Baykal.





### Operations in Sweden

# STRONG CONFIDENCE **GIVES GOOD GROWTH** POTENTIAL

Since its inception 26 years ago, Internationella Engelska Skolan has developed into the leading independent compulsory school operator. Meanwhile, IES has good potential to continue to grow. One reason is that the population is growing and that there is a shortage of schools. Another is the strong confidence in IES's concept. Focus is mainly on growing organically in areas with population growth through establishing new schools and increasing the number of classes in existing schools. In addition, IES strives to expand down in ages, i.e. year F-3. The strategy is to grow in a balanced and controlled way, where the focus always remains on the quality of the education.

employees at the end of the 2018/2019 school year, a 9 per cent increase, compared with 2017/18.

employees say that they would recommend IES as a workplace to a friend.

of students who graduate IES compulsory schools are qualified for upper secondary school. The national average is 84 per cent.



**ESTIMATED GROWTH OF STUDENTS** IN COMPULSORY SCHOOLS AND INDEPENDENT SCHOOLS IN SWEDEN, IN THOUSANDS (1-9)

Based on the independent school operators' current share of the total number of compulsory school students (15 per cent), the number of students in independent schools is estimated at 165,000 in 2025.

Total number of students in compulsory schools

Students in independent schools in 2025, based on a 15 per cent market

Source: IES, The Swedish National Agency for Education and Statistics Sweden

In IES's annual survey among parents with children in IES schools spring 2019, 36 per cent said that they chose IES mainly for its calm and orderly environment, 29 per cent because they want their children to learn English and 24 per cent because they appreciate the high academic expectations. Nine out of ten parents said in the survey that they would recommend *IES to another parent.* 



Operations in Sweden

# SWEDEN'S LARGEST INDEPENDENT SCHOOL OPERATOR IS GROWING

Internationella Engelska Skolan is Sweden's largest independent school operator in terms of number of students in compulsory school. In the academic year 2018/19, a total of 25,500 students attended the 36 Swedish IES schools. On average, the number of students has increased by 19 per cent in the past ten years – while the queue registrations keep growing. An important reason behind the strong and growing interest in IES is increased focus in the public debate on quality and equality in compulsory schools.

IES conducts school operations in Sweden from grades F-12. The emphasis is on middle school, with 46 per cent of IES students in grades 4–6, and 47 per cent in grades 7–9. School locations extend from Skellefteå in the north to Lund in the south, with focus on the country's growth regions.

In the academic year 2018/19, IES operated 36 schools in Sweden, of which 17 are in the Stockholm region. The number of students totalled 25,500 in 848 classes, while there were 191,700 registrations in the queue to start at an IES school. During the year, IES schools were opened in Länna and Sundbyberg. Agreements were also signed and plans initiated to start school operations in Skellefteå for the school year 2019/2020, in the Stockholm suburbs Vallentuna and Upplands Väsby along with Östersund 2020/21, in Kungsbacka and Solna 2021/22 and in Gothenburg 2022/23. The goal is to grow by 2-3 schools per year.

IES follows the Swedish curriculum and holds permits from the Swedish Schools Inspectorate. The education is free of charge and operations are publicly financed via school voucher funding. Parents and students actively choose the school in accordance with the principles of Sweden's independent school system. Admittance is strictly in date order as applications are received, supplemented by sibling priority.

IES has a clear profile based on the principles that schools should offer an orderly environment, that students should learn to command English, and that they should encounter high academic expectations.

A key to success is to achieve strong leadership in the schools and to recruit skilled teachers from Sweden and English

speaking countries. Up to half of the teaching is conducted in English by teachers whose native language is English. This creates the potential for schools with an international character that offer high quality.

Year after year, in grade 9 national tests, IES students significantly outperform the national average in the core subjects of Swedish, English and mathematics, and are above the independent school average.

### Large schools

In the academic year 2018/19, IES operated 17 of Sweden's 20 largest independent compulsory schools. The student base of a compulsory school managed by IES is about three times larger than schools managed by other operators. The high demand for places at IES schools means classes can be kept full and new schools can expand quickly to fill their buildings. This means, in turn, that new schools are often profitable by the third year.

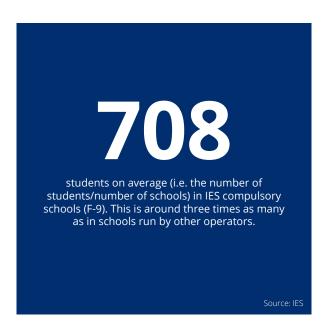
IES schools satisfy stringent standards applying to support resources for student care, such as school healthcare,

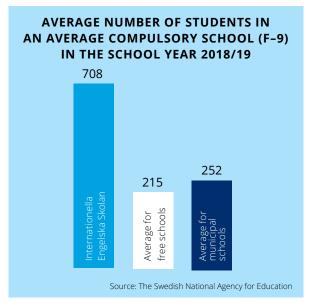
councellors and teaching assistants, as well as management support for principals, which enables teachers to focus on teaching. The size of IES's schools contributes to make this possible.

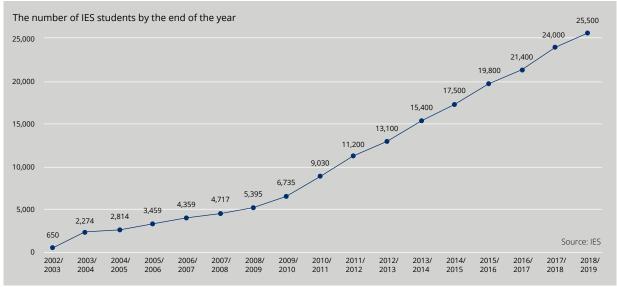
### Centralised processes and support functions

IES has a small central organisation, which integrates support functions like academic development, school healthcare, HR, accounting, payroll, IT, expansion and building, marketing and legal services. IES also operates through central framework agreements in IT, licensing, telephony, electricity and security. Each school's principal and staff focus on their most important assignment, i.e. running their schools. Principals bear full responsibility for the school's operations and staff.

As a result of this working method, IES can continue to expand and maintain high academic quality without adding costs for support functions, as these are operated through the central organisation.









### IES schools

### FROM SKELLEFTEÅ IN THE NORTH TO LUND IN THE SOUTH

Compulsory schools	10.Hässelby Strand	20.Linköping	30.Täby
1.Borås	11.Hässleholm	21.Lund	31.Umeå
2.Bromma	12.Johanneberg (Gothenburg)	22.Länna	32.Uppsala
3.Enskede	13.Järfälla	23.Nacka	33.Västerås
4.Eskilstuna	14.Jönköping	24.Skellefteå (August 2019)	34.Älvsjö
5.Falun	15.Karlstad	25.Skärholmen	35.Årsta
6.Gävle	16.Kista	26.Sundbyberg	36.Örebro
7.Halmstad	17.Krokslätt (Gothenburg)	27.Sundsvall	
8.Helsingborg	18.Landskrona	28.Södertälje	Upper secondary school
9.Huddinge	19.Liljeholmen	29.Tyresö	37.Södermalm (Stockholm)



Market in Sweden

# **GROWING DEMAND FOR SCHOOLS AND TEACHERS**

Since the early 1990's, Sweden's 290 municipalities have been responsible for funding schooling, and ensuring that all students have access to equivalent education. In the academic year 2018/19, there were 3,989 municipal schools in Sweden and 822 independent schools at the compulsory level. In the same period, just over 1,190,300 students attended compulsory school (F-9), up by 21,700 students, compared with the previous academic year.

160

municipalities were in the catchment area for IES's 36 compulsory schools. Free school choice enables parents to choose school based on the needs of their childen, thus influencing their future.

Schooling is compulsory for all children in Sweden, from grade F (föreskoleklass) at the age of six to grade 9, i.e. for ten years, or until the student reaches the age of 18. Sweden's municipalities bear the main responsibility for fulfilling this obligation and for students being offered a place in a compulsory school, as well as responsibility for funding their schooling.

This universal obligation means that the compulsory school student base will largely track the population growth of children of school age. Since autumn 2010, the student base has increased by approximately 2.4 per cent per year.

School voucher funding that follows the student Sweden's independent school reform was implemented

in 1992, which enables parties other than municipalities to operate schools. Primarily, independent schools are financed via municipalities from school voucher funding, pursuant to the ground rules stipulated by central



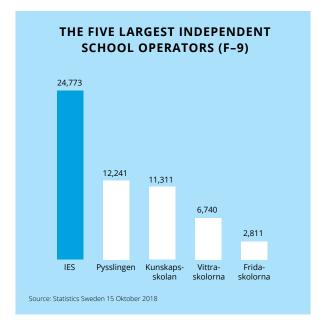
government with the aim of ensuring equal terms for independent and municipal schools.

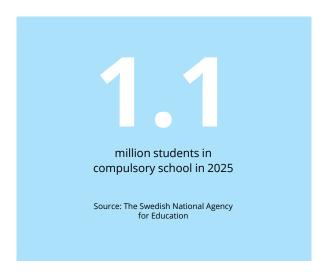
Reimbursement of independent compulsory schools is stipulated by the Swedish Education Act, and is disbursed from students' home municipalities. According to the 'principle of equal treatment', compensation should be objectively calculated irrespective of school operator, and follow the student whether they attend a municipal or independent school. A part of the school voucher is based on socio economic index so that schools with a higher share of students with an expected greater need of support and stimulus receive greater recourses. In addition, there are supplements schools may apply for to support children with special needs. Public and independent school operators that manage compulsory schools can also apply for government grants to develop their operations and staff. The purpose of these grants is to improve student potential to learn and achieve established curriculum goals. Examples of grants are karriärtjänster (career positions), lärarlönelyftet (teacher salary boost) and likvärdighetsbidrag (equality and skills development).

### A fragmented market

The entitlement of freedom of choice in schooling means that IES is competing with public and independant school operators in compulsory schooling. In the academic year 2018/19, a total of 84 per cent of students chose to attend a compulsory school with a municipal operator and 16 per cent a school with an independent school operator or an international school.

The independent school market is extremely fragmented with many small operators. As many as nine out ten independent school operators only own one school.





Operating a independent school requires approval from the Swedish Schools Inspectorate. For the academic year 2018/19, there were 577 approved independent school operators, which managed a total of 822 compulsory schools. Internationella Engelska Skolan AB is the largest independent school operator, in terms of the number of students.

### **Market trends**

In short, the current trends characterising the school market in Sweden can be described as a growing number of children, a shortage of schools and teachers, and increased focus on the quality of education.

Sweden's population grows in line with rising birth rates and immigration. This means that the need for investment in schooling and education also increases. In tandem, there is a rising interest among the population to decide for themselves which school and orientation to choose. An important reason is the documented deterioration of the performance of Swedish students, which has put focus on the quality and equality of compulsory schools.

According to Statistics Sweden, Sweden's population will reach approximately 11 million by 2025. In the autumn

term 2025, the Swedish National Agency for Education estimates that some 1.1 million students will attend compulsory school. Newly arrived students who have not yet been officially registered are not included in this forecast, which means that the number of students is underestimated, according to the Swedish National Agency for Eduaction. Estimates indicate that over the next ten years, another 80,000 teachers will be needed in Sweden.

Meanwhile, the number of applications to start new schools is decreasing. The reason is more stringent standards applying to the operators' ability to comply with challenging teaching and financial stability standards.

### Good potential for growth

This means that the growth potential for IES continues to be strong – partly as a result of favourable demographic and structural trends, partly based on its successful concept.

Focus is mainly on growing organically through establishing new schools, while increasing the number of classes at existing schools. In addition, IES considers that there is a strong growth potential in year F-3. There are several advantages linked to growing in this segment; e.g. the students can start studying English at an earlier age and IES will be able to attract students from when they first begin compulsory school. There is also a potential in certain schools to expand in existing or nearby premises, where the organisation already is in place.

Municipalities are likely to continue to welcome IES, even if political regulations and attitudes regarding independent schools in general would become more restrictive. The reason behind this is IES's strong brand as a well established and serious school organisation providing the municipality with quality schools of an international character. IES has a clear concept and is a complement to the existing schools. IES can also contribute to reducing municipal investment requirements as a result of its long-term and close cooperation with many big property companies.

students in compulsory schools by 2030 Source: Statistics Sweden

students in the 17 largest municipalities Source: Statistics Sweden

# **ENGAGED STUDENTS** FROM MANY CULTURES

Large, multicultural and successful. With its 927 students from all parts of the world speaking more than 40 different languages, the IES school in Liljeholmen in Stockholm is in many ways representative of IES's operations. "The school is a melting pot, something that enriches everybody's lifes. The main challenge is that it's like managing a big company where the customers are more than 2,000 parents with growing demands on what the school should achieve. The reward is all the engaged students who return here to tell me how grateful they are for their time at this school", says principal Annakarin Johansson.

With a mix of engagement, strong motivation and warmth, Annakarin Johansson runs the large IES school in Liljeholmen in the south of Stockholm, which was opened in 2014 for students from grade 4-9.

- A clear line and strong leadership are the main requirements to manage such a large operation with so many stakeholders from so many cultures, she says.

Personally, Annakarin Johansson says that she has Robert Clark - legendary and nowadays retired principal of the IES school in Enskede - to thank for everything that she knows about leadership.

- I started at IES as a substitute teacher in Swedish 15 years ago. He saw my potential and helped me to develop. He became my role model. I saw how he, every second of every school day, strived to enforce IES's culture and core values. Everybody was seen and all actions noticed. It requires a lot - but it's also necessary, she says.

### **Engaged students**

There are a total of 86 teachers and other staff working at IES in Liljeholmen. An important task for them all is to be good role models, according to Annakarin Johansson.

- If we teach the students to respect each other when they meet face to face at school, the chances are much greater that they respect each other outside school, in social media, for instance.

- This is a school with an open atmosphere and where we discuss important and sometimes also controversial subjects with our students, such as racism, sexism and

> feminism. The result is that we have a large amount of deeply engaged students who are passionate

> > about different things and who operate forums and groups themselves. We have, among other things, a workshop about racism. It's important that we don't shrink back from the difficult subjects. It contributes to increased respect for others - and for other opinions, she says.

Asked what the best thing about her job is, she replies instantly; "the opportunity to influence a student's future".

"If we teach the students to respect each other when they meet face to face at school, the chances are much greater that they respect each other outside school."

- It's wonderful to see a student who I've been worrying about succeed. It's also fantastic that students return here to tell me how much their time at this school has meant for them, Annakarin Johansson says.

IES LILIEHOLMEN, STOCKHOLM

927

students

parents recommend the school

different mother tongues

teachers from 16 different countries

students feel safe at school



"When I came here in grade six, I felt that the school environment was very different compared with my old school. Everybody spoke English and I found it difficult to settle in. But it only took six months and then it felt completely natural. Now, I really like it here.

I really appreciate that there is such an open atmosphere at the school and that most of the students are engaged in different subjects. We talk a lot about the equal value of all human beings, for instance, which is a subject that I feel passionate about. I'm also interested in entrepreneurship. I hope to combine these two interests in the future and perhaps give lectures and write books about equality and justice.

If I hadn't attended this school, I wouldn't have the vocabulary, or the ability to express myself as well as I do. Now, I've been provided with both the tools and the goals for the future."

**HUWEDA ADEMA, YEAR 9** 



"I was extremely noisy and difficult in year 5 at my old school. | was all over the classroom and had problems concentrating. I felt understimulated.

My mother had to persuade me to start here and to leave my old classmates, but now I'm very happy that I did. Now, I'm much more interested in the schoolwork. The teachers notice me and challenge me. I also think that it's fun with all the discussions here at school about everything from politics to the refugee situation. The best thing about the school is the school environment. The teachers here are incredibly good at what they're doing and at creating a calm atmosphere in class.

Meanwhile, I've really gone in for wrestling and managed to reach elite level, which means that I have found another outlet for my energy. Now, I dream of becoming an astronaut."

**ROBIN HENNING MOBERG, YEAR 9** 

"It was my mother who wanted me to start here in year 5. We had great expectations, as we had heard so many good things about this school. At the beginning, I felt that it was a bit difficult with all the English, but it only took 5-6 months for me to get into it.

The teaching here is really good with enjoyable lessons and good teachers. The level is high and students challenge each other in class, which means that you learn a lot. I also like that the same rules apply everywhere. The student care team is also good; they're always around, asking how you're getting on and if you need any help.

I'm especially interested in technical subjects and I hope to become an industrial designer in the future."

**ROJBAR KALELI, YEAR 9** 





# Operations in Spain

# **NEW ACQUISITIONS – PLANS** FOR FURTHER GROWTH

A growing number of Spanish parents want their children to have an education in English, hoping that command of English will improve their future and career opportunities. In 2016, IES entered the Spanish market. As of June 2019, IES had five wholly owned schools in Spain with a total of some 2,500 students. The aim is to continue to grow in the country.

IES conducts bilingual education in Spain, following both the national and the British curriculum, which is also permitted in the country. The operations in Spain are conducted through the subsidiary International Education Partnership (IEP) and are in many ways based on the same principles as IES in Sweden. The IEP schools, however, are private schools and fully fee paying for tuition, meals, transport, and after school activities, among other things. There are good growth opportunities in Spain, as more and more parents choose schools that teach in English for their children. The reason is that they hope that command of English will improve their children's career opportunities, as the current unemployment rate among young people in Spain is high.

IES mainly grows through acquisitions. There are many schools for sale at the moment as there is currently a change of generations among many school operators.

## Several new schools during the year

In 2018/19, IES carried out several acquisitions in Spain. In July 2018, IES acquired the remaining 50 per cent of the shares in the Spanish holding company IEP, which thus became a subsidiary of IES and a platform for continued growth. Following this, another two acquisitions have been made, the most recent, Engage Independent School, was acquired in June 2019. This is a fee-paying, private school with 400 students aged 3-18 in Majadahonda, an affluent and growing suburb of Madrid.

In April 2019, a fee-paying school in Valladolid with 294 students aged 3-18 was acquired. Valladolid is located in an expansive region north west of Madrid with several international industries. Both of these schools currently follow the Spanish curriculum. To raise the quality further, the intention is to gradually transform the schools to follow the UK curriculum, as with IES's other wholly-owned schools in Spain, starting with pre-school and primary school. Also, the intention is to gradually increase the number of students.

Following these acquisitions, Internationella Engelska Skolan has five wholly owned schools in Spain with a total of some 2.500 students. The other three schools are located in La Nucia, outside Alicante, in Asturia and outside Valencia. IES also owned 50 per cent of IALE International School near Valencia, with some 640 students, until July 5, 2019, when the school was sold to the co-owner, the Monzonis family.

According to plans, further expansion in Spain will be performed through acquiring both individual schools and groups of schools in large cities. Subsequently, organic growth will proceed from the acquired schools.

#### IES's experience an advantage

IES has the great advantage of its experience from Sweden and its extensive competence when it comes to teaching English as one of two languages, established methodology for recruiting English-speaking teachers and well-developed methods for improving the quality of school operations.

**Ava Vanette,** year 11 at the IEP school in La Nucia, Spain:

"I have attended this school for four years now, and I really like it here. One of the most important things for me has been to develop my English, as I want to study and work abroad. There are good teachers here, who challenge us all the time. When I graduate, I want to study psychology at the university, perhaps in England."



# Market in Spain

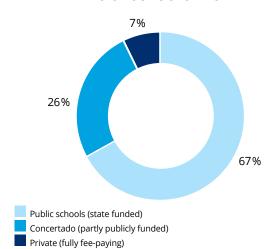
# STRONG DEMAND FOR ENGLISH SCHOOLS

The Spanish school market covers children aged 3 to 18. The number of school-age students was some 8.2 million in 2018. In 2018, approximately 78,000 students attended a school that teaches the British national curriculum, up by 20 per cent compared with the previous year. The reason behind the strong increase is that a growing number of Spanish schools have started to teach according to the British curriculum.

As a rule, operating schools in accordance with the British national curriculum requires approval from the regional authority, and the school being able to produce certification from the UK confirming that it is conducting education according to the country's current curriculum. Critical factors the regions consider in applications are curriculum, premises, resources and documentation regarding bullying and student safety, for example. Schools are regulated by

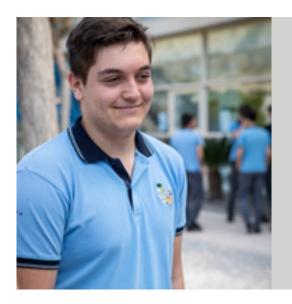
# **IES SCHOOLS IN SPAIN**

# **TYPES OF SCHOOLS IN SPAIN**



national legislation and guidelines formulated by central government, while other school issues, such as approvals to establish new schools, are generally managed regionally.

Schooling is obligatory for students aged 6 to 16 and education is either free or fee-paying depending on the school the student attends. There are three types of schools: public schools (free and state funded), concertado (private schools supported by public funding) and fully fee-paying. In 2017/18, around 67 per cent of the schools were public, some 26 per cent were concertado and some 7 per cent were fully fee-paying.



**Rafa Navarro**, year 11 at the IEP school in La Nucia, Spain:

"The teaching at this school is of a very high quality - and it has become even better since IEP took over a couple of years ago. I've been here ever since I started school and I'm happy that my parents enrolled me here, as it has made me very good at English. I haven't decided yet what I want to study in the future – but this has meant that my opportunities increase."



IEP La Nucia in Spain

# **VETERAN IES PRINCIPAL** SETS THE CULTURE IN LA NUCIA

"Everything I know about being a good leader, I've learnt from Barbara Bergström, says Sandy Schafer. She may be newly appointed as principal of the school in La Nucia, but she is a true IES veteran after many years in a corresponding role at the IES school in Hässelby. She is also a truly global citizen, born and raised in South Africa and with a professional life that spans several continents. "I like challenges and IES has offered me many of those over the years", she says.

After training as a teacher in her native country of South Africa in the 1990's, Sandy Schafer set off to explore the world. Her first stop was in Namibia and a few years later she moved to the US. In 1998, her husband was offered a job in Sweden and they moved to Stockholm.

- I met a principal who knew Barbara and then it just went on from there, Sandy Schafer says and laughs.
- At the time, I was working as a maths teacher at a school in Sollentuna. But when IES decided to open a school in Hässelby in 2010, Barbara suggested that I should become principal of it. I hesitated, but she supported and encouraged me. "You'll be fine" she said - and she was totally right. I really loved being part of initiating a new project.

# Helped building a school in South Africa

After a number of years in Sweden, Sandy Schafer felt that she wanted to give something back to South Africa. Subsequently, she took some time off to spend in her native country, where she helped to build up a school in the countryside.

- When I came back to Sweden, we started an exchange program between IES in Hässelby and the school in South Africa. This cooperation project, which is still running, means that students from IES in Hässelby visit the school in South Africa and vice versa. This creates useful experiences and insights for all, she says.

## "New challenges every day"

Three years ago, Sandy Schafer resigned from her post at IES as she wanted to seek new challenges as a teacher. She then got a job at a private school in England. But she stayed in touch with Barbara Bergström, who invited her to the celebration of IES's 25-year jubilee in August 2018. There she was offered a job as principal of the school in La Nucia.

- I didn't have to think for long I like challenges and I get plenty of those here.
- My vision for this school is based on creating a culture where students and staff show each other respect. I am convinced that the very core of good discipline is based on respect and that discipline is essential for achieving academic results. Respect is an attitude that begins at home, is reinforced at school and applied all through one's life, Sandy Schafer says.

This conviction – just like all other principles that characterise her leadership - she has got from Barbara Bergström, Sandy Schafer says.

- All through my career at IES, Barbara has been there to listen and to provide support. She has been like a second mother to me - and she has taught me everything I know about leadership. I'm deeply grateful that she has believed in me and helped me to develop, both professionally and on a personal level, she says.



# Human resources

# STRONG LEADERS AND ENGAGED TEACHERS BUILD SUCCESS

IES's success is based on the ability to create schools that are well functioning workplaces, where teachers can teach and students learn. In order to succeed, IES has clear processes and routines to identify, recruit and develop the best and most engaged school leaders and teachers.

IES is convinced that a school's success is determined by its staff; i.e. by their competence, willpower, dedication and passion for teaching. Based on this conviction, IES recruits staff with an understanding of its promise to parents and students and who wish to help fulfilling these. Employees are recruited from all over the world, primarily from Sweden and English-speaking countries including Canada, the US, the UK, Ireland, Australia, New Zealand and South Africa.

IES has a total of approximately 3,000 employees in Sweden and Spain. Of these, around 1,800 are teachers in Sweden. 85 per cent of the teachers are qualified and have graduated from Swedish universities (38 per cent) or have a degree in teaching from another country (47 per cent). IES encourages teachers from abroad to also get a Swedish qualification.

In Universum's survey for 2018, IES was ranked as the most attractive free school operator and the fourth most attractive employer in the school sector. The goal is to become number one.

As an employer, IES strives to offer a workplace where talent is nurtured and people looked after. Annual employee surveys are used to measure how well these goals are achieved.

# Strong leadership at the schools

IES is driven by its core values and hires engaged principals who live, and lead, according to these. It is the task of the principals to ensure that IES's core values are transformed into realities. The principals take an active part in the every-day life of the school, from welcoming students in the morning to being present all through the day in the corridors and school dining room. Principals have full responsibility for their school and its staff. They recruit teachers with a passion for their subjects and who can inspire their students.

In order to give new principals the best possible start and possibilities to live up to the high demands put on them, they are offered an introduction during the first months with focus on important areas, including student health, labour law, quality, school law and security.

In order to identify and develop future potential school leaders, IES has created the internal talent program "The Barbara Bergström School Leadership Program". This is a one-year skills development program conducted in parallel with ordinary work and to which principals nominate candidates. Since the program started in 2014, a total of 94 people have attended the training.

# Support to develop

IES provides teachers with the opportunity to develop both personally and professionally. Regardless whether the person is new to the profession or an experienced teacher, the employment starts with an introduction program at the "I've worked at this school twice – I worked here for a couple of years, then went on maternity leave, after which I wanted to try teaching at a municipal school. After three terms, I returned here – and seven students came along with me. I appreciate that there are higher demands put on the students here and that the staff are more engaged. The teachers are interested in discussing and adopting new research findings, which means that education methods continuously develop. There are also various opportunities for personal development, such as the leadership program, which

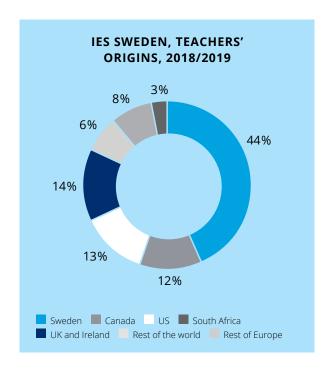
I've had the opportunity to attend. This is also an important reason why I decided to come back to IES.

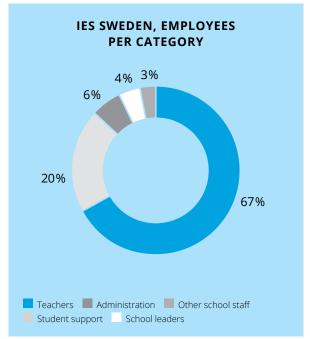
The biggest challenge is to meet all the different needs of the children, while also meeting the demands of the parents. But IES has a good support team. The best thing is to feel appreciated every single day."

# JOHANNA BOHLIN

TEACHER OF SOCIAL SCIENCES AND SWEDISH, YEAR 5, JÄRFÄLLA







school where they will be working. The program includes a review of the Swedish schooling system and curriculum, as well as IES's core values and methodology.

Around every teacher there is a support team. Every teacher is part of an academic team and a mentor team, supported by heads of department and heads of year. There are also teams responsible for student care, assisting both staff and students.

IES recruits teachers internationally and assists them in various ways to facilitate their arrival and introduction to Sweden as much as possible. For example, new staff members from other countries are provided with basic information on how Swedish society works, and where they can turn to with questions or if they need practical help in arranging visas, opening bank accounts or finding housing. The initial contract runs for two years, but many teachers choose to stay longer. IES makes an important contribution to society by hiring teachers from abroad in the current teacher shortage.

An IES teacher does not only have the opportunity to develop at their respective school, but can also change workplace to another IES school in Sweden. This contributes to making IES an attractive employer. As part of the staff is employed on contracts, IES has a natural staff turnover.

Staff turnover, all staff included, amounted to 24 per cent in 2018/19 (25 per cent the previous school year) and for those with permanent employment to 17 per cent (18 per cent the previous school year).

# A safe and equal work environment

Being able to provide a secure, safe and stimulating work environment is of vital importance in order to attract good staff to the schools. During the year, sick leave amounted to 3.6 per cent, approximately the same level as the previous year. IES uses several methods to reduce sick leave even further. All school leaders attend training focused at ensuring a good working environment. IES also offers employees support 24/7 in many types of problems. Apart from this, IES cooperates with a partner for preventive, health promoting and rehabilitative health care. This partnership is aimed at addressing short-term absences, among other things, in order to reduce the risk of long-term sick leave.

For the second year in a row, IES carried out a pay survey. It shows that the company is well positioned when it comes equal pay for equal work. Diversity issues are important for IES. When it comes to gender equality, there is a predominance of women - 63 per cent versus 37 per cent men. In leading positions, i.e. principals, assistant principals and IES's management group, 43 per cent are women and 57 per cent men.

# "NICE ATMOSPHERE - AND GOOD **DEVELOPMENT OPPORTUNITIES"**



"I come from Canada and after finishing my teaching degree I felt that I wanted to travel. I applied for teaching jobs all over the world and was offered positions in Sweden, China and Venezuela. I didn't feel like going to China and my girlfriend's father said no to Venezuela – so we ended up in Sweden and at IES. I'm very happy about this. We got married, came here, and now my wife Jessie has a job at the school's junior club.

We really enjoy it here. There's a nice atmosphere at the school and it's fun that the teachers come from so many different countries, including Ireland, South Africa, Greece, England, Germany, Spain and Australia. We hang out a lot with them, a bunch of us go climbing together, for instance, and we have also started to play frisbee against other IES schools.

I also feel that I can contribute with a new dimension to maths, with focus on problem solving. I'm working on my Swedish – but right now I know more maths related terms than menu items."

DAVID FERGUSON MATHS TEACHER YEAR 8-9, LILJEHOLMEN

"Since IES took over the operations, there has been a marked improvement. The standard of education has been raised a great deal and both students and staff are much happier."

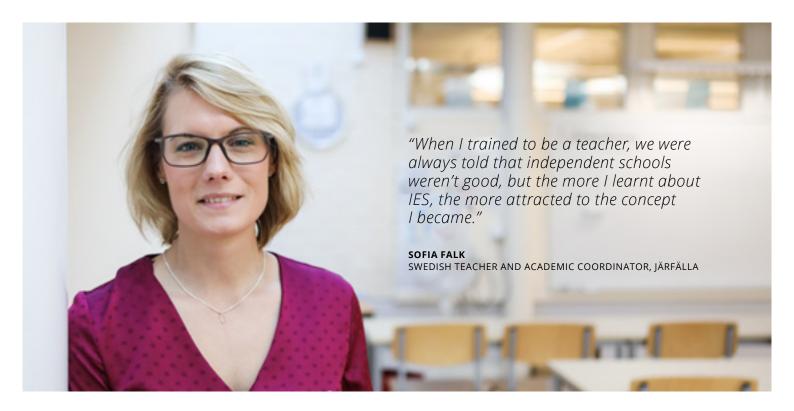
"I come from the US, have lived in Spain for six years and worked at this school for four. It's been very clear that there is a growing interest here to learn English. Many parents realise that that this will be increasingly important for their children if they wish to get a good job in the future.

Right now, the topic for my year 8 in English is Shakespeare. We're in the process of reading "Much Ado About Nothing". I'm very happy that the students are so engaged and really want to learn."

#### **TED WILLIAMS**

TEACHER OF ENGLISH AND HISTORY YEAR 8, LA NUCIA





"I started working as a teacher at a municipal school in Enköping, which I had attended myself. When I trained to be a teacher, we were always told that independent schools weren't good, but the more I learnt about IES, the more attracted to the concept I became.

Now, I've been here for seven years and I've really had the opportunity to develop. I've been head of year for three years and I've also done the leadership training. For the past year, I've been working 50 per cent of my time as academic coordinator, which means, among other things, that I'm present during other teachers' lessons - both to ensure the quality and as support for

the teachers. It also means that I'm part of the management

Teachers are exposed to all sort of pressure from both parents and society, which can be tough at times. But IES is good at supporting its staff. The strong solidarity between teachers and schools also contributes to the good atmosphere at work.

Now, I've just learnt that I've got the job as assistant principal for IES Västerås, a position I will assume in August. It will be a new challenge, that feels both incredibly exciting and fun."



"After a few years abroad and a job at a teaching materials company, I decided to go back to teaching, which I have a degree in. I attended several interviews at various schools, but was attracted by IES's concept with structure and clear rules that apply to everybody.

Now, I've been working at the IES school in Liljeholmen since it started in 2014, with one year of absence for maternity leave, and I appreciate my work place more and more. There is a warmth and generosity between the teachers that makes you feel really good at work. In addition, everybody is good at sharing knowledge and experiences with each other, something that the students, above all, gain from."

**ANNA SÄTTERSTRÖM** SWEDISH TEACHER YEAR 8, LILJEHOLMEN

# THE IES CULTURE

An important part of Internationella Engelska Skolan's success can be explained by its strong culture. But what defines "The IES Culture"? In a speech held at the Principals' Conference on May 23, 2019, IES's founder Barbara Bergström replied to this question. Below, is a summary.

# Culture = routines confirmed daily

The British researcher Tom Bennett, studying schools of excellence, has given a definition of "school culture", which I like. It is something like "culture is routines repeated and thereby confirmed on a daily basis, so that they become completely natural; 'this is how we act here'." When everybody in a school follows such routines and forms a culture, a lot of good things follow. You can focus on the more important matters, like teaching and learning, since the basic conditions are in place. It becomes easy for everybody to go in the same direction. New members of staff blend in easily, since they will know what to do. And when the forest of behavior is healthy, you can also easily detect the bad trees.

IES has a strong school culture in this sense. From greeting students in the morning, to how we see and talk to each other during the day - "yes, please", "no, thank you" - to how students address teachers, to how we dress for work and line up for lectures. Each little piece may look small, but when applied, the routines form habits that create a school environment which becomes so much easier to work in. "Attention to detail" is another way of expressing it. It is also in accordance with "The Broken Windows Theory" on how small things can become big if not acted upon promptly.

Let me add that these routines for behavior not only create an orderly and effective learning environment – they also shape norms and habits for young people which highly contributes to their success in life. Be punctual, be respectful, work hard through hurdles (show Grit), be a good team player - personal character traits like these are what every organization and employer is looking for. With IES students, they get it.

# Self-confidence: we have been proven right!

Second, a vital aspect of the IES culture is that we all know what an important task we have at hand, educating young people. We understand the responsibility and trust given by parents. At every parent information meeting through the years, I have had the habit of ending with something like this to parents: "I am deeply humbled and grateful for the trust you show us by letting us take care of what is the most precious in your life – your children, our students. I can assure you that we don't take that responsibility lightly."

We know in our inner souls that we could not have a more important purpose; we also know that we are right in our basic convictions on how to perform it. What we have stood for during 25 years has definitely withstood the test of time! Trend after trend has come and gone. At every stage, we

have been proven right to stick to our own course and sound convictions. School is to be a workplace, not a playground.

We should not let this confidence make us complacent; we are aware that every day and every week will bring new or repeated challenges. But we can trust our basic convictions on education, and that we can be the very best!

#### Go the extra mile!

A third part of the IES culture, beyond the routines and the strong sense of self-confidence, is that everybody is expected to "go the extra mile". We say it, we mean it and nobody should be employed in IES – for any position – before being asked if they are prepared to "go the extra mile".

If you are filled with awareness of the importance of our task and what we do, then you don't just look at your watch to see when it is time to go home and and you don't check if you perhaps have done more than is formally required. You put in your soul, and make that extra effort to do what you find is needed!

# The energy from an international atmosphere

A fourth aspect of what forms the culture of IES, and makes us special, is the thrill and energy which comes from schools having teachers from many different countries. Each brings his or her own cultural background, and when forming a common team for a common purpose in an "English school", the dynamic is contagious.

# Leadership is everything

A fifth part of the IES culture is the importance we place on leadership. And you, our principals, are our most important leaders. As a true leader, you must be present and visible in your school, motivate your people to go in the same direction, with clarity and enthusiasm. Already this "being present and visible on a daily basis" distinguishes IES schools from most other schools.

As a principal, you have to feel an ownership of your school; I have always spoken with each principal in the terms of "your school". You are in charge of your school. You employ your teachers. You show the way, within our common concept and convictions. You develop the "extra" for your school. You are a daily force in your school. You are in charge of all of your personnel. The preeminent task of the national organization - as represented by our people at HQ - is to support you and your school in delivering what we have promised.

Part of being fully in charge as leader of your school is, of course, to be prepared to act - quickly and decisively. Remember, it is a part of the IES culture to hate bureaucracy. "Handling mer än handlingar", as Ralph Riber stated as CEO (2013-2017). The result is what we are focused on, in real life.

There is nothing more costly in an organization than time squandered. Don't create a lot of meetings just to have meetings. They steal time and energy. The value of your time is what you alternatively could have used it for, had you not been stuck in an overload of meetings and bureaucracy.

Two notes should be added to what I have said on this: Your relative autonomy as leaders for your schools is, and must be, combined with full accountability. That goes for school results and also for finances.

Not everything described as "unneeded administration" should have that classification. I now see national unions campaigning to rid teachers of "administration", as they phrase it. But giving feedback regularly to parents and students, to sit and talk to students in the lunch room, to be observant when walking through the corridors, to identify students as individuals, and to use every occasion to train English - these tasks are not "administration", but vital parts of what it is to be a teacher.

# The IES Family!

As a sixth point about the IES culture, I want to mention something that is deep in my heart. It is the family feeling. I like to see us as a big family, where we help each other when in need - without bragging about it, but just as something natural in the family.

In a family, we care about each other as fellow human beings, with all the frailties and ups and downs that this entails. You are always open and available when a colleague asks for advice. It touches my heart when I see it, and when I hear about it. This is what family means. Please, keep it up! Continue to support each other. Never let the family atmosphere be replaced by a cold bureaucracy, under the false name of rationality.

This trust and openness between colleagues have the added aspect that we can be quick in picking up good ideas and practices between IES schools, to spread them throughout the wider organization.



#### On the IES contribution to society

Internationella Engelska Skolan has always reached out to the rest of society. But we make our most important contribution to Sweden by keeping promises given to parents and students for our own schools, and they are many. To maintain the IES quality demands our full attention, and your full presence in your schools as principals. If others want to learn something, even copy - fine. But the task to focus on is to execute in the IES schools to the best of our ability and to never, ever, let our core convictions slip or be diluted in any way.

Internationella Engelska Skolan is dedicated to supporting the many thousands of young people in our care, of all backgrounds, to become productive and responsible citizens, and to acquire the norms, character and confidence to do the most with their talents. That is our most vital contribution to society!

Barbara Bergstöm Founder Internationella Engelska Skolan

# THE SHARE

Internationella Engelska Skolan's share is listed on Nasdaq Stockholm, Mid Cap. Based on the closing price on 30 June 2019 of SEK 60.80, IES's total market capitalisation was SEK 2.4 billion.

#### Share price performance

The IES share's closing price on 30 June 2019 was SEK 60.80. During the financial year, the share price decreased 23%. Over the same period, the OMX Stockholm PI benchmark index increased 6.9%. No dividends were paid during the year. The share price high was SEK 79.40, which was in July, and the low was SEK 52.80, in May.

#### Share turnover and trading

5,726,759 IES shares were traded on Nasdag Stockholm in the 2018/2019 financial year, a turnover rate of 14.3%. To reduce the volatility of the share and facilitate trading by minor shareholders, a market maker was appointed in May 2019 (ABGSC).

#### Authorisation from shareholders' meetings

The Annual General Meeting (AGM) on 20 November 2018 authorised the Board of Directors to decide on the acquisition of own shares of up to 10% of all the shares of the company, and to take decisions on the issue of shares corresponding to a maximum dilution of 10% of the number of shares outstanding at the time of convening the meeting. There are no pre-emption clauses. The AGM also resolved to authorise the Board of Directors to, on one or several occasions until the next AGM, repurchase and transfer the company's own shares. Acquisitions may only take place on Nasdaq Stockholm and only at a price per share within the price range applicable. Transfers of shares shall take place on Nasdaq Stockholm and may also be made in other ways, with or without preferential rights for the shareholders, against cash payment or against payment through set-off or in kind, or otherwise on special conditions.

# **Share capital**

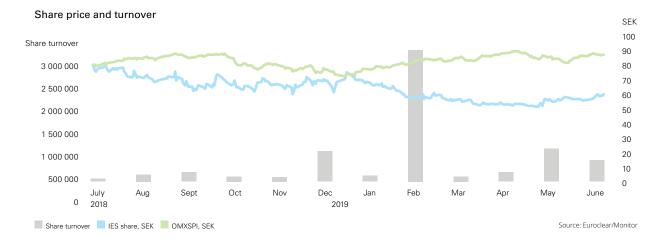
The share capital of IES amounted to SEK 1,003,250 at the end of the financial year, divided between 40,130,000 shares, of which 80,000 were Class C shares. The quotient value is SEK 0.025 per share. Each ordinary share carries one vote and each Class C share carries one-tenth of a vote. Only ordinary shares carry rights to dividends. At 30 June 2019, IES held 80,000 Class C treasury shares.

#### Ownership structure

The number of known shareholders at 30 June 2019 was 5,164. Swedish shareholders represented 67.6% of the capital and votes, while foreign shareholders represented 21.7% of the capital and votes. 10.7% of the shareholdings are anonymous, meaning that IES cannot determine who the shareholder is from the share register.

#### WHY INVEST IN IES?

- 1. Growing number of school-age children in Sweden. The number of school-age children is increasing, yet the number of places in existing schools is insufficient.
- 2. Clear, strong concept. IES has a well defined concept where a clear focus on quality leads to good academic
- 3. Predictable operations. With nearly 200,000 registrations in the queue in Sweden, the operations have a predictable student base. Moreover, the voucher funding system is stable and, over time, voucher funding has increased by around 3% per year. This results in stable revenues and good prerequisites to plan the use of resources.
- 4. More stable political conditions. Following the agreement reached between five parties in the Swedish parliament in January, the political uncertainty regarding independent schools has declined.
- 5. Favourable growth. Over the past ten years, IES has grown by 19% per year in average. Today, IES holds a market leading position in the compulsory school segment. The growth potential in Sweden remains favourable and several schools are also being evaluated in Spain.
- 6. International expansion. IES is currently prioritising its continued expansion in Spain, but is also monitoring developments in other markets in order to eventually enable an expansion into other countries.
- 7. Experienced and stable management team. 8 of 11 in the management team have held leading positions at IES for more than five years.



# Largest shareholders, 30 June 2019

Shareholder	No. of ordinary shares	No. of Class C shares	Share of capital, %	Share of votes, %
Bock Capital	12,790,045		31.9	31.9
Barbara Bergström	7,678,692		19.1	19.2
Paradigm Capital Value Fund SICAV	5,188,664		12.9	13.0
Paradigm Capital Value LP	2,010,536	-	5.0	5.0
Swedbank Robur Fonder	1,392,758		3.5	3.5
Third Swedish National Pension Fund	758,180	•	1.9	1.9
Tuna Holding AB	593,320	•	1.5	1.5
AMF Försäkring & Fonder	523,289		1.3	1.3
Canaccord Genuity Wealth Management	348,485	-	0.9	0.9
Equam Capital	333,037	•	0.8	0.8
Total shareholdings – 10 largest	31,617,006		78.8	79.0
Treasury shares	•	80,000	0.2	0.0
Other shareholders	8,432,994	-	21.0	21.0
Total number of shares	40,050,000	80,000	100.0	100.0

Source: Modular Finance

# **Division of shareholdings**

Ownership by size of holding	Total no. of shares	Capital, %	Vote, %	No. of shareholders	Proportion of shareholders, %
1 – 500	399,735	1.0	1.0	4,718	91.4
501 – 1,000	155,328	0.4	0.4	214	4.1
1,001 – 2,500	192,132	0.5	0.5	114	2.2
2,501 – 5,000	133,506	0.3	0.3	38	0.7
5,001 – 10,000	252,508	0.6	0.6	31	0.6
10,001 – 25,000	197,099	0.5	0.5	13	0.2
25,001 – 50,000	219,515	0.6	0.6	6	0.1
50,001 – 100,000	768,256	1.9	1.7	10	0.2
100,001 – 250,000	1,540,041	3.8	3.8	9	0.2
250,001 – 500,000	971,522	2.4	2.4	3	0.1
500,001 – 1,000,000	1,874,789	4.7	4.7	3	0.1
1,000,001 – 2,500,000	3,403,294	8.5	8.5	2	0.1
2,500,001 –	25,657,401	63.9	64.0	3	0.0
Anonymous shareholdings	4,364,874	10.9	11.0	N/A	N/A
Total	40,130,000	100.0	100.0	5,164	100.0

Source: Modular Finance

# Shareholders by region

Country	Total no. of shares	Capital, %	Vote, %	No. of shareholders
Sweden	27,157,872	67.7	67.6	5,085
Luxembourg	5,199,524	13.0	13.0	6
Cayman Islands	2,010,536	5.0	5.0	1
Spain	505,090	1.3	1.3	7
UK	359,130	0.9	0.9	7
Other countries	591,322	1.5	1.5	58
Anonymous shareholdings	4,306,526	10.7	10.7	N/A
Total	40.130.000	100.0	100.0	5.164

Source: Modular Finance

# **DIRECTORS' REPORT**

#### **Directors' Report**

The Board of Directors and CEO of Internationella Engelska Skolan i Sverige Holdings II AB (publ), referred to below as Internationella Engelska Skolan or IES, corporate identity number 556900-7254 and with its registered office in Täby Sweden, hereby submits the annual report and consolidated accounts for the 1 July 2018 to 30 June 2019 financial year.

#### Information on operations

The company has a financial year from 1 July 2018 to 30 June 2019, which is consistent with the school year. The past school year was the 26th in the organisation's history.

The Group's business is to conduct high-quality school operations. Internationella Engelska Skolan is one of the leading independent school operators in Sweden, with some 25,500 students at 36 schools during the 2018/19 school year. IES also has five schools in Spain with approximately 2,500 students. Until 5 July 2019, IES also owned 50% of a school in Spain with about 600 additional students.

IES Sweden conducts school operations from "förskoleklass" (grade F), which students start the year they turn six, up to the third and final year of upper secondary school (grade 12). Its main focus is grades 4-9, internationally referred to as "middle school." Within the compulsory school system in Sweden, IES is the leading operator among independent schools, with 17 of the 20 largest independent schools. IES's results on the national tests in grade 9 are far above average in Sweden.

Internationella Engelska Skolan was founded in 1993 and 2018/19 marked its 26th year of operation. Throughout this period, its schools have been defined by the three core convictions of its founder, Mrs. Barbara Bergström:

- That schools should have a safe and orderly environment, where teachers can teach and students learn
- That students should learn to command the English language, the key to the world

• That students should encounter high academic expectations and aspirations

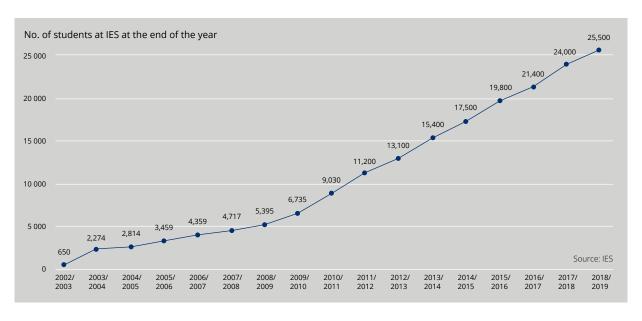
Up to half of education is conducted in English by teachers whose native language is English. Over 800 teachers with qualified foreign teaching degrees are currently teaching in IES schools. They are mainly recruited from Canada, the US, the UK and South Africa.

The company Internationella Engelska Skolan i Sverige Holdings II AB (publ) is the Parent Company of the Group. Operating activities in Sweden are conducted through the wholly owned subsidiary Internationella Engelska Skolan i Sverige AB, corporate identity number 556462-4368. This company also holds all the licenses to operate schools in Sweden. The majority of operating activities in Spain are conducted through the wholly owned Spanish subsidiary International Education Partnership, S.L. ("IEP"). IEP owns five schools in Spain through subsidiaries. Until 5 July 2019, IES also owned 50% of a school in Valencia. The UK subsidiary International English Schools UK Ltd manages one school in the UK on assignment from Sabres Educational Trust through a ten-year management contract.

IES reports geographical markets as operating segments. The three segments are Sweden, Spain and the UK, of which Sweden represents over 90% of operating income and EBIT.

# Significant events during the financial year

On 2 July 2018, the Swedish Schools Inspectorate notified IES that it had approved all the applications filed in early 2018 for permits to start and expand schools in Sweden. These permits were for new schools for grades F-9 in Gothenburg and Solna, and an expansion of existing operations to include grades F-3 in Täby, Västerås, Örebro and Södertälje. IES started two new compulsory schools in August 2018, one in Länna/Huddinge with 13 classes and 400 students in a completely newly built school, and one in Sundbyberg, with six classes and 190 students. Both schools were filled according to plan with no difficulties in their first year. This confirms that parental interest in IES



remains substantial in the Stockholm region. A total of approximately 25,500 students attended one of IES's 36 schools during the 2018/19 school year, an increase of about 1,600 students, or 7%, compared with the preceding year. The defined focus of creating a safe and calm workplace - where teachers can teach and students learn - is the main reason parents state for choosing IES. This focus has passed the test of time, through changing fashions and directions from politicians and regulators. On 30 June 2019, there were some 192,000 registrations in the queue for a place at IES for the 2019/20 academic year and beyond, over and above students already accepted. This is an increase of 2,000 compared with the same date in 2018.

During the financial year, new rental contracts were signed for school buildings in Skellefteå, Solna, Vallentuna, Kungsbacka, Östersund, Gothenburg and Upplands Väsby. The new schools are scheduled to open over the next three years. In January 2019, it was announced that the opening of the school in Luleå, where a rental contract was previously signed for the start of the 2019/20 academic year, would be delayed since the intended property is no longer considered viable as a school property. A process for finding a more suitable property in Luleå was immediately initiated. Toward the end of the year, on 28 June 2019, the Swedish Schools Inspectorate also approved all applications for permits submitted by IES in early 2019. These permits pertained to new schools for grades F-9 in Kungsbacka, Kävlinge, Partille, Sigtuna, Staffanstorp, Upplands Väsby, Vallentuna and Värmdö. Permits were also received for an expansion of earlier permits to include grades F-3 in Järfälla and Karlskrona. A permit is a necessary prerequisite to proceed in the process of establishing a new school.

On 2 July 2018, the Board of IES decided to execute a new share issue, and then immediately repurchase 80,000 Class C shares. The shares were issued and repurchased within the auspices of the share matching programme adopted by an Extraordinary General Meeting (EGM) on 13 June 2018.

On 9 July 2018, IES acquired the remaining 50% of the shares of the Spanish holding company IEP for a maximum and expected purchase price of MEUR 12, of which MEUR 9.5 was paid on the acquisition date. In conjunction with the acquisition, the majority of the Spanish operations were included in the IES Group's consolidated accounts. IEP acquired a school in Valladolid on 1 April 2019 and a school in Madrid, Engage Independent School, on 7 June 2019. At the end of the financial year, IES thus owned a total of six schools in Spain, one of which IES owned 50% of, with a total of approximately 3,100 students.

On 21 January 2019, Annette Brodin Rampe left her position as CEO of Internationella Engelska Skolan. Board member Cecilia Marlow was appointed as interim CEO by IES's Board from the same date. Anna Sörelius Nordenborg was then appointed as the new CEO of IES on 17 June. She will take office on 25 November 2019.

As usual, the investigation proposals for potential parliamentary bills and political processes attracted substantial attention and active input from IES during the financial year. A comment on the government memorandum "Implementation of the principle of public access to official documents in listed school companies" was submitted during the year. IES is of the opinion that the aim of the requirement of openness and public control of

independent school operations is already being satisfactory fulfilled and, in certain respects, better fulfilled compared with municipal school operations, which means that the implementation of the principle of public access to official documents in listed school companies would only increase the administrative burden on school companies without increasing the potential to gain insight into the operations.

The collaboration initiated between the Swedish Association of Independent Schools, Internationella Engelska Skolan, Academedia and Kunskapsskolan with the aim of increasing transparency and comparability in municipal voucher funding decisions is continuing, and the hope is that the collaboration will result in clear voucher funding decisions and thereby ensure that the important principle of "equal terms" for independent schools and municipal schools is upheld.

# **Operating income**

Operating income for the financial year increased 18.4% year-on-year to MSEK 2,781.1 (2,347.9), of which organic growth amounted to 11.1%. This growth was mainly due to a larger student base in Sweden, and to acquisitions in Spain in early July 2018, and in April and June 2019.

#### **EBIT** and adjusted **EBIT**

EBIT for the operations increased 36.9% to MSEK 208.6 (152.4), corresponding to an EBIT margin of 7.5% (6.5). A better balance between the school voucher trend and the increase in teacher salaries in Sweden as well as the positive effect of acquisitions in Spain during the year are the main reasons for the earnings improvement. Items affecting comparability amounted to MSEK -6.4 (-2.7). Adjusted EBIT amounted to MSEK 215.0 (155.1), corresponding to an increase of 38.6% and an adjusted EBIT margin of 7.7% (6.6).

# Items affecting comparability

During the financial year, IES had costs affecting comparability of MSEK 6.4 (2.7), of which costs for the outgoing CEO accounted  $\,$ for MSEK 6.2 and costs related to the transaction in Spain in July 2018 accounted for MSEK 0.2. Costs affecting comparability in the comparative year mainly related to costs for terminating the former CEO's employment.

#### **Net financial items**

Net financial items for full-year amounted to MSEK -6.2 (1.3), of which MSEK -1.4 was attributable to currency effects. The decrease in net financial items compared with the preceding year is due to the interest on the property loans in Spain, which were not included in the Group's consolidated accounts in 2017/18, as well as the interest on the newly raised acquisition loan in Spain in connection with the transaction in July 2018.

# Profit for the period and comprehensive income

Profit for the period after tax totalled MSEK 154.6 (116.5). Tax for the financial year amounted to MSEK 47.8 (37.2). The effective tax rate thus decreased to 23.6% (24.2). Other comprehensive income for the period amounted to MSEK 5.8 (0.0) due to a positive impact from translation differences. Comprehensive income for the period, which impacts equity, totalled MSEK 160.4 (116.5). Earnings per share amounted to SEK 3.85 (2.91) before and after dilution.

#### Cash flow

Cash flow from operating activities was MSEK 304.4 (197.2) for the year. The stronger cash flow compared to the previous year is mainly due to a higher EBIT and to the effects of changes in working capital in the new, consolidated operations in Spain.

Cash flow for the period was MSEK 122.8 (-76.5). In addition to the difference attributable to cash flow from operating activities before changes in working capital, the year-on-year difference was mainly due to the effects of the acquisitions in Spain (refer to purchase price allocation in Note 32 on page 103), the raising of an acquisition loan in Spain in July 2018 – which amounted to MEUR 7.1 at the end of the period – and the fact that no dividends were paid for the 2017/18 financial year.

#### Investments and acquisitions

Total investments in the financial year amounted to MSEK 76.7 (88.6). Investments amounted to MSEK 71.9 (88.6) in Sweden and to MSEK 4.8 (-) in Spain. The lower investments compared to the previous year are mainly because two new schools were opened in Sweden in the period, compared to four new schools in the comparative period.

On 9 July 2018, IES acquired the remaining 50% of the shares of Spanish holding company IEP for a purchase price of MEUR 12, of which MEUR 9.5 was paid on 9 July (see purchase price allocation in Note 32 on page 103). IEP owns 99.55% of the shares of English School of Asturias and 100% of the shares of two of Grupo Educativo Elians's three school operators in Spain, located in Castellon and La Nucia. The operations in IEP were included in the IES Group's consolidated accounts from July 2018/19. The fourth Spanish school, Elians IALE, in which IES has a participating interest, is located in Valencia and, as of the end of the financial year, was still 50:50 owned by IES and the Monzonis family. This operation is not consolidated, but recognised in the financial statements using the equity method.

On 1 April 2019, through its wholly owned Spanish subsidiary IEP, IES acquired 99.4% of the shares in Colegio Internacional de Valladolid, a fee-based bilingual private school in Valladolid, Spain, with 294 students aged 3-18 years on the acquisition date. The enterprise value of the operations was approximately KEUR 800. The acquisition was financed by a shareholders' contribution of KEUR 280 from IEP and the assumption of liabilities. The building is rented and not included in the acquisition.

On 7 June 2019, through its wholly owned Spanish subsidiary IEP, IES acquired 100% of the shares in Engage Independent School, a fee-based bilingual private school in Majadahonda (Madrid), Spain, with 400 students aged 3-18 years on the acquisition date. The enterprise value of the operations was approximately MEUR 2.4. The acquisition was financed in its entirety by a shareholders' contribution of MEUR 2.4 from IES. The building is rented and not included in the acquisition.

# **Financial position**

Equity at the end of the period amounted to MSEK 1,113.9 (953.3) and the Group's total assets to MSEK 1,800.9 (1,306.8). The equity/assets ratio was 61.9% (72.9). At the end of the period, non-current interest-bearing liabilities amounted to MSEK 171.3 (-) and pertained to property loans and acquisition loans from credit institutions in Spain. Current interest-bearing liabilities comprised the current portion of the above loans and

amounted to MSEK 24.4 (-). At the end of the period, cash and cash equivalents amounted to MSEK 245.0 (121.9).

At 30 June 2019, the Group's outstanding loans from financial institutions totalled MSEK 195.7 (-). All these loans were raised in Spain. In Sweden, the Parent Company has an overdraft facility of MSEK 100. At the end of the period on 30 June 2019, the facility was unutilised. At the end of the period, IES's participating interest in Elians IALE (50%) was recognised at MSEK 15.8 and the outstanding current working capital loan to the same company amounted to MSEK 8.9.

During the fourth quarter, the Group's cash-generating units were re-tested for impairment based on the long-term business plans for each cash-generating unit. None of the units had a carrying amount that exceeded their assessed value, which meant that no impairment of goodwill or other intangible assets with an indefinite useful life was recognised during 2018/2019.

#### Performance per segment

The Group's operations are reported in operating segments based on geographical markets. Segments have been identified on the basis of the monitoring and reporting structures to the CEO and Board of Directors. After the acquisition on 9 July 2018, the majority of the operations in the remaining 50% of IEP in Spain was included in IES's consolidated accounts, which is why Spain has been recognised as a separate operating segment since then. IES's operations are therefore reported in three segments: Sweden, Spain and the UK.

#### Sweden

Operating income for the financial year totalled MSEK 2,606.6 (2,346.7). EBIT amounted to MSEK 191.9 (152.8) and EBT to MSEK 193.4 (154.0). The number of students at the end of the period totalled 25,536, up 7% year-on-year, while the number of registrations in the queue amounted to approximately 192,000, up 1%.

Change in revenues and costs per student (compared with the preceding year).				
	FY	FY		
	18/19	17/18		
Total revenues per student	4.0%	2.8%		
Personnel expenses per student	3.9%	7.8%		
Total costs per student	3.0%	6.1%		

Total revenues per student increased 4.0% (2.8) compared with the preceding year. During the financial year, IES recognised MSEK 32.1 pertaining to the new government grants to strengthen equality and skills development. These revenues correspond to IES's costs and investments in these areas during the period, in accordance with the plan submitted to the Swedish National Agency for Education in connection with the funding application. When comparing the year's revenues with the preceding year, it should also be noted that IES did not receive any Läxhjälp government grants during the financial year, while MSEK 10.5 was received in the year-on-year period.

Personnel expenses per student increased 3.9% (7.8) compared with the preceding year. In addition to the wage drift for teachers, the increase was due to a structural change, whereby more

employees are needed in schools to take care of students with special needs. Only a small proportion of the cost of these resources is covered by additional funding from municipalities. Total costs per student increased 3.0% (6.1). This trend is largely attributable to increased personnel expenses, while increases in other costs per student were kept at a lower level.

	End of 18/19	End of 17/18
No. of employees (FTEs)	2,600	2,383
No. of students	25,536	23,927
No. of schools	36	34

During the year, new schools were opened in Länna and Sundbyberg. A contract was signed to open a new school in Skellefteå for the 2019/20 school year. Rental contracts were also signed for new schools in Solna, Vallentuna, Kungsbacka, Östersund, Gothenburg and Upplands Väsby. The new schools are scheduled to open over the next three years.

#### Spain

Operating income for the financial year totalled MSEK 174.3 (-). EBIT amounted to MSEK 17.7 (-) and EBT to MSEK 9.9 (-). EBIT and EBT include amortisation of customer relationships identified in connection with the year's acquisitions of MSEK 3.9. At the end of the period, the number of students in the five Spanish schools consolidated into the IES Group was 2,506 (-). In the preceding year, Spain was not a separate segment since all of the schools were only 50% owned at the time. Accordingly, the profit contribution recognised in the consolidated financial statements amounted to MSEK 0.1.

On 9 July 2018, IES acquired the remaining 50% of the former joint venture, International Education Partnership, S. L. (IEP) in Spain. With this acquisition, most of the operations in Spain - three of four schools - became subsidiaries of IES and were thereby included in IES's consolidated accounts. IES still owned 50% of the fourth school, Elians IALE, up until 5 July 2019.

	End of 18/19	End of 17/18
No. of employees (FTEs)*	359	=
No. of students*	2,506	-
No. of wholly owned schools*	5	-

\* Pertains to wholly owned schools. At the end of the period, IES owned 50% of an additional school.

During the financial year, IES acquired two schools through its wholly owned Spanish subsidiary IEP - Colegio Internacional de Valladolid, a fee-based bilingual private school in Valladolid, Spain, with 294 students aged 3-18 as of the acquisition date, and Engage Independent School, a fee-based bilingual private school in Majadahonda (Madrid), Spain, with 400 students aged 3-18 as of the acquisition date.

## UK

In the UK, IES provides management services to an educational trust that operates a school in Breckland. Under the agreement with the trust. IES is paid some fees and is accountable for some of the costs related to its managerial responsibilities.

Operating income for the financial year totalled MSEK 1.4 (1.2). EBIT and EBT amounted to MSEK -0.8 (-0.5). The operations

managed by IES continued to show a positive trend during the year and the number of students at the end of the full year was 497 (480). In early 2019, the previous Principal of IES Breckland left her role and was replaced by the former Assistant Principal. There were no other major operational changes during the year.

Internationella Engelska Skolan's operating income and profitability are affected by the nature of the operations, and accordingly, their seasonal cycle. Operating income and profitability in Sweden are usually somewhat lower in the first quarter than in other quarters due to schools' summer break. For the operations in Spain, operating income and earnings vary considerably between the first and following three quarters because of the later summer break. Operating income in the first quarter is normally about half of operating income in each of the next three quarters. EBIT is normally clearly negative in the first quarter, and thereafter positive and evenly distributed over the next three quarters.

#### **Employees**

IES's employees are crucial to its ability to operate high-quality schools. The average number of full-time employees (FTEs) in the Swedish operations was 2,669 (2,455) and the number of employees (heads) in the Swedish operations at the end of the financial year was 2,697 (2,465). The average number of full-time employees (FTEs) in the portion of the Spanish operations that is included in IES's consolidated financial statements amounted to 359 at the end of the year. There were no employees in the UK operations at the end of the year.

# **Sustainability Report**

See page 66.

## **Risks and Uncertainty Factors**

See page 73.

#### Post balance sheet events

On 5 July 2019, IES sold its 50% shareholding in Colegio IALE to the co-owners, the Monzonis family, for MEUR 3.9, generating a capital gain of approximately MSEK 25 for IES. After the sale, the Monzonis family owns 100% of Colegio IALE. The sale is part of the simplification of ownership of the Spanish operations that began in summer 2018, when IES acquired the Monzonis family's shareholding in three other schools in Spain.

# The company's expected future progress - Board of Directors' opinion

The reality confirms the excellent potential for IES's continued expansion in Sweden. The need for new schools will continue to be greater over the next ten years, given pressure from immigration and high birth rates. This also influences the behaviour of many realistic municipal leaders. They understand that new schools opened by a professional education provider like IES should not be viewed as competition, but rather help in meeting the immense need to come. Additionally, schools with an international character, offering high quality, also make a municipality more attractive, not least for the business community. This is the motivation of municipal managements like Skellefteå and Östersund who contact and welcome IES into their cities.

The teacher shortage is a major concern for Sweden. The annual need for additional teachers is significantly higher than the

number of new teachers who graduate from Swedish teaching colleges each year. Expanding education programmes is not enough, especially if this were also to imply a weaker selection of potential teachers. IES also has a lot to offer in this area, due to our extensive recruitment of excellent teachers from English-speaking countries. During the year, IES further strengthened its international recruitment network, so that around half of its teachers can now be recruited from countries like Canada, the US, the UK, Ireland and South Africa, which generally have better teacher training programmes than Sweden.

Tougher requirements around financial strength and competence benefit established organisations like IES. IES has welcomed the higher standards for evaluating applicants for school permits from the Swedish Schools Inspectorate, which were approved by the Swedish parliament in spring 2018 and implemented in the first half of 2019. Anyone who wants to start a school should be professional and knowledgeable about education as well as preferably having a secure financial base. No one is served well when unreliable operators run independent schools. This damages the credibility of the whole independent school system.

There has been an increase in genuine obstacles to starting new schools, in the form of regulatory systems and financial requirements, but also in that trusting, long-term partnerships between school providers, real estate companies and municipalities are now usually required.

Queues to IES schools continue to grow. The central organisation has been reinforced to handle continued growth. A critical concern is to maintain quality, through the use of strong leadership and consciously safeguarding the culture which has been successful for many years.

The Board of Directors held its annual strategy meeting in March 2019. One of its conclusions was that IES in Sweden should continue to develop its concept for "lagstadiet" (grades F-3) of compulsory school. As there are ten mandatory years of compulsory schooling, these grades make up 40% of compulsory schooling. IES has a modest presence in this huge and growing segment. This requires specially adapted school buildings that can also be used for after-school care. Teaching and education also need to be further developed when it comes to how the English language is introduced, how students' overall basic knowledge and skills are raised at this early stage and how this can be achieved with effective results working alongside after-school care. Another important reason why IES covers all the years of compulsory schools is that municipalities seeking partnerships for new schools often want them to cover all grades. Another conclusion reached at the strategy meeting was that the expansion in Spain will continue. There are numerous potential acquisition opportunities and it is becoming increasingly clear that IES's expertise in operating bilingual schools offering instruction in English and a local language also provides favourable conditions for running successful operations in Spain, from both an academic and a financial perspective.

# Financial targets prior to the effect of IFRS 16

10% annual growth, with potential for further growth through acquisitions

## **Profitability**

An EBIT margin of at least 8%

#### Capital structure

An equity/assets ratio of at least 40%

#### Dividend policy

30% of net profit after tax is distributed, with scope for exceptions from the Board if, for example, attractive acquisitions can create added shareholder value

## Compensation, terms and conditions of senior executives

The Board of Directors applies the following guidelines for compensation of the CEO and senior executives:

IES will offer overall compensation at market levels that enables the hiring and retention of qualified senior executives. Compensation within IES should be based on principles of performance, competitiveness and fairness. Variable compensation is not permitted. Share-based incentive programmes may be introduced by the Board of Directors after authorisation from a shareholders' meeting. The Board of Directors may depart from these guidelines in special circumstances. In the event of major deviations, shareholders should be informed of this at the following AGM.

Compensation to the CEO and other senior executives consists of basic salary, pension, company car and healthcare benefits. Other senior executives refers to the 12 individuals who made up management during the financial year jointly with the CEO. Other benefits are permitted in accordance with the customary terms and conditions in the countries where we operate. Such benefits may not, however, represent a larger share of the overall compensation.

The former CEO had a notice period of six months and severance pay of 12 months. The incoming CEO has a notice period of six months and severance pay of six months for termination both initiated by the Group and if the CEO decides to terminate employment. Other senior executives have maximum notice periods of six months and maximum severance pay of six months.

#### Compensation guidelines for senior executives

The following principles were approved by the most recent AGM and are proposed to remain unchanged at the next AGM. IES will offer overall compensation at market levels that enables the hiring and retention of qualified senior executives. Compensation within IES should be based on principles of performance, competitiveness and fairness. Variable compensation is not permitted. Pensions are to either be based on the ITP system or, if outside this system, be contribution based and in such a case amount to a maximum of 30% of base salary. Share-based incentive programmes are resolved by the shareholders' meeting following proposals by the Board.

# Authorisation for the Board of Directors to depart from the guidelines

The Board of Directors may depart from these guidelines in special circumstances. In the event of any major departure, the shareholders will be informed of the reason at the following

# Long-term incentive programmes

At the EGM of Internationella Engelska Skolan i Sverige Holdings II AB (publ) on 13 June 2018, the shareholders resolved to implement two long-term incentive programmes in the form of a share matching programme for a maximum of 50 principals and other key individuals within the Group, and a share warrant programme for a maximum of ten senior executives. These programmes have been designed to motivate and retain competent professionals, improve consistency between the individuals' and the company's objectives, and increase motivation to achieve, and exceed, the company's financial targets.

More information about the programmes is available in Note 7.

#### **Related-party transactions**

At 30 June 2019, through the Parent Company, the Group had a related-party relationship with Colegio IALE through its 50% ownership of Colegio IALE. A management fee of MSEK 0.3 was charged to the Spanish company during the financial year. In addition, the Parent Company had previously issued a loan of MEUR 0.8 to the company. Accrued but undue interest on this loan in the period corresponded to MSEK 0.5.

During the period, the Group also had a related-party relationship with a party related to a Board member through its subsidiary Internationella Engelska Skolan i Sverige AB. Consulting fees and the reimbursement of costs for school market and business intelligence amounted to MSEK 0.2 for the year. The amount is considered market-based.

Finally, during the period, the Group had a related-party relationship through the Parent Company with a company wholly owned by a Board member. During the year, consulting fees paid and the reimbursement of costs related to an interim CEO position amounted to MSEK 1.4. The amount is considered market-based.

# Share capital

The share capital of IES amounted to SEK 1,003,250 at the end of the financial year, divided between 40,130,000 shares, of which 80,000 were Class C shares. The quotient value is SEK 0.025 per share. Each ordinary share carries one vote and each Class C share carries one-tenth of a vote. Only ordinary shares carry rights to dividends. At 30 June 2019, IES held 80,000 Class C treasury shares.

#### Ownership structure

The number of known shareholders at 30 June 2019 was 5,164. Swedish shareholders represented 67.6% of the capital and votes, while foreign shareholders represented 21.7% of the capital and votes. 10.7% of the shareholdings are anonymous, meaning that IES cannot determine who the shareholders are from the share register.

#### Authorisation from shareholders' meetings

The Annual General Meeting (AGM) on 20 November 2018 authorised the Board of Directors to decide on the acquisition of own shares of up to 10% of all the shares of the company, and to take decisions on the issue of shares corresponding to a maximum dilution of 10% of the number of shares outstanding at the time of convening the meeting. There are no pre-emption clauses. The AGM also resolved to authorise the Board of Directors to, on one or several occasions until the next AGM, repurchase and transfer the company's own shares. Acquisitions may only take place on Nasdaq Stockholm and only at a price per share within the price range applicable. Transfers of shares shall take place on Nasdaq Stockholm and may also be made in other ways, with or without preferential rights for the shareholders, against cash payment or against payment through set-off or in kind, or otherwise on special conditions.

## **Parent Company**

The Parent Company, Internationella Engelska Skolan i Sverige Holdings II AB, invoices management fees to subsidiaries and joint ventures. On a few occasions, the Parent Company has also arranged loans from credit institutions and issued internal

The Parent Company's operating income amounted to MSEK 5.0 (7.8). EBIT was MSEK -15.9 (-9.9) and profit for the year was MSEK 125.8 (21.9). The financial position at year-end remained strong, with an equity/assets ratio of 90.1% (91.7).

## Proposed appropriation of profit

The following profit is at the disposal of the AGM:				
Retained earnings	398,062,989			
Profit for the year	125,741,312			
Total	523,804,301			
The Board proposes the following:				
Dividends to shareholders of	46,458,000			
SEK 1.16 (-) per share				
Carried forward	477,346,301			
Total	523,804,301			

The proposed dividend amounts to a total of SEK 46,458,000 (-), corresponding to 30% (-) of the Group's profit after tax for the financial year. The proposed record date for dividends is 25 November 2019. Accordingly, the dividend approved by the AGM is expected to be paid on 28 November 2019. In accordance with the above and all other information that has come to the attention of the Board, the Board is of the following opinion: Based on a comprehensive assessment of the financial position of the Parent Company and the Group, this dividend is justifiable considering the requirements that the type of operations, size and risks place on the Parent Company's and the Group's eguity and liquidity. The Group's equity/assets ratio prior to the implementation of IFRS 16 amounts to 61.9% before the dividend and 60.8% after the dividend. This is deemed to be a satisfactory equity/assets ratio, even taking the upcoming expansion into consideration. For more information about the company's earnings and financial position, refer to the following income statement and balance sheet as well as the accompanying notes to the financial statements.

# **KEY FIGURES**

Five-year summary, Group*	2018/19	2017/18	2016/17	2015/16	2014/15
Operating income, MSEK	2,781.1	2,347.9	2,043.3	1,806.8	1,547.3
EBIT, MSEK**	208.6	152.4	198.0	169.5	155.5
EBIT-margin, %	7.5	6.5	9.7	9.4	10.1
Adjusted EBIT, MSEK**	215.0	155.1	204.2	178.1	155.5
Adjusted EBIT-margin, %	7.7	6.6	10.0	9.9	10.0
Profit for the year, MSEK	154.6	116.5	152.1	127.0	116.5
Net margin, %	5.6	5.0	7.4	7.0	7.5
Total assets, MSEK	1,800.9	1,306.8	1,189.3	1,166.1	976.0
Equity/assets ratio, %	61.9	72.9	74.2	62.6	61.8
Average no. of FTEs	2,669	2,455	2,129	1,937	1,684
Investments in school operations, MSEK	77	89	55	64	55

<sup>\*\*</sup> Includes share of profits from Spanish joint venture.

Five-year summary, Parent Company*	2018/19	2017/18	2016/17	2015/16	2014/15
rive-year summary, Parent Company	2010/19	2017/16	2010/1/	2015/16	2014/15
Operating income, MSEK	5.0	7.8	4.4	0.5	0.0
EBIT, MSEK	-15.9	-9.9	-10.7	-8.9	0.0
Profit for the year, MSEK	125.8	21.9	61.9	-1.1	0.0
Total assets, MSEK	661.3	465.7	471.1	542.9	361.9
Equity/assets ratio, %	90.1	91.9	89.8	66.5	100.0
Average no. of FTEs	1	1	0	0	0

<sup>\*</sup> See definitions on page 114.

# CORPORATE GOVERNANCE REPORT

Internationella Engelska Skolan i Sverige Holdings II AB (publ) ("Internationella Engelska Skolan" or "IES") is a Swedish public limited company whose shares are quoted on Nasdaq Stockholm's Mid Cap list.

#### **Corporate governance within IES**

Corporate governance is intended to ensure that the Board of Directors and management act to ensure the company's operations develop to create long-term value for shareholders and other stakeholders such as students, parents, employees and wider society. This includes ensuring: a proper organisation, systems for quality management, risk management and internal control, as well as transparent internal and external reporting.

Responsibility for governance, management and controls is allocated between the shareholders, Board of Directors, its elected committees and the CEO. External regulatory frameworks consist of the Swedish Companies Act, Nasdag Stockholm's Rulebook for Issuers and the Swedish Corporate Governance Code (the "Code"), as well as other applicable Swedish and foreign legislation and regulation (such as the Swedish Education Act). This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act. IES did not report any instances of non-compliance from the code for the 2018/2019 financial year.

In addition, the company has control instruments such as its Articles of Association, rules of procedure for the Board, instructions for the Board's committees, instructions for the CEO, approvals list, finance policy, communication policy, insider policy and ethical guidelines. The Board has decided not to create a dedicated internal audit function. The Board considers that the company's quality management system and each principal's and unit manager's responsibilities, combined with the company's CFO, satisfy the need for sufficient controls and monitoring including reporting to the Board of Directors. However, the Board considers the need for an internal audit function each year.

# Shareholders' meetings

The shareholders' meeting is IES's chief decision making body. Shareholders exercise their voting rights on key issues at the shareholders' meeting, such as adoption of the income statements and balance sheets, allocation of the company's profits, discharging the Board members and CEO from liability, electing Board members and auditors, and compensation to the Board of Directors and auditor. Potential amendments to the Articles of Association are also resolved by the shareholders' meeting. The Annual General Meeting (AGM) must be held within six months of the end of the financial year. IES's AGM for the 2018/19 financial year will be held on 21 November 2019. Extraordinary General Meetings (EGM) can also be convened in addition to the AGM. The Articles of Association stipulate that notice convening shareholders' meetings should be announced in the Swedish Official Gazette and also on the company's website. The company should announce that the notice has been published through an advertisement in the Swedish daily newspaper Svenska Dagbladet, placed at the same time.

#### **Entitlement to participate in shareholders' meetings**

Shareholders that wish to participate in shareholders' meetings must firstly be included in a the share register as designated in Chapter 7, Section 28 third paragraph of the Swedish Companies Act regarding ownership five days prior to the meeting, and secondly notify the company by no later than the date stated in the notice to the meeting. This latter day may not be a Sunday, public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall before the fifth working day prior to the meeting. Shareholders may bring one or two assistants to meetings, although only if said shareholder has notified the company of this pursuant to the previous paragraph. Shareholders may notify their participation in several different ways, as stated in more detail in the notice convening each meeting. Shareholders are entitled to vote for all shares held.

#### **Initiatives from shareholders**

Shareholders that wish to have a matter considered at a shareholders' meeting must submit a request thereof to the Board of Directors. The Board must have received such request in good time prior to the shareholders' meeting, in accordance with what is stated on the company's website regarding notification of the timing and location of the shareholders' meeting.

#### **Nomination Committee**

The AGM on 20 November 2018 decided to adopt the following principles for the appointment of a Nomination Committee for the 2019 AGM. The Nomination Committee should consist of the Chairman of the Board and one representative of each of the three largest shareholders based on ownership of the company as of 31 March. If any of the three largest shareholders declines to appoint a representative on the Nomination Committee, this right defers to that shareholder which, after the three shareholders, has the next largest shareholding of the company. The Board will convene the Nomination Committee.

That member representing the largest shareholder shall be appointed as Chairman of the Nomination Committee, unless the Nomination Committee unanimously appoints someone else. Should a shareholder, having appointed a representative to the Nomination Committee, no longer be among the three largest shareholders at a point in time falling three months before the AGM at the latest, that representative shall resign and the shareholder who has now become one of the three largest shareholders shall have the right to appoint one representative to the Nomination Committee. Should a change in the ownership occur during the three-month period prior to the AGM, the already established composition of the Nomination Committee shall remain unchanged. Should a member resign from the Nomination Committee before his or her work is completed, the shareholder who has appointed

such member shall appoint a new member, unless that shareholder is no longer one of the three largest shareholders, in which case the largest shareholder in turn shall appoint the substitute member. A shareholder who has appointed a representative to the Nomination Committee shall have the right to discharge such representative and appoint a new representative.

If changes occur to the composition of the Nomination Committee it shall be announced immediately. The term of the office for the Nomination Committee ends when the next Nomination Committee has been appointed. The Nomination Committee shall carry out its duties as set out in the Code.

The work of the Nomination Committee should assure the Board has the competence, experience and background its assignment requires. The Committee should also consider the versatility and breadth and that the Board has an even gender distribution. Consistent with the above, IES's Nomination Committee has the following members as of 30 June 2019:

- Birker B. Bahnsen, Bock Capital and Chairman of the Board IES
- Barbara Bergström
- · Jan Hummel, Paradigm Capital

#### **Shareholders**

The largest shareholders and their holdings are stated in the section on the IES share on pages 48–49.

#### **Board of Directors**

#### Composition of the Board of Directors

IES's Articles of Association state that, the Board of Directors which is elected by the shareholders' meeting shall consist of a minimum of three (3) and a maximum of ten (10) Board members with a maximum of three (3) deputy Board members. The Articles of Association contain no special provisions on appointing or dismissing Board members.

The Annual General Meeting (AGM) on 20 November 2018 authorised the Board of Directors to decide on the acquisition of own shares of up to 10% of all the shares of the company, and to take decisions on the issue of shares corresponding to a maximum dilution of 10% of the number of shares outstanding at the time of convening the meeting.

Composition of the Board of Directors 2018/2019			Independ	dent of:
Name	Position	Elected in	Company & manage- ment	Principal owner <sup>5</sup>
Per Båtelson²	Chairman	2016	Yes	Yes
Birker Bahnsen <sup>3</sup>	Chairman	2012	No	No
Barbara Bergström²	Board member, Deputy Chairman	2012	No	No
Gunilla Carlsson <sup>4</sup>	Board member	2017	Yes	Yes
Brian Hatch <sup>1</sup>	Board member	2018	No	No
Cecilia Marlow	Board member	2016	No	Yes
Maria Rankka	Board member	2017	Yes	Yes
Lars Strannegård <sup>1</sup>	Board member	2018	Yes	Yes
Peter Wikström <sup>1</sup>	Board member	2018	Yes	Yes
Jessica Fryksten	Employee representative	2017	No	Yes
Albert Lauschus	Employee representative	2017	No	Yes

- 1) Joined the Board of Directors on 20 November 2018
- 2) Left the Board of Directors on 20 November 2018
- 3) Elected Chairman on 20 November 2018
- 4) Left the Board of Directors on 17 May 2019
- 5) Ownership greater than 10%

At present, IES has six Board members elected by the AGM including the Chairman of the Board, and no deputy Board members, who have been elected for the period until the end of the 2019 AGM. The director elected at the shareholders' meeting held on 20 November 2018, Gunilla Carlsson, left the Board at her own request on 17 May 2019.

The unions have appointed two representatives and two deputy representatives. The following table gives an overview of IES's Board of Directors elected by the AGM for the period, which year they were elected and whether they are independent of the company, its management and/or main shareholder. The composition of IES's Board complies with the Code's requirement regarding independence. None of the members of IES's Group management has shareholdings in the company exceeding 0.5% of the shares, or significant ownership of entities that the company has material business relationships with.

Birker Bahnsen has been Chairman of IES's Board since 2018. The Chairman is elected by the AGM and leads the work of the Board, and ensures that it is conducted in an effective, well-organised manner.

## The Board of Directors' segregation of duties

The Board follows written rules of procedure which are reviewed yearly and adopted by the Board meeting following election each year. The rules of procedure regulate matters including Board practice, functions and the segregation of duties between Board and the CEO, and between the Board and the Board committees. At the statutory Board meeting following the AGM, the Board also approves instructions for the CEO, which include instructions of financial reporting. The Board of Directors meet according to a plan set each year. As well as these Board meetings, further meetings may be convened to resolve on matters that cannot be referred to a scheduled meeting. In addition to the Board meetings, the Chairman and CEO have a continuous dialogue regarding the operations of the company. For more details about the Board of Directors, refer to pages 62-63.

#### The work of the Board of Directors in the 2018/19 financial year

15 Board meetings were held in the year. Board members' attendance is illustrated in the adjacent table. Hans Bergstrom served as secretary at the Board meetings up to and including the meeting held on 19 November 2018, after which Brian Hatch took over. Before the meetings the Board members receive written material regarding the matters to be considered at each meeting. During the year, apart from the customary monitoring of quality issues and finances, much of the Board's time was assigned to the acquisitions in Spain and on appointing the new CEO. The Board also worked actively in consultation with management on various strategic issues.

Name	Position	No. of meetings attended
Per Båtelson²	Chairman	4
Birker Bahnsen³	Chairman	14
Barbara Bergström <sup>2</sup>	Board member, Deputy Chairman	4
Gunilla Carlsson <sup>4</sup>	Board member	11
Brian Hatch <sup>1</sup>	Board member	11
Cecilia Marlow	Board member	13
Maria Rankka	Board member	15
Lars Strannegård¹	Board member	9
Peter Wikström <sup>1</sup>	Board member	11
Jessica Fryksten	Employee representative	15
Albert Lauschus	Employee representative	15

A total of 15 Board meetings were held during the financial year.

- 1) Joined the Board of Directors on 20 November 2018
- 2) Left the Board of Directors on 20 November 2018
- 3) Elected Chairman on 20 November 2018
- 4) Left the Board of Directors on 17 May 2019

## Audit Committee

IES has established an Audit Committee consisting of at least two members. Until the Board meeting on 4 December 2018, the Audit Committee comprised Cecilia Marlow (Chairman) and Birker Bahnsen. At the Board meeting on 4 December 2018, Cecilia Marlow (Chairman until 20 January 2019), Birker Bahnsen and Peter Wikström (Chairman from 21 January 2019) were elected members of the Audit Committee. The Audit Committee's duties include monitoring the company's financial reporting, the efficiency of the company's internal controls, keeping informed about the audit of the annual accounts and consolidated accounts, reviewing and monitoring auditor impartiality and independence, keeping informed about the conclusions of the Swedish Inspectorate of Auditors' quality control of the company's auditors, and especially, verifying whether the auditor has rendered the company with other services apart from auditing (and where necessary, and to the extent permitted and considered appropriate, approving services other than auditing). Another of the Committee's duties is to evaluate the audit efforts and provide this information to the Nomination Committee, and provide assistance on the preparation of proposals for shareholders' meeting resolution regarding electing auditors, including administering the tendering process. The Audit Committee held four meetings in the financial year 1 July 2018 to 30 June 2019.

# Remuneration Committee

The Board of IES decided at the Board meeting on 4 December 2018 to also establish a Remuneration Committee comprising three members. Until this point, remuneration matters had

been addressed by the Board as a whole. The Board meeting on 4 December 2018 elected Birker Bahnsen (Chairman), Maria Rankka and Brian Hatch as members of the Remuneration Committee. The Remuneration Committee is to prepare proposals regarding remuneration principles, remuneration and other terms of employment for the CEO and senior executives. The Remuneration Committee is also to prepare manners on management succession planning for the Board to discuss and address further.

## Appraisal of the work of the Board of Directors

The work of the Board of Directors is appraised each year through a structured process in which all Board members and deputy Board members respond to questions regarding how they perceive that the work of the Board has progressed in a number of relevant areas. The areas appraised include whether the Board's competence and composition is sufficient, as well as the orientation and focus of the work of the Board. The Chairman of the Board is responsible for this appraisal process and to ensure that its results are presented to, and discussed within, the Board and Nomination Committee. Accordingly, this appraisal process provides supporting data for the Board of Directors' work and progress, and for the work of the Nomination Committee. The appraisal of the Board's work in 2018/19 was presented and discussed at the Board meeting on 29 August 2019. All Board members elected by shareholders' meetings, except Board member Gunilla Carlsson who had left the Board, responded to the survey, which was reviewed orally, with various developmental areas discussed.

#### Compensation to directors and shareholdings

Fees and other remuneration to Board members including the Chairman are resolved by the AGM. The AGM on 20 November 2018 approved fees of a total maximum of SEK 1,350,000 to be payable for the period until the end of the following AGM, with the following allocation. The Chairman of the Audit Committee is to receive SEK 350,000 and the other members not employed by the company are to each receive SEK 250,000, apart from Birker Bahnsen and Gunilla Carlsson. No fees are to be paid to Birker Bahnsen and Gunilla Carlsson.

For information on compensation paid to Board members in the 2018/19 financial year, refer to Note 7. More information on the Board of Directors and their shareholdings is stated on pages 62-63.

# **CEO** and other senior executives

Cecilia Marlow has been the interim CEO of IES since 21 January 2019. The segregation of duties between the Board of Directors and the CEO is stated in the rules of procedure for the Board of Directors and instructions for the CEO. The CEO is also responsible for preparing financial reports and compiling information from management for Board meetings, and reports on this material at Board meetings. Pursuant to the instructions for financial reporting, the CEO is responsible for the company's financial reporting, and accordingly, should ensure that the Board of Directors receives sufficient information to evaluate the company's financial position continuously. The CEO should keep the Board continuously informed of the progress of the company's operating activities, operating income and results, and its financial position, liquidity and credit position, significant business events and any other business event, circumstance or relationship that could be assumed to be of material significance to the company's shareholders.

The CEO is supported by an executive management team comprising the following on 10 August 2019: Deputy CEO, CFO, COO, HR Manager, Head of Academics and Quality, School Lawyer, CIO, Head of Communications and IR, Director of Student Health and Head of Pastoral. For more information on the CEO and other senior executives, and their shareholdings, refer to pages 64–65.

For a review of the CEO's and the rest of the management team's compensation, terms and conditions in the 2018/19 financial year, refer to Note 7.

# Internal controls and risk management

#### Framework governing internal controls

IES's work on internal control is based on two perspectives: firstly, internal controls and risk management regarding operations, and secondly internal controls and risk management relating to financial reporting. Internal governance and control should ensure that IES's financial reporting provides an accurate view of the company's financial position and that at any time, operations satisfy the standards and expectations applying to a company with publicly financed operations.

#### Control environment

IES's Board of Directors is ultimately responsible for the company satisfying the standards of good internal governance and control over financial reporting. Each year, the Board of Directors approves a number of policy documents which shall provide support to management and all employees on how to work to ensure accurate, complete and relevant reporting. Central documents include the Board of Directors' rules of procedure and instructions regulating the duties of the Chairman and CEO, and the segregation of duties between them, as well as overarching policies.

Through delegation from the CEO, the company's CFO is responsible for ensuring compliance with approved guidelines for financial reporting, and implementation and compliance with internal controls. Apart from the company's finance policy and other policies, IES's finance manual is essential in this respect.

The finance policy and finance in tandem with accounting and financial reporting procedures, IES's internal controls and risk management are based to a high degree on systematic and far-reaching quality processes. Through its own processes, IES has created a quality system. Additionally, operations are regularly reviewed by the Swedish Schools Inspectorate. Within the framework of IES's quality systems, internal controls include controls of the company's and the Group's organisation, school performance in national tests and conducting the yearly survey of students, parents, and staff at school level. Performance below specified thresholds results in action plans and further investigation and follow-up actions.

For several years, internal audits have also been conducted into the Group's operations intended firstly to verify that operations satisfy legislative, regulatory and other standards, and secondly to serve as tools for learning, development and quality processes. These audits are executed by management and central resources and include documentary studies, inspection visits and interviews with school managements, staff and students, and if shortcomings are identified, action plans are formulated.

With the aim of gaining overview and verifying current inspections and reporting procedures, logs of all current cases are also maintained. The Group's academic manager and the Group's school lawyer provide regular reports on units where there are

risks of significant shortcomings. These are reported to Group management, which decides on whether specific actions are necessary.

IES features rapid growth through new schools. IES has highly developed routines for new schools designed to integrate, and ensure that they comply, with the company's quality and accounting processes.

In summary, IES's control environment is based on:

- governance and monitoring by the Board of Directors and its **Audit Committee**
- policy documents such as rules of procedure, finance policy and other policies
- regular monitoring and audits
- the company's organisational resources, clear delegation of authority and execution of responsibility
- well-implemented ethical guidelines and the company's core values, as well as
- a well-established internal quality management system.

#### Risk assessment

IES evaluates the operational risks each year. Operations feature fairly low risk within areas such as credit risk (high share of public customers/counterparties), market risk (stable markets and revenue flows based on a continuous need for education services, demographic growth and rate of price increase) and a low risk of corruption or financial impropriety. The company judges that the most important risks to manage are quality risk, i.e. the risk that quality does not live up to regulators' or students' standards, as well as political risks, inherent in the fact that the fundamental governing operations are largely based on politically decided frameworks. Both these risks are best managed through a good quality management model, clear ethical guidelines and a high degree of transparency regarding the company's operating activities. The Audit Committee bears responsibility for providing a process for risk assessment and risk management in financial reporting.

#### Control activities

IES conducts regular monitoring and control of the company's operating activities towards financial targets. The Board of Directors' monitoring is largely conducted by the Audit Committee, including through monitoring the reporting carried out by management and external auditors.

The external auditors review selected parts of the internal control and report their findings to the Audit Committee.

Internal control systems are designed to ensure accurate financial reporting and consistent monitoring of the Group's quality results, and to guarantee the necessary monitoring of compliance with the Group's policies, principles and instructions. Internal controls should also ensure that the Group's financial reporting is prepared in accordance with legislation and applicable accounting standards, and that the Group is complying with other relevant standards.

Internal controls covering financial reporting consist of several key components:

- the internal authorisation structure, which is based on, and documented in, the approvals list, and requires at least two individuals reviewing and approving transactions and expenses
- the documentation of financial processes and policies in the Group's finance manual and finance policy

- the process whereby individuals at several levels in the organisation analyse financial results before external reporting is compiled,
- and the Audit Committee's duty of monitoring financial reporting and internal controls.

# Information and communication

IES utilises communication and information channels designed to enable the rapid and accurate dissemination of relevant information externally and internally. The company has established routines enabling it to publish complete and transparent financial reporting. IES has policies and processes to prevent the release of inaccurate or unauthorised disclosure of information. The Board of Directors receives regular monthly reporting, operational and financial. The Board is responsible for external interim reports and annual accounts in accordance with legislation and the code.

Financial statements are published on the company's website. Internal policy documents are in the company's management system. The outcome of the yearly quality survey is published for the Group overall each year.

#### Monitoring

IES works on internal controls and risk management primarily through Group management's regular monitoring of operations towards established targets, and key figures, as well as through a focus on early warning signals.

The company's key processes governing financial reporting and their properness is regularly evaluated by the CFO and his/her organisation. Compliance with the finance manual, policies and legislation is scrutinised, and potential deviances either result in remedial action or enhancement of processes and procedures. A summary and status of identified actions is reported to the Board of Directors via the Audit Committee.

#### Internal audit

Based on the Audit Committee's evaluation, the Board of Directors has decided against establishing a dedicated internal audit function. The Board considers that IES's quality management system, each principal's and unit manager's clear responsibilities, and the CFO's continuous reporting to the Board of Directors satisfies the necessary control and monitoring standards. However, the Board considers the need for an internal audit function each year.

#### Audit

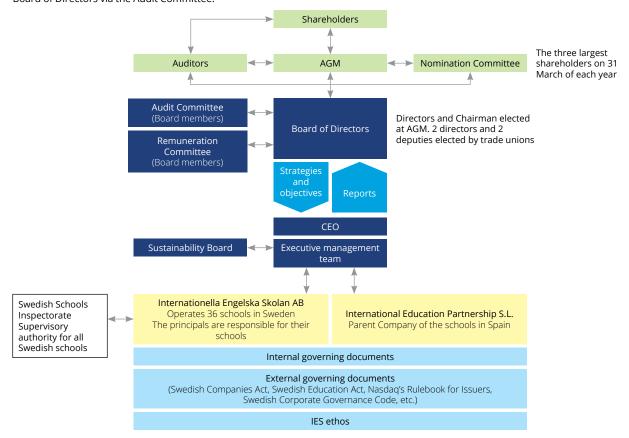
The auditor is to review the company's annual accounts and accounting records, and the Board of Directors and the CEO's administration. After each financial year, the auditors are to submit an audit report and consolidated audit report to the AGM. IES's Articles of Association stipulate that IES is to have a minimum of one, and a maximum of two, auditors, with or without deputies. IES's auditor until the 2019 AGM is Ernst & Young AB, with Daniel Öberg as auditor in charge. The Audit Committee appraises the auditors' work and independence each year. For information on compensation to auditors in the 2018/19 financial year, refer to Note 4.

For more information on the principles applied:

- Swedish Companies Act, www.regeringen.se
- Swedish Corporate Governance Code, www.corporategovernanceboard.se

More information at www.engelska.se

- · Articles of Association
- Reports from previous AGMs
- Information of the Nomination Committee
- · Information about the 2019 AGM



# **BOARD OF DIRECTORS**

#### **BIRKER BAHNSEN**

Board member since 2012. Dependent. Born 1977.

Education: MSc in Behavioural and Cognitive Science, University of Oxford, M.Eng. from University of Cambridge, French studies at Lyon Catholic University, accounting studies at the International Business College.

## **Current directorships:**

Board member of PhysIOL and Biocomposites

Selected previous positions: Managing Director of TA Associates

Shareholding, personal and related parties: 0 shares. TA Associates is an advisor to Bock Capital, which holds 31.9% of the shares of IES Holdings II AB.



#### **BRIAN HATCH**

Board member since 2018. Dependent. Born 1981

Education: Master of Business Administration from Columbia Business School, New York, and BA from Trinity College, Dublin.

#### Current directorships: -

#### Selected previous positions:

Head of Research at Paradigm Capital AG (current position), Vice President at JP Morgan Chase in New York and London, Citigroup in



Shareholding, personal and related parties: 43,410 shares Paradigm Capital AG manages the Paradigm Capital Value Fund SICAV which owns 13.0% of the share capital of IES. Paradigm Capital AG also advises several separate accounts that, independently of each other and the above referenced fund, in total own 8.5% of the IES share

# **CECILIA MARLOW**

Board member since 2016. Independent of IES's major shareholders, but dependent in relation to IES and Group management. Born 1960.

Education: MBA from Stockholm School of Economics

#### **Current directorships:**

Chairman of Kivra and Svenska Handelsfastigheter. Board of member of AR Packaging, Fazer Group and Nordea Funds Ltd.

Selected previous positions: Interim CEO Internationella Engelska Skolan (current position, since 21 January 2019). CEO of Kronans Droghandel Apotek and Polarn O. Pyret. Board member of Clas Ohlson, Midsona and Platzer Fastigheter.

**Shareholding, personal and related parties:** 10,000 shares.

#### MARIA RANKKA

Board member since 2017. Independent. Born 1975.

Education: BSc (pol. sci.), Uppsala University and graduate of the Stanford Executive Program at Stanford Graduate School of Business

Current directorships: Board member of Genova Property Group, Business Executives Council of Royal Swedish Academy of Engineering Sciences and Circus Cirkör



Selected previous positions: EVP Business Development & Communications Takura and has her own company (current positions). CEO of the Stockholm Chamber of Commerce and Timbro.

Shareholding, personal and related parties: 4,035 shares.

#### LARS STRANNEGÅRD

Board member since 2018. Independent. Born 1969.

Education: Ph.D. in Business Administration from Gothenburg University.

## **Current directorships:**

Board member of the Stockholm School of Economics, Swedish Television, Carlssons skola, Wanås Konst and The Swedish King Carl XVI Gustaf Foundation for Young Leadership.



Selected previous positions: President of the Stockholm School of Economics (SSE) and holder of the Bo Rydin and SCA Chair in Business Administration, leadership (current positions), Professor Uppsala

Shareholding, personal and related parties: 0 shares.

#### PETER WIKSTRÖM

Board member since 2018. Independent. Born 1975

Education: MSc in International Business Administration from Lund University.

## Current directorships: -

#### Selected previous positions:

Head of M&A at A.P. Moller-Maersk (current position), Director SEB Corporate Finance, M&A Advisor China International Capital



Shareholding, personal and related parties: 7,500 shares.

#### **ALBERT LAUSCHUS**

Employee representative, the National Union of Teachers in Sweden (LR), since 2017. Independent of IES's major shareholders, but dependent in relation to IES and Group management. Born 1970.

Education: B.E.d., Slippery Rock University; in English, University of Gävle. Qualified teacher of German, English, mathematics and handicrafts, University of Gothenburg. Diploma for employee representatives, PTK





Selected previous positions: Compulsory School Teacher of German, English, mathematics, as well as woodwork and metalwork at IES Gävle since 2003. Safety Representative at IES Gävle and Deputy Head Safety Representative IES (current positions). Local Representative of LR at IES Gävle 2005–2014, LR chairman/Union Representative at Internationella Engelska Skolan AB 2013–2016.

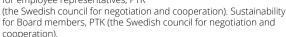
Shareholding, personal and related parties: 727 shares.



#### JESSICA FRYKSTEN

Employee representative, the National Union of Teachers in Sweden (LR), since 2017. Independent of major shareholders, but dependent in relation to IES and Group management. Born 1983.

Education: Qualified teacher of history and religious studies at Karlstad University. Practical executive English course, English language Centre, Brighton. Diploma for employee representatives, PTK



# Current directorships: -

**Selected previous positions:** Teacher since 2008 within municipal and independent schools. Working at IES Gävle since 2011. Chairman of the National Swedish Federation of Teachers' dedicated association within IES since 2016.

Shareholding, personal and related parties: 288 shares.

# **GUSTAV HENRIKSSON**

Employee representative (deputy), the National Union of Teachers in Sweden (LR), since 2018. Independent of major shareholders, but dependent in relation to IES and Group management. Born 1990.

Education: Qualified teacher of history and social sciences, Stockholm University.

# Current directorships: -

# Selected previous positions:

Compulsory School Teacher of history, social sciences, religious studies and geography at IES Liljeholmen. Local representative of LR at IES Liljeholmen since 2016. Deputy Safety Representative of IES Liljeholmen and deputy of the National Swedish Federation of Teachers' dedicated association within IES.

Shareholding, personal and related parties: 0 shares.



# **LINDA SVENMAN**

Employee representative (deputy), the National Union of Teachers in Sweden (LR), since 2017. Independent of major shareholders, but dependent in relation to IES and Group management. Born 1972.

Education: Qualified teacher of social sciences, history, geography and religious studies. Practical executive English course, English language Centre, Brighton. Diploma for employee

representatives, PTK (the Swedish council for negotiation and cooperation).



**Selected previous positions:** Served as a teacher within the municipal system since 1996, and at IES Örebro since 2003. Local LR representative, Örebro.

Shareholding, personal and related parties: 0 shares.



# **EXECUTIVE MANAGEMENT**

From 10 August 2019

#### **CECILIA MARLOW**

Interim CEO since January 2019 Board member since 2016. Born 1960.

Education: MBA from Stockholm School of Economics.

#### **Current directorships:**

Chairman of Kivra and Svenska Handelsfastigheter. Board of member of AR Packaging, Fazer Group and Nordea Funds Ltd.

Selected previous positions: CEO of Kronans Droghandel Apotek and Polarn O. Pyret. Board member of Clas Ohlson, Midsona and Platzer Fastigheter.

Shareholding, personal and related parties: 10,000 shares.



#### **EVA ANDERSSON**

School Lawyer since 2013. Born 1960.

Education: LL.B., Stockholm University, Graduate in Music Education and studies in Voice and Speech Education at Stockholm University College of Music Education, and school legal studies at University of Skövde.

#### Other current positions: -

Selected previous positions: Director of education, Swedish Schools Inspectorate. Chairman of the Dalhalla Friends' Association.

Shareholding, personal and related parties: 576 shares and 15,000 share warrants.



#### **DAMIAN BRUNKER**

Head of Academics and Quality since 2009. Born 1975.

Education: Principal Qualification, Sweden, from Stockholm University. PGCE, Manchester University. BA (Hons.) Goldsmith's College, University of London.

# Other current positions: -

Selected previous positions: Assistant Principal, IES Eskilstuna. Academic coordinator, IES Eskilstuna. Teacher in the UK.

Shareholding, personal and related parties: 8,197 shares and 20,000 share warrants.



#### JEREMY ELDER

Head of Pastoral since August 2019. Born 1967.

Education: Bachelor of Education from Leeds Carnegie, UK. Also qualified youth worker.

Other current positions: -

Selected previous positions: Assistant Principal, IES Järfälla and Enskede

Shareholding, personal and related parties: 0 shares.



# **ROBIN KIRK JOHANSSON**

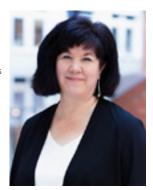
Chief Operating Officer since 2017. Born 1963.

Education: BA in international economics from Gustavus Adolphus College, USA. BS in education/ English from Winona State University, USA. Qualified principal, Karlstad University.

Other current positions: -

Selected previous positions: Principal of IES Borås.

Shareholding, personal and related parties: 8,999 shares and 27,000 share warrants.



# **HELENA LÜNING**

Director of Student Health since 2017. Born 1972.

**Education:** Medical degree Lund University 1997, Specialist degrees in paediatric and adolescent medicine, 2004, and paediatric and adolescent psychiatry, 2012.

Other current positions: Board member of the Swedish School Medical Association.

Selected previous positions:

Specialist physician at the Children's and Youth Clinic at Linköping University Hospital, Chief Medical Officer for paediatric and adolescent psychiatry (BUP) at Linköping University Hospital and Chief Medical Officer at the Stockholm Centre for Eating

Shareholding, personal and related parties: 636 shares.



#### SCOTT MELNYK

CIO since 2007. Born 1970.

Education: MSc (Eng.), Chalmers University of Technology, Stockholm BSc in Psychology from University of Alberta.

Other current positions: Board member of Cloud Security Alliance - Swedish Chapter.

Selected previous positions: -

Shareholding, personal and related parties: 550 shares.



#### **MELANIE PRINSLOO**

HR Manager since 2014. Born 1963

**Education:** BSc in Behavioral Sciences from University of South Africa.

Selected previous positions: Global Head of Talent Acquisition and Development at Nokia Siemens

Other current positions: -

Networks.

Shareholding, personal and related parties: 576 shares and 27,000 share warrants.



# **EMMA RHEBORG**

Head of Communications and IR since 2018. Born 1972.

Education: MSc in finance from School of Business, Economics and Law, University of Gothenburg. Studies in art history at Stockholm University.

Other current positions: -

Selected previous positions: Head of communication, Nordea Sweden and head of external communication, Nordea Group.

Head of communication, Ratos: Communication consultant, IKL.

Shareholding, personal and related parties: 2,900 shares and 10,000 share warrants.



# JÖRGEN STENQUIST

Deputy CEO since 2010. Born 1965.

**Education:** Swedish Armed Forces Officer graduate, Swedish National Defence College Staff Officer Program and NATO Joint Command, General Staff Course, Estonia.

Other current positions: Deputy CEO of IES Sweden. Deputy Board member of TriHealth Fitness.

Selected previous positions: Principal of IES Täby. Officer, Amphibious Regiment AMF1, Swedish Armed Forces.

Shareholding, personal and related parties: 52,647 shares and 20,000 share warrants.



# FREDRIK ÅKERMAN

CFO since 2013. Born 1962.

**Education:** BSc from the Stockholm School of Economics and history studies at Stockholm University.

Other current positions: Board member of IEP Spain, English Summer School AB and director of IES International English Schools UK Ltd.

Selected previous positions: CEO and CFO of Bisnode AB and Bisnode Business Information Group. CEO of Dagens Nyheter,

Chairman of Bisnode Venture & Development Aktiebolag.

Shareholding, personal and related parties: 84,898 shares.



# **SUSTAINABILITY**

IES's overall objective is to provide children and young people with the opportunity to reach their full potential whatever their background. That is why the most important sustainability activities take place locally, at each individual school, focusing on care of students and employees. Priory topics include action against bullying, an orderly classroom environment, a high level of physical safety, high educational quality and good academic results.

IES clarified its sustainability agenda in spring 2019 to further strengthen its activities in the field of sustainability. This includes a business environment analysis into the factors with the greatest sustainability impact on IES, stakeholder dialogue featuring interviews with key stakeholders and a materiality analysis of priority sustainability issues for IES. Based on this work, four focus areas in sustainability, with associated action plans and targets, were identified. Results of the activities are monitored by applying a number of metrics that reflect IES's sustainability efforts and are reported in the Annual Report, on the website and in other channels.

Sustainability is also integrated into the company's overall business strategy by identifying areas of double value creation - where social and environmental value also generate business value. This offers potential for profitable investments that simultaneously strengthens IES's sustainability activities and IES's competitiveness. A Sustainability Board comprising selected internal experts and members of executive management govern the work and present proposals for management and the Board to decide on. More information about IES's sustainability agenda is also available on IES's website that is continuously updated during the year and will provide a summary of IES's sustainability activities.

#### A turbulent operating environment

The role of sustainability in the school world is growing larger and larger and is now an important part of both public debate and education that impacts IES in many different ways. Focus is on integration and the great need for increasing the inclusion of different groups in society. This could be socio economic weaker groups in areas of segregation in Swedish cities, or people living more remotely in regional areas with a tougher economic climate and declining population. With its schools, IES can help improve inclusion and offer greater freedom of

choice for more families in society. Another external factor is the debate on poorer school results in general in Swedish schools and the need for an orderly school environment. This is where IES has a key role to play using its pedagogical methods that create good academic results and a safe learning environment for students and teachers.

IES must also relate to the new values emerging among a new generation of young people, where sustainability and values are becoming increasingly important when choosing schools and places of work. This trend is reflected over time among IES's students, parents and own employees. Sustainability is crucial for attracting teachers and students to IES. The climate is also an issue of growing importance to the younger generation and has evolved into one of the greatest questions for society in our times. It places demands on IES to develop a more resource efficient school, for example, in terms of energy consumption, with the expectation of reducing its climate footprint over time. Read more on page 18 about how IES approaches challenges to schools in Sweden.

# Stakeholder dialogue

A dialogue with external and internal stakeholders was conducted in spring 2019. The key stakeholders for IES are parents, students and teachers as well as investors, suppliers, trade unions, municipalities and other community representatives. Particular emphasis was given to social issues in the stakeholder dialogues. These issues include a safe learning environment, good academic results, measures to counter bullying and safety risks. They also stressed the importance of good terms of employment for teachers and other staff groups so that they have high job satisfaction and are committed to IES's operations. Transparency featuring good communication about IES's operations was highlighted as important. Furthermore, stakeholders consider climate and

IES Focus areas 2019 - 2022

# Student well-being

- Security
- Order
- · Anti-bullying
- Student health
- · Equal treatment

# Educational excellence

- Working conditions
- Competence development
- Diversity
- Attractive workplace
- Leadership training
- Quality in teaching

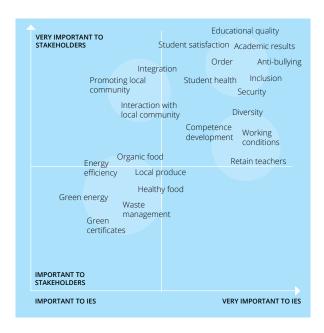
# **Building community**

- Integration
- Community development
- · Expansion of school capacity

# Green initiatives

- Energy efficiency
- Waste management
- Vegetarian food
- Digital meetings

Stakeholder	Stakeholder's role for IES	Material issues for stakeholder
Parents	Parents are decision makers on choices of school and critical to student success.	A safe and orderly study environment where teachers can teach and students learn     High academic expectations and aspirations     Transparency
Students	IES can play a decisive role in providing children and young people with the opportunity to reach their full potential whatever their background, and form character traits that last a lifetime.	A safe and orderly learning environment where teachers can teach and students learn     High academic expectations and aspirations     Commanding English     Good habits and standards for life     Healthy, high-quality food at school
Teachers	Teachers and other staff play a critical role in creating the right conditions for students to reach their full potential.	A safe and orderly work environment where teachers can teach and students learn     High academic expectations and aspirations     Good terms of employment     The opportunity to progress     Transparency
Municipalities	Municipalities are IES's collaborative partners in the collective endeavour of providing high-quality education. The level of each municipality's school voucher funding is critical to the potential for establishing IES.	IES should be a complement to municipal schools     IES should enhance a municipality's attraction
Employee representatives and trade unions	IES appreciates a structured and professional relationship with employee representatives.	MBL (Swedish Co-determination at Work Act) procedures and collective bargaining agreements     Compliance with IES's ethical guidelines     Transparency
Real estate companies and other suppliers	Close and long-term collaborations with real estate companies are important for new schools, and thus IES's capability to start up new schools.	Strong project management     IES maintaining long-term stable finances     Willingness to cooperate on sustainability
Swedish National Agency for Education	Defines skills standards, ordinances, general guidelines, national tests, monitoring and evaluation. Also allocates central government subsidies.	National tests     Subsidy applications     Supporting data for reports
Swedish Schools Inspectorate	Audits IES and considers applications to start up and expand schools.	Supporting data for granting permits     Managing cases     Inspections and follow-ups
Swedish Association of Independent Schools	IES's advocate on sector-wide issues. States official opinions. Activities include addressing Sweden's teacher shortage.	Commitment and support in stating official opinions     Support in opinion building     Driving development in the industry     Pioneer and role model
Owners	Decision makers, supply capital and appoint the Board of Directors.	<ul> <li>Quality of IES's operations</li> <li>Growth</li> <li>Stable profitability</li> <li>Social responsibility toward students; safety</li> <li>Transparency; measure sustainability performance</li> <li>Employment terms for teachers; ability to recruit</li> </ul>



environmental issues to be important, including healthy food and combating food waste.

The table provides an extensive overview of the other key issues for stakeholders based on IES's experiences of its day-to-day operations, regulations and laws, and in certain cases, more in-depth discussions.

#### Most material issues for IES

The materiality analysis compares stakeholder opinion with IES's view of the most important sustainability topics. It shows that matters relating to care for students is one of the most important for IES. It includes action against bullying, orderly classroom environment, a high level of physical safety, high educational quality and good academic results. Another group of highly important issues involve IES as an attractive workplace and teachers' work situation comprising good employment terms, equal opportunity, educational quality and competence development for teachers as well as promoting leadership skills of school leaders and principals. A social commitment and

cooperation with the schools' local community is important to IES. This includes integration through the school, good relationships with parents, the municipalities and local organisations and is also based on new schools promoting local and national development. A fourth group of important issues is environmental matters, such as impact on the climate, recycling, reduced food waste, and healthy and vegetarian food.

Based on the materiality analysis, IES has created four focus areas for its sustainability efforts: Student well-being, Educational excellence, Building community and Green initiatives.

More information about the various activities in the focus areas is provided below and also elsewhere in the front section of this Annual Report.

#### **Double value creation**

IES's sustainability activities are, in many respects, directly linked to the company's business strategy and competitiveness. This form of double value creation provide both greater financial value and social and environmental value, benefiting both the company and the company's stakeholders at the same time.

Some examples are the quality of education that results in good academic results for students and good social development, which also enhances IES's attractiveness. IES operating and establishing schools in areas of social exclusion increases the choice of schools and helps counteract segregation at the same time as offering new opportunities for IES to grow. Being an attractive workplace with good employment terms and major opportunities for managerial and professional development results in lower staff turnover, which is a major competitive advantage in a labour market with a shortage of good teachers. More efficient use of resources also reduces impact on the environment and lowers the carbon footprint, while also presenting an opportunity to carry out the operations more cost effectively using smart solutions.

In IES's general business model, the school's strategies are divided into three overall areas: Academic Quality, Profitability and Growth.



# **UN Sustainable Development Goals**

IES began its support of the UN's Sustainable Development Goals (SDGs) in the 2018/2019 school year. Following internal discussions, a selection of SDGs were prioritised as having the greatest relevance to IES's core operations. SDG 4 "Quality education" is a priority goal given IES's endeavours to give children the same opportunity to quality schooling. In addition, SDG 3 "Good health and well-being" is prioritised with IES working to ensure childrens' well-being at school, for example, by giving children extensive access to school healthcare and a safe learning environment. SDG 10 "Reduced inequalities" is also addressed through continuous activities on inclusion and diversity. Ensuring an attractive workplace for teachers, school leaders and other employees in line with SDG 8 "Decent work and economic growth" is also of central importance to the operations.

In 2019, IES also initiated a strategic venture to reduce its climate impact in accordance with SDG 12 "Responsible consumption and production." This involves central initiatives in waste management and energy efficiency.



#### IES and human rights

The United Nations Convention on the Rights of the Child is a human rights treaty specifically for children. It is deeply integrated in Sweden through the Swedish Education Act and the Swedish National Agency for Education's rules and supervision, as well as through the traditions and the core values followed by Swedish schools, including IES. The National Agency for Education states on its website that "the principle of the Convention on the Rights of the Child that the best interest of the child and the child's right to express a view freely in all matters affecting the child is also a guiding factor and is the basis of the Swedish Education Act" (skolverket.se). In this manner, human rights are integrated into IES's work methods and regulatory compliance. It is also expressed in several parts of the IES document "Basic Defining Policy Documents" and in IES's core values.

#### Main principles of the Convention

- All children have the same rights. Non-discrimination.
- · Devotion to the best interests of the child.
- The right to life, survival and development.
- Respect for the views of the child. The views of the child are given due weight in accordance with the age and maturity of the child.

IES's human rights initiatives also incorporate equal treatment, diversity and integration, which cross many of IES's focus areas.

#### Sustainability risks

The IES's overall risk analysis (page 73) also includes a number of predefined, sustainability-related risks. It includes such areas as Staff and management, with the risk of a diminished employer brand due to shortcomings in employment terms for teachers and school leaders, and Compliance with IES's concept, with the risk of deficiencies in order, structure and safety. It also encompasses Labour conflicts regarding employment terms for staff such as the importance of collective bargaining agreements to avoid strikes, for instance, and Occupational health and safety referring to the risk of violating laws, resulting in fines. Furthermore, Security risks are included in the sustainability dimension since threats and vandalism could impact the sense of safety and good order and Brand and reputation whereby a lower commitment to society could reduce IES's reputation among its key stakeholders. IES will perform a special risk analysis on sustainability in 2019/2020 to further expand the risk analysis in this area and to supplement the overall risk analysis.

# IES quality monitoring model



# Sustainability and quality

In parallel with its sustainability activities, IES has a comprehensive quality programme to ensure that its organisation fulfils its pledges and imparts the skills and behavioural standards on students that shape them to become responsible citizens. IES's quality work proceeds from its Basic Defining Policy Documents, which clarify school objectives, expectations and ethical guidelines. Each year, employees and parents respond to questions in a number of areas central to the success of students, teachers and IES. Results are also compared between each year and between schools, and departures from established targets are identified and rectified. This quality programme interacts with the sustainability programme and is also part of the focus areas of Student well-being and Educational excellence. Read more about the quality programme on pages 13–15.

IES also integrates sustainability topics into its education in line with the curriculum. IES can also make a difference through its education in the subjects of biology, physics, chemistry, social sciences and home economics, based on students studying sustainability from different perspectives.

# IES's focus areas

# Student well-being

This area refers to student safety at school and students' ability to achieve their academic potential. Action against bullying is particularly important. Action on preventing offensive treatment was a focal point of the year, for example, with student health teams, equal treatment plans and providing information to students about the school's policy. These efforts to reduce social exclusion often take place in collaboration with the municipality, social services and other organisations. All schools must have an equal treatment plan that describes the specific measures for preventing all offensive behaviour.

To further strengthen these efforts, IES created the new executive role of head of pastoral in August 2019, responsible for a safe and calm learning environment with the task of increasing information at schools and who can be engaged as extra support in specific cases. This person also serves as "ombudsman." IES's work on safety and a calm learning environment, and setting the same high expectations regardless of background, are some of the reasons that IES has higher than average school results. The average qualification level in 2018/2019 was 271, which was in line with the preceding year (273). The percentage of students completing compulsory schooling at IES is 96% (97) compared with the national average of 84% (84).

Another important priority is the physical security at the school, including the traffic situation and threats from external visitors. IES applies the closed campus concept whereby students stay at school during school hours and visitors are not permitted without first signing in at a manned reception.

IES's work on student health, safety and the physical working environment is regulated by its Checklist Health and Safety, and responsibility for follow-ups rests with school principals. The results of the Swedish Schools Inspectorate's inspections provide support in this process. Each school's academic manager assists teachers with identifying students that need additional resources or require other forms of special attention. Student health coordinators ensure the availability of non-educational resources.

All students and parents sign a Code of Conduct to ensure that everyone is treated with respect and is entitled to a calm learning environment. IES's ethical guidelines and Code of Conduct are part of the Basic Defining Policy Documents and clearly stipulate zero tolerance of all types of harassment and bullying. IES complies with Chapter 6 of the Swedish Education Act regarding a school's liability for reporting, investigation and action. In addition, school principals formulate a more detailed plan on countering and managing bullying. Procedures build on each school's local plans against offensive treatment. This is then followed up through a yearly survey of students about whether they feel safe at school. The 2019 survey revealed that nine out of ten students feel safe at school and eight out of ten students believe that the school addresses bullying. This is in line with the preceding year.

#### FACT BOX STUDENT WELL-BEING

#### Policies:

Basic Defining Policy Documents, Checklist Health and

#### Risks:

· Risk 13, Security risks; external factors and unpredictable safety risks, such as vandalism, threats, violence or similar incidents.

#### Performance:

- · The percentage of students qualified for upper secondary school at IES is 96% (97) compared with the national average of 84% (84).
- · Nine out of ten students feel safe at school.
- Eight out of ten students believe that the school addresses bullying.
- All employees have signed the Basic Defining Policy.

#### Educational excellence

This priority area relates to the situation of teachers, school leaders and other staff who make it possible to offer the highest quality of education. It encompasses employment terms, development and other matters that make employees stay and work at IES with a great dedication. IES's critical stakeholders regard occupational health and safety as central to school success. It is critical for students and parents that IES can attract, develop and retain staff with the right subject skills, teaching skills and leadership abilities. High staff turnover can result in a quality shortcomings. To ensure that IES remains an attractive employer, IES works actively to ensure market-based employment terms and a good work environment, both centrally and locally.

Sweden currently has a teacher shortage, which IES has partly compensated for by hiring teachers from foreign countries. In the 2018/2019 academic year, 85% of IES's teachers were qualified. 38% of teachers held Swedish teacher qualifications and 47% held teaching qualifications from another country. If an unqualified teacher is recruited, IES requires that a development plan is prepared for the teacher to become qualified.

In 2018/2019, IES has through the The Barbara Bergström School Leadership Program, an internal talent programme, to identify and nurture future potential school leaders. Furthermore, IES worked on the Improved Candidate Experience to facilitate onboarding to IES though follow-up meetings and dialogue. Read more under Human Resources on pages 40-45 of the Annual Report.

A safe, secure and stimulating work environment are important for attracting teachers. Absence due to illness was 3.6% for the year, in line with the preceding year. This can be considered to be relatively low compared with other companies and IES works on a broad front to reduce absence due to illness. The partnership with occupational health services was developed during the year to quickly address short-term sick leave and reduce the risk of long-term sick leave. IES also has an Employee Assistance Programme, a support line open 24/7 that provides employees with external help from experts. This may take the form of psychological, financial or legal support.

IES has a natural staff turnover since some staff members are contracted from other countries. Staff turnover among all employees in 2018/19 was 24% (25% in the preceding academic year) and among permanent employees (i.e. excluding contracted employees) was 17% (18% in the preceding academic year).

The Basic Defining Policy Documents stipulate what constitutes a good work environment for students and employees, and all principals received occupational health and safety training during the year. IES follows a structured approach to ensure compliance with its policies, with one example being the yearly survey stating questions on the degree to which teachers are able to start lessons on time, and the extent to which employees experience an orderly working environment.

This area includes matters relating to ethics and anti-corruption. The importance of anti-corruption is clearly stated in the ethical guidelines. The ethical guidelines are signed by all parents and students, and the teachers then implement these policies through their actions during the school day. Principals are responsible for implementing policies in the schools.

Any action bordering on corruption is prohibited. This includes, but is not confined to, any attempt to offer benefits to friends or relatives in terms of admittance to schools, accepting benefits to award higher grades than justified, using a position within IES for personal advantage, purchasing equipment or services for the school based on personal relationships.

A whistle-blowing policy was implemented in the Swedish operations in 2019 that can be used by all employees to report serious irregularities to an external party. Local whistle-blowing policies apply to IES's operations outside Sweden.

IES regularly develops processes to ensure equal and fair grading. Quality is continuously monitored using a quality system at both school and operator level. A quality report is also presented to the Board every year. Initiatives are also continuously carried out to raise grading skills and consistency. One example is a collective assessment whereby the heads of department in the same subject from different schools compare students' work before grading. Joint conferences with teachers are also held. Part of quality activities includes closely monitoring student performance in national tests to ensure that students gain the knowledge and skills they need for the future.

The Swedish Schools Inspectorate also conducts regular reviews of the national test results and this year selected 21 IES schools and about 2,000 examples from a total of 23 tests. The Schools Inspectorate noted deviations for three tests. One test in English in grade 6 showed that the teacher had set a lower grade, while two tests in English in grade 9 had too high grades.

#### FACT BOX EDUCATIONAL EXCELLENCE

#### Policies:

Basic Defining Policy Documents, Checklist Health and Safety, Ethical guidelines.

#### Risks:

- Risk 6, Staff and management and the risk of a diminished employer brand due to shortcomings in employment terms for teachers and school leaders.
- Risk 7, Compliance with IES's concept linked to the annual quality monitoring process.
- Risk 11, Labour conflicts regarding employment terms for staff and the importance of collective bargaining agreements to avoid strikes, for instance.

#### Performance:

- 85% of teachers are qualified.
- · Nine out of ten teachers stated that lessons start on time (no change compared with last year).
- · Nine out of ten IES employees stated that their work is stimulating (no change compared with last year).
- · Nine out of ten would recommend IES as a workplace to an acquaintance (no change compared with last year).
- Staff turnover was 17% for permanent employees (18% last year).
- Absence due to illness was 3.6% (3.6 last year).
- 63% women and 37% men.

# **Building community**

IES engages in local and national social issues in a wide variety of ways. This may be local voluntary association or other types of contact with the local community. Such commitment is decentralised to each school, allowing the principal to decide on what form such involvement is to take.

For instance, IES's students and staff participate in local charity groups, such as the School Run to raise money for the Swedish Childhood Cancer Fund where the schools including those in Linköping, Liljeholmen and Lund took part. Another example is the Giving People organisation that combats child poverty, which is supported by the school in Nacka. A third example is the fashion show organised by the school in Sundsvall to support the Warchild organisation. The majority of IES schools were involved in charity work in 2018/2019.

Another key part of IES's commitment to society is the capacity that IES brings to the Swedish school market and the many new opportunities and freedom of choice presented with IES's operations. The number of students at IES has increased by about 8,000 over the past five years to 25,500 in 2018/2019. IES opened two new schools in Sweden during the year and the number of students increased by 1,600. IES's presence can make municipalities attractive to live in and establish businesses, thus contributing to the development of society.

Furthermore, IES has an important role regarding integration and diversity since its operations increase movement between different areas of Sweden and provides opportunities for students to find new learning environments and new cultures that differ from those in which they have grown up. The catchment area of 36 IES schools in Sweden during the year encompassed 160 of Sweden's 290 municipalities.

#### FACT BOX SOCIAL COMMITMENT

#### **Policies:**

Not defined by policies.

#### Risks:

• Risk 8, Brand and reputation. IES is dependent on maintaining a good reputation in society and a low level of commitment to society risks diminishing IES's reputation among society stakeholders.

#### Performance:

- In 2018/2019, 29 of 36 IES schools reported involvement in charity work.
- · IES opened two new schools in Sweden during the year and the number of students increased by 1,600.
- · A total of 38% of IES students have a foreign background, compared with 25% in all of Sweden's compulsory schools.
- The catchment area of the 36 IES schools in Sweden during the year encompassed 160 of Sweden's 290 municipalities.

Several schools are situated in socially vulnerable areas and most IES schools have a higher percentage of children with a foreign background than the Swedish average. Some schools provide mother-tongue teaching in more than 40 different languages. A total of 38% of IES students have a foreign background, compared with 25% in all of Sweden's compulsory schools. The fact that IES teachers come from many different countries and that half of teaching takes place in English creates a neutral linguistic environment that promotes the integration process. Read more about this under IES's role in society on pages 17-25.

#### Green initiatives

IES conducts school operations in rented premises, meaning that its direct environmental impact is limited. Most environmental activities take place locally at each school based on the specific needs that exist there and are managed by the principal and local management team.

IES does not currently have a company-wide policy for reducing, for example, energy consumption, waste and food waste. A review will be carried out in the forthcoming financial year into the initiatives that could be organised and controlled centrally, and applied equally at all schools.

Energy consumption and other environmental impacts are mainly linked to the properties in which IES conducts operations or to IES's other subcontractors. IES's agreements with subcontractors include undertakings to comply with environmental legislation and other regulations.

Over time, IES has the potential to reduce environmental impact through the acquisition of new school buildings, where IES collaborates with real estate companies that possess substantial know-how on the effective utilisation of public premises. The intention is to have a closer dialogue with the major property companies in the future.

Electricity is included in rent in most schools. Electricity consumption at the 16 schools where electricity is paid directly by IES amounted to 4.9 million kWh or 43.3 kWh/m<sub>2</sub>. IES is to work centrally and locally to reduce its electricity consumption in all properties over time.

IES offers healthy food with vegetarian options together with its suppliers. The IES guideline is that all schools are to offer at least one vegetarian option every day. However, procurement of food is delegated to each school and management team. Some schools have several different vegetarian dishes every day, whereas other schools have a more limited offering. Not all suppliers measure the amount of vegetarian meals offered, although the school in Jönköping, where IES has its own staff and kitchen, does. This school serves about 950 portions a day, just over 20% of which are vegetarian.

IES also has the aim of increasing the amount of locally produced food together with its suppliers. Several schools are working on this aim. One example is IES in Gothenburg which requires suppliers to locally source 30% of meat and poultry. Many

suppliers also offer seasonal ingredients. Such produce is prioritised when it is available locally and in season.

IES staff need to travel on business to exchange experience and attend conferences and courses. However, everyone is encouraged to use video conferences in the first instance. If travel is necessary, bus and rail are to be chosen first according to the travel policy, which is positive in terms of both cost and impact on the environment.

#### FACT BOX GREEN INITIATIVES

#### Policies:

IES Environmental Manual and Travel Policy.

#### Risks:

· Environmental risks including climate risks will be analysed in 2019/20.

#### Performance:

- · Local initiatives at each school.
- Electricity consumption at the 16 schools where electricity is paid directly by IES (not included in rent) amounted to 4.9 million kWh or 43.3 kWh/m<sup>2</sup>.
- Initiative to reduce printing to be implemented in 2019/20.

# **RISKS AND** UNCERTAINTY FACTORS

Internationella Engelska Skolan's operations involve risks, which can adversely affect the Group to varying degrees. They can be divided between operations-related risks, market-related and financial risks. These risks can affect IES's ability to achieve the targets in the company's business plan in the short and long term.

By creating awareness of the risks of operations, they can be controlled, limited and managed. Additionally, appropriately managed risks can present opportunities and add value in operations. IES works continuously to update the Group's risk position, and achieves this through a documented systematic process that identifies, evaluates, manages and reports risks. It prioritises those risks judged to represent the greatest adverse impact on the basis of probability of incidence and

potential impact on operations. This classification also assumes well executed countermeasures achieving the desired level, indicated in green, yellow and red. This work is conducted by management. Measures executed and changes to risk assessments are reported internally to the Board yearly, and when required, more regularly.

Risks are compiled in risk maps to clarify overall exposure and the measures that should be prioritised. This mapping process is conducted at Group level and is an important component of management's and the Board of Directors' strategic and operational controls. Work on compiling, coordinating and developing risk management is conducted by the Group's Audit Committee. As operations grow and develop, this work will retain a high priority.

## MARKET RELATED RISKS – PROBABILITY 1 2 3 4 5 IMPACT 1 2 3 4 5

Risk	Description	Risk management
1. Demand for independent operators	A reduction in demand for IES's school operations due to alternative education programs, lower levels of ambition in education, altered political sentiment or other factors, may exert a material negative impact on IES's operations, financial position or results of operations.	IES focuses on satisfying the ethos of its operations and on delivering high education quality so it is perceived as a competitive education alternative.
2. Deteriorating conditions affecting public finance, reform of legislation, regulation and interpretation and practice or limitations to for-profit school operations.	A downturn in general economic conditions, altered reimbursement systems, the reform of laws and regulations and/or their interpretation, or limitations applying to independent operators' potential to cover costs and/or generate earnings may obstruct or prevent IES from conducting viable operations.	IES places considerable emphasis on running its business with an adequate profit margin to manage temporary economic downturns, and monitors school voucher funding decisions being consistent with applicable legislation. Where necessary, decisions are appealed.  In addition, IES continuously monitors political debate and actively promotes the benefits of having independent schools that offer IES's ethos, and deliver high education quality, to Swedish society.
3. Competition	If IES is unable to compete successfully with the public sector and other independent operators, this may cause IES to lose market shares and students to competing operators, with its share of students and parents selecting IES reducing, which in turn may result in IES's revenues and profitability decreasing.	IES focuses on satisfying the ethos of its operations and on delivering high education quality so it is perceived as a competitive education alternative.
4. Scrutiny and negative publicity	Actual or perceived problems arising from scrutiny or other sources may result in adverse media publicity. In tandem with such events, further investigation and legal action may be taken against IES and its employees.  The aforementioned scenarios could result in IES losing students and growth potential, which could have a material negative impact on IES's operations, financial position and results of operations.	IES conducts its operations with a high degree of transparency. The Group's management operates in direct contact with the schools' leadership teams and principals gain assistance from central support functions to manage specialist issues.  IES's ethos is a central component of its work at school and central level, which is communicated and monitored regularly. In addition, IES has a communication policy and provides its principals with media training.
5. Macroeconomic conditions	Rapid changes in macroeconomic development may have a negative impact on demand for places at private schools and property prices in the markets without voucher funding. IES is currently exposed to this risk in its Spanish operations.	IES primarily targets Spanish students at its five schools in Spain. This group of students is deemed to be less susceptible to economic cycles than temporary residents of the country and demand is governed to a greater extent by the need for high-quality bilingual education. IES also tends to rent properties rather than own them, thus reducing exposure to falling property prices.

# OPERATIONAL RELATED RISKS - PROBABILITY 1 2 3 4 5 IMPACT 1 2 3 4 5

Risk	Description	Risk management
6. Staff and management	If IES is unsuccessful in attracting and retaining competent staff on reasonable compensation and employment terms, there is a risk that IES is unable to conduct its operations effectively, or achieve its operational and financial targets. A shortage of qualified teachers in Sweden and Brexit may impact access to the right staff.	IES focuses on satisfying the ethos of its operations, on delivering high education quality and provides clear responsibilities and well-defined authorisations, so it is perceived as an attractive workplace for staff and managers. In addition, the Group offers salaries at market levels.
		IES also has an effective process for applying for visas for staff from outside the EU, which is why Brexit is not expected to have a significant effect on IES's ability to recruit teachers from the UK.
7. Compliance with IES's concept	IES's concept rests on convictions including a safe and orderly school environment that features good order, structure and safety. There is a risk that principals, teachers or other staff, or students, breach regulations or depart from internal guidelines, which could have a negative impact on IES's operations.	IES conducts a yearly quality control process, which focuses on stakeholder perceptions of each school's quality. Its outcomes are discussed with schools on a regular basis through the year. IES's management also visits schools regularly, participates in lessons and discusses school quality and any action plans with COOs, teachers and other staff.
8. Brand and reputation	IES's brand is not only affected by the direction and strategy IES decides to pursue, the quality of the selected directions and strategies maintained, or the criticism or praise IES continuously attracts. Failures by, and other negative publicity relating to, other operators in schooling, especially independent operators, may impact IES's brand and operations negatively, regardless of whether IES has been involved in such failure.	IES is a member of the Swedish Association of Independent Schools and through this Association works to support individual operators facing difficulties.
9. Approvals and permits	IES is dependent on securing and retaining permits from the Swedish Schools Inspectorate and other regulators in order to be able to conduct operations. If the granting of permits and approval is delayed or not forthcoming, or if IES does not satisfy the terms applying to any of the permits and approvals IES has obtained, this could have a material negative effect on IES's operations, financial position or operating profit.	IES always prepares well-substantiated applications for the Swedish Schools Inspectorate for expansion of existing sites, or starting up new schools, and only establishes new schools that fully satisfy the Inspectorate's standards on initial inspection.
10. Potential for organic growth	There is a risk that IES is unable to execute its growth plans at the intended pace and extent, due to factors such as it being unable to secure new or extended permits or approvals, or the supply of premises in the relevant geographical markets being limited. There is also the risk in tandem with the integration of expanded operations and projects with IES's existing operations. For example, start-up costs may be higher than expected, and adaptation to IES's existing operations may be more problematic than anticipated.	IES conducts extensive analysis of population growth, infrastructure, zoning plans and other factors, regionally and locally, which determine the demand for education in accordance with IES's concept. In all cases, it also maintains close dialogue with relevant municipalities to identify needs and opportunities. Once opportunities are identified, IES conducts an in-depth analysis of construction costs, rent levels and investment requirements relating to new schools.
11. Labour conflicts	Many of IES's employees are covered by collective bargaining agreements. There is a risk that disputes and differences of opinion may arise, which may cause strikes or other disruption. There is also risk that after the expiry of applicable collective bargaining agreements, IES is unable to enter new collective bargaining agreements on satisfactory terms without the incidence of strikes or similar disruption.	IES is a member of Almega, the General Group of the Swedish Employers' Confederation, and thus has collective bargaining agreements. Additionally, IES's ambition is to participate actively in Almega's dialogue with the unions and have a continous dialogue with IES's union representatives. Two Union representatives and two deputies appointed by the National Union of Teachers in Sweden are members of IES's Board of Directors.
12. IT systems	There is a risk that IES's systems are affected by downtime or disruptions, due to factors such as sabotage, computer viruses, software bugs or human error. IES is governed by data protection laws, such as GDPR, and despite security measures, there is a risk that data integrity may be compromised. This may result in increased expenses for regulatory compliance, damages claims and fines, impaired competitiveness and the loss of business opportunities.	IES's policy is to operate in cloud computing environments, using off-the-shelf systems from established vendors. In addition, IES stays informed and re-engineers its business processes to comply with applicable data protection regulations.
13. Security risks	The incidence and severity of exogenous factors and unforeseeable safety risks such as criminal damage, threats, violence or other similar events, may limit IES's potential to conduct its operations, and may also result in IES incurring losses due to consequential losses in its operations or damages.	The Deputy CEO is IES's designated security manager, and leads security work at management level. Operational security managers work daily on evaluating security risks and proposed preventative measures in IES schools.
	_	The yearly budgetary process includes a specific discussion of security and assigns resources for appropriate measures when necessary.

# **OPERATIONAL RELATED RISKS. CONT.**

14. Supplier risks	IES is dependent on the availability, production, quality assurance and deliveries of external suppliers, for example teaching equipment, IT, furniture, catering and maintenance. Incorrect, delayed or non-delivery by suppliers of various kinds may mean that IES's obligations to students, employees and other parties are also delayed or need to be discontinued, are inadequate or erroneous.	IES applies central contracts with suppliers in those segments critical to operations. Suppliers are closely evaluated in terms of financial and operational capacity. Contracts are signed, or close partnerships with multiple suppliers are entered in mission-critical segments.
15. Pay inflation	Pay increases may result in increased costs for existing and new appointments. There is a risk that IES is unable to adapt its operations to the resulting increased pay levels.	Agreed salary increases and contracts of employment are subject to central approval by management, which means good cost control.  In addition, as far as possible, IES offsets salary increases by operating its business efficiently, through means including signing central agreements and exploiting economies of scale.

# FINANCIAL RISKS – PROBABILITY 1 2 3 4 5 IMPACT 1 2 3 4 5

Risk	Description	Risk management
16. Long-term rental contracts	The rental contracts of schools have terms of up to 25 years. The long maturities of rental contracts expose IES to the risk that premises do not satisfy the needs of its operations throughout their term. This may occur if the number of students of a school is lower than anticipated, and premises are not utilised as intended, or if the student cohort offers scope for expansion, but premises are unable to accommodate a larger student base.  Additionally, IES is exposed to the risk that, due to the effect of environmental factors such as fire or water incursion, leased premises are damaged and/or students and staff are injured. There is also exposure to the risk of termination by the landlord, or sub-letting to IES cannot be arranged due to the necessity of relocating operations.	IES focuses on satisfying the ethos of its operations and on delivering high education quality so it is perceived as a competitive education alternative, and thereby maintains demand from students and parents. IES also continuously examines its potential to expand existing operations into new age groups.  IES regularly conducts thorough reviews of zoning plans for the surroundings of leased premises to ensure that its operations will be in place for the long term.  In those municipalities were operations are conducted, IES maintains close contact with municipal representatives to facilitate alternative solutions for its operations in crisis situations.
17. Financing	Factors such as market conditions, the general availability of credit and IES's creditworthiness impact on the supply of further finance and the potential for refinancing.	IES works actively on maintaining good relationships with lenders and has a secure financial position, with a target minimum equity/assets ratio of 40% (prior to the implementation of IFRS 16).
18. Legal proceedings	Legal disputes and proceedings may have a material negative impact on IES. In tandem with such proceedings, IES may incur substantial costs not covered by insurance.	IES is not currently subject to legal disputes, apart from IES's appeals against administrative decisions. But in general, IES attempts to resolve disputes at an early phase through negotiation.
19. Occupational health and safety	Unforeseen exogenous factors may create health and safety problems despite preventative action. If IES does not comply with applicable health and safety regulations for its operations, this may result in fines or other consequences for IES as well as negative publicity.	IES complies closely with occupational health & safety legislation and has monitoring systems, routines and processes in this segment in place, which are monitored by an employee responsible for safety at schools and head office.
20. Changes to tax legislation	Because laws, agreements and other regulations governing taxation, as well as other fiscal charges, have been subject to repeated reform and alteration historically, further change can be expected in the legislatures where IES is active in future, potentially with retroactive effect. All such changes may have a significant impact on IES's tax burden, and a material negative impact on IES's operations, financial position and results.	IES continuously monitors the proposals under consultation in this segment and actively influences government enquiries and proposals through its own official comments and proposals, and participation in commenting by the Swedish Association of Independent Schools.

Ethos is what distinguishes a culture, manifest in values and ambitions. IES's ethos stands for its capacity to be credible and professional and meet the promises made to parents and students.

# **CONSOLIDATED INCOME STATEMENT**

		1 Jul. 2018	1 Jul. 2017
MSEK No.	ote	-30 Jun. 2019	-30 Jun. 2018
Operating income			
Operating income Revenue	2	2,663.8	2,243.1
Other operating income	3	2,003.8	104.8
Operating income		2,781.1	2,347.9
operating meanic		2,701.1	2,547.5
Operating expenses			
Teaching and meal expenses		-303.2	-293.3
Other external expenses 4,5,6	30	-593.4	-489.0
Personnel expenses	7	-1,593.9	-1,348.2
Amortisation intangible assets 12,13,14	15	-3.9	-
Depreciation property, plant and equipment 16,17,18,19	20	-80.3	-65.2
Profit from joint ventures	22	2.2	0.1
Total operating expenses		-2,572.6	-2,195.6
Operating profit		208.6	152.4
Profit from financial items			
Financial income	8	6.0	7.7
Financial expenses	9	-12.2	-6.5
Net financial items		-6.2	1.3
Earnings before tax		202.4	153.7
Tax on profit for the year	10	-42.8	-37.1
Deferred tax	10	-5.0	-
Profit for the year		154.6	116.5
Profit for the year attributable to			
Parent Company owners		154.6	116.5
Non-controlling interests		0.1	
Average number of shares		40,130,000	40,050,000
Earnings per share, basic and diluted, SEK		3.85	2.91
			l

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK Note	1 Jul. 2018 -30 Jun. 2019	1 Jul. 2017 -30 Jun. 2018
Profit for the year	154.6	116.5
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation difference for the year	5.8	0.1
Other comprehensive income net of tax for the year	5.8	0.1
Comprehensive income for the year	160.4	116.6
Comprehensive income for the year attributable to:		
Parent Company owners	160.4	116.6
Non-controlling interests	0.1	-

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

MSEK	Note	30 Jun. 2019	30 Jun. 2018
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	12	824.8	661.0
Customer relations	13	43.5	-
Land concessions	14	24.6	-
Other intangible assets	15	0.2	-
		893.2	661.0
Property, plant and equipment			
Buildings	16	238.8	4.6
Land	17	39.1	-
Construction in progress and advance payments for property, plant and			
equipment	18	2.9	-
Machinery and equipment	19	159.7	132.1
Leasehold improvements	20	35.4	32.4
		475.8	169.1
Financial assets			
Participations in joint ventures	22	15.8	54.1
Receivables with joint ventures	23	-	22.0
		15.8	76.1
Total non-current assets		1,384.8	906.2
Current assets			
Accounts receivable	23,24	21.6	12.9
Current tax assets	24	21.2	-
Other receivables	24	2.5	20.2
Receivables with joint ventures	23	8.9	140.7
Prepaid expenses and accrued income	26	117.0	104.9
Cash and cash equivalents	27	245.0	121.9
Total current assets		416.1	400.6

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

MSEK	Note	30 Jun. 2019	30 Jun. 2018
EQUITY AND LIABILITIES			
Equity	28		
Share capital		1.0	1.0
Other capital contributed		361.3	360.9
Translation reserve		6.3	0.5
Retained earnings including profit for the year		745.0	590.8
Equity attributable to Parent Company owners		1,113.6	953.3
Equity attributable to non-controlling interests		0.3	-
Total equity		1,113.9	953.3
Non-current liabilities			
Liabilities to credit institutions	24	171.3	-
Deferred tax liabilities	10	76.8	54.1
Total non-current liabilities		248.1	54.1
Current liabilities			
Liabilities to credit institutions	24	24.4	_
Liabilities to joint ventures	24	9.7	0
Accounts payable	24,25	109.2	77.2
Current tax liabilities	24	16.1	6.8
Other current liabilities	24	111.7	72.2
Accrued expenses and deferred income	29	167.9	143.2
Total current liabilities		438.9	299.4
TOTAL EQUITY AND LIABILITIES		1,800.9	1,306.8

For information on pledged assets and contingent liabilities, refer to Note 31.

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

MSEK	Share capital	Other capital contributed	Translation reserve	Retained earnings including profit for the year	Non- controlling interests	Total
Opening balance, 1 July 2017	1.0	360.9	0.1	520.3	_	882.3
Closing balance, 1 July 2017	1.0	360.9	0.1	520.3	0.0	882.3
Profit for the year	-	_	-	116.5	-	116.5
Other comprehensive income for the year	_	_	0.4	-0.3	-	0.1
Comprehensive income for the year	0.0	0.0	0.4	116.2	0.0	116.6
Transactions with owners:						
Bonus issue	0.0	0.0	-	_	_	0.0
Dividend paid	-	-	-	-45.7	-	-45.7
Total transactions with owners	0.0	0.0	0.0	-45.7	0.0	-45.7
Closing balance, 30 June 2018	1.0	360.9	0.5	590.9	0.0	953.3
Opening balance, 1 July 2018	1.0	360.9	0.5	590.9	0.0	953.3
Changed accounting policy, IFRS 9	_	_	_	-0.4	_	-0.4
Adjusted opening balance, 1 July 2018	1.0	360.9	0.5	590.5	0.0	952.9
Profit for the year	_	_	_	154.6	_	154.6
Other comprehensive income for the year	_	_	5.8	_	_	5.8
Comprehensive income for the year	_	_	5.8	154.6	0.0	160.4
Other			2.0			
Share matching programme	_	0.4	-	_	-	0.4
Changes in non- controlling interests	_	_	_	_	0.3	0.3
Total	0.0	0.4	0.0	-	0.3	0.7
CLOSING BALANCE, 30 JUNE 2019	1.0	361.3	6.3	745.1	0.3	1,113.9

# **CONSOLIDATED CASH FLOW STATEMENT**

MSEK	1 Jul. 2018 -30 Jun. 2019	1 Jul. 2017 -30 Jun. 2018
IVISLIX	-30 Juli. 2019	-30 Juli. 2016
OPERATING ACTIVITIES		
Operating profit	208.6	152.4
Interest received	8.3	5.4
Interest paid	-10.8	-5.0
Adjustment for non-cash items		
Depreciation and amortisation	84.2	65.2
Other	-20.1	-0.9
Income tax paid	-15.6	-24.9
Cash flow from operating activities before		
changes in working capital	254.6	192.2
Cash flow from changes in working capital		
Change in operating receivables	-20.0	-29.2
Change in operating liabilities	69.7	34.2
Cash flow from changes in working capital	49.8	5.0
Cash flow from operating activities	304.4	197.2
Investing activities		
Acquisition of subsidiaries	-309.3	-
Acquisition of property, plant and equipment in Spain	-4.8	-88.6
Acquisition of property, plant and equipment in Sweden	-71.9	-
Change in financial assets	8.7	1.2
Cash flow from investing activities	-377.3	-87.4
Financing activities		
Bank loan, credit institutions	215.4	_
Amortisation of loans, credit institutions	-19.7	_
Short-term loan to joint ventures	-	-140.7
Dividend paid	_	-45.7
Cash flow from financing activities	195.7	-186.3
Cash flow for the year	122.8	-76.5
Cash and cash equivalents at beginning of year	121.9	198.3
Exchange rate difference in cash and cash equivalents	0.3	0.1
Cash and cash equivalents at end of year	245.0	121.9

# PARENT COMPANY INCOME STATEMENT

MSEK	Note	1 Jul. 2018 -30 Jun. 2019	1 Jul. 2017 -30 Jun. 2018
IVISLIX	Note	-30 Juli. 2019	-30 Jun. 2016
Operating income			
Revenue	35	4.5	3.2
Other operating income	36	0.5	4.6
Total operating income		5.0	7.8
Operating expenses			
Other external expenses	37	-10.4	-9.8
Personnel expenses	38	-10.5	-7.8
Total operating expenses		-20.9	-17.7
Operating loss		-15.9	-9.9
Profit from financial items			
Other interest income and similar profit/loss items		4.4	1.3
Interest expenses and similar profit/loss items		-8.9	-2.4
Loss after financial items		-20.4	-11.0
Year-end appropriations	39	182.0	40.2
Tax on profit for the year	40	-35.7	-7.3
PROFIT FOR THE YEAR		125.8	21.9

# PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	1 Jul. 2018 -30 Jun. 2019	1 Jul. 2017 -30 Jun. 2018
Profit for the year		125.8	21.9
Other comprehensive income		-	-
COMPREHENSIVE INCOME FOR THE YEAR		125.8	21.9

# **PARENT COMPANY BALANCE SHEET**

MSEK	Note	30 Jun. 2019	30 Jun. 2018
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	41	605.7	361.9
Receivables from Group companies	43	13.4	0
Participations in associated companies and jointly controlled entities	42	15.9	53.2
Non-current receivables, associated companies and jointly controlled entities	43	_	22.0
Total non-current assets		635.1	437.1
Current assets			
Receivables from Group companies	43	16.6	8.1
Receivables from associated companies and jointly controlled entities	43	8.9	0
Other receivables	43	0.3	19.1
Prepaid expenses and accrued income	44	0.4	1.5
Total current assets		26.2	28.6
TOTAL ASSETS		661.3	465.7

# **PARENT COMPANY BALANCE SHEET**

MSEK	Note	30 Jun. 2019	30 Jun. 2018
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	46	1.0	1.0
		1.0	1.0
Non-restricted equity			
Retained earnings		398.5	376.1
Profit for the year		125.7	21.9
Total equity		524.2	398.1
Untaxed reserves		90.2	37.2
		90.2	37.2
Current liabilities			
Accounts payable		0.9	0.7
Current tax liabilities		16.6	25.3
Other liabilities	44	27.5	1.5
Accrued expenses and deferred income	47	1.0	1.9
Total current liabilities		45.9	29.4
Total liabilities		136.1	66.6
TOTAL EQUITY AND LIABILITIES		661.3	465.7
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For information on pledged assets and contingent liabilities, refer to Note 49 and Note 31 in the consolidated accounts.

# STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

	Share	Retained	Profit for	
MSEK	capital	earnings	the year	Total
Opening balance, 1 July 2017	1.0	359.9	61.9	422.8
Transfer of profit from previous year	_	61.9	-61.9	0.0
Profit for the year	_	-	21.9	21.9
Other comprehensive income for the year	_	_	21.5	0.0
Comprehensive income for the year	0.0	61.9	-40.0	21.9
,				
Transactions with owners:				
Dividend paid	-	-45.7	_	-45.7
Closing balance, 30 June 2018	1.0	376.2	21.9	399.1
Opening balance, 1 July 2018	1.0	376.2	21.9	399.1
Transfer of profit from previous year	_	21.9	-21.9	0.0
Profit for the year	-		125.7	125.7
Other comprehensive income for the year	_	-	_	0.0
Comprehensive income for the year	0.0	21.9	103.8	125.7
Others				
Other		0.4		0.4
Share matching programme		0.4	_	0.4
Total	-	0.4		0.4
CLOSING BALANCE, 30 JUNE 2019	1.0	398.5	125.7	525.2

# PARENT COMPANY CASH FLOW STATEMENT

MSEK	1 Jul. 2018 -30 Jun. 2019	1 Jul. 2017
INISER	-30 Juli. 2019	-30 Jun. 2018
OPERATING ACTIVITIES		
Operating profit	-15.9	-9.9
Adjustment for items not included in the cash flow		
Exchange rate gains/losses	0.5	-1.9
Interest received	1.4	0.7
Interest paid	-4.8	-2.4
Income tax paid	-44.3	0.0
Cash flow from operating activities before	-63.2	-13.5
changes in working capital		
Changes in working capital		
Change in operating receivables	19.5	-18.4
Change in operating liabilities	34.6	1.2
Cash flow from changes in working capital	54.1	-17.2
Cash flow from operating activities	-9.0	-30.7
Investing activities		
Acquisition of financial assets	-217.5	1.2
Cash flow from investing activities	-217.5	1.2
Cash now from investing activities	-217.5	1.2
Financing activities		
Amortisation of intragroup loan	-235.0	-50.0
Group contribution received	235.0	50.0
Intragroup loan arranged	235.0	50.0
Dividend	_	-45.7
Cash flow from financing activities	235.0	4.3
Cash flow for the year	8.5	-25.2
Cash and cash equivalents at beginning of year	8.1	33.3
Cash and cash equivalents at end of year	16.6	8.1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



### **Accounting policies**

These annual accounts and consolidated accounts include the Swedish Parent Company Internationella Engelska Skolan i Sverige Holdings II AB (publ.) (Internationella Engelska Skolan or IES), corporate identity number 556900-7254 and its subsidiaries. The main activities are to conduct school operations.

Internationella Engelska Skolan is listed on Nasdaq Stockholm, Mid Cap, with the ticker "ENG." The largest (indirect) shareholders of IES are Bock Capital, whose advisor TA Associates has close affiliations to leading universities and foundations in the US, and IES's founder Barbara Bergström. At the end of June 2018, the ten largest shareholders also included Paradigm Capital, the investment company, Swedbank Robur fonder, the Third Swedish National Pension Fund and AMF Försäkring & Fonder (owned jointly by LO, the Swedish Trade Union Confederation and the Confederation of Swedish Enterprise).

The Parent Company is a limited company, which is registered and has its registered office in Täby, Sweden. The address of the head office is Nytorpsvägen 5B, SE-183 71 Täby, Sweden.

These annual accounts and consolidated accounts were approved by the Board of Directors on 9 October 2019, and will be submitted for approval at the AGM on 21 November 2019.

#### Basis of preparation of the financial statements

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Union (EU). Accordingly, the consolidated accounts comply with recommendation RFR 1 "Supplementary Accounting Rules for Groups" issued by the Swedish Financial Reporting Board (RFR).

#### Circumstances when preparing the consolidated financial statements

The Parent Company's functional currency is Swedish kronor (SEK) which is also the presentation currency of the Parent Company and Group. This means that the financial statements are presented in SEK. Unless otherwise stated, all amounts are rounded to the nearest million Swedish kronor (MSEK). The consolidated accounts have been prepared in accordance with the cost method, and assets, provisions and liabilities are based on historical cost.

Unless otherwise stated, the following accounting policies have been applied consistently to all periods presented in the consolidated financial statements. The Group's accounting policies have been applied consistently by Group companies.

### Application of new IFRSs from 2018

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It states rules for classifying and measuring financial assets and liabilities, impairing financial instruments and hedge accounting. This standard applies for financial periods beginning on or after 1 January 2018, which for the company, is the current financial year. In accordance with the Standard's transitional rules, the Group has not restated comparative figures for previous financial years. The provisions of IFRS 9 regarding classification and measurement of the Group's financial instruments had no material impact on the Group's financial position at the time of transition, because the rules did not involve any significant change regarding measurement of the financial instruments in the consolidated balance sheet at the time.

IFRS 9 introduces a new impairment model for expected credit losses, which also accounts for relevant forward-looking

information. The new impairment model did not have any material impact on the Group's financial position. The expected credit loss reserve had an impact of MSEK 0.4 on equity in the opening balance sheet for the financial year. The Group does not apply hedge accounting.

IFRS 15 Revenue from Contracts with Customers replaces all previously issued standards and interpretations related to revenue. IFRS 15 contains a single model for all revenue recognition. The idea behind the standard is that everything proceeds from an agreement to sell a good or service between two parties. A customer contract is initially identified, that generates an economic benefit for the  $% \left( 1\right) =\left( 1\right) \left( 1\right)$ seller (rights, a promise to receive compensation) and a liability (undertaking, a promise to transfer goods/services). Under the model, a revenue is then recognised and thereby demonstrates that the commitment to deliver the promised goods or services to the customer has been satisfied. The financial statements will be impacted by significantly expanded disclosure requirements. The standard has been approved by the EU and became effective for financial periods beginning on or after 1 January 2018, which for the company, is the current financial year.

IFRS 15 did not have any material impact on the Group's earnings and financial position on an annual basis but brought some changes in relation to the allocation of revenues between quarters. When introducing IFRS 15, the company decided not to restate the preceding year, and no restatement of the opening balance on 1 July 2018 was required.

#### Application of new IFRSs from 2019

The International Accounting Standards Board has adopted a new accounting standard for the recognition of leases, IFRS 16 Leases. IFRS 16 has been approved by the EU and came into effect for financial periods beginning on or after 1 January 2019, which for the company means the financial year starting on 1 July 2019.

Under the previous rules, lease payments were recognised as an operating expense under external expenses. In summary, IFRS 16 implies that operating leases with terms longer than one year must be recognised as assets in the balance sheet on the basis of the discounted present value of future payments. A corresponding amount is recognised as a liability. The income statement will be charged with depreciation over the useful life of the asset, which normally corresponds to the term of the lease, plus interest expenses. Furthermore, it can be confirmed that the transition to IFRS 16 did not impact cash flow.

The exemption in RFR 2 regarding leases was applied in the Parent Company. This means that the Parent Company's policies for recognising leases are unchanged.

Other amendments of standards and interpretation statements coming into effect from 1 January 2019 are not expected to have any material effect on IES's financial statements.

### Transition to IFRS 16 on 1 July 2019

#### Election of method

IES has selected the simplified approach for its transition method to IFRS 16, entailing restatement on the transition date by adjusting the opening balance on 1 July 2019. Information about the transition effects, including any impact on equity, is thereby included in the balance sheet at 1 July 2019. The transition to IFRS 16 offers optional transition relief, which IES has elected to take.

### Properties/premises

IES has identified two main classes of assets, properties/premises and vehicles. Rental contracts for properties and premises with a remaining term of more than 12 months from 1 January 2019 have been identified and recognised. A number of small storage rooms, parking spaces and offices were excluded. Agreements related to long-term contracts for rental apartments with a short notice

period were also excluded. At 30 June 2019, the total number of rental contracts was approximately 100. Of these, about 100 pertain to the Sweden segment and one to the Spain segment.

To calculate the lease liability attributable to properties, the liability was discounted with IES's estimated incremental borrowing rate. Market rates and external comparative figures for returns on public and school properties, among other data, have been used to calculate the incremental borrowing and discount rate. The incremental borrowing rate is considered to differ between geographical areas, which is why IES's rental contracts have been classified according to their geographical location. In 2019, a rate of 2.9-4.5% was used for rental contracts in Sweden, and 4.5% for rental contracts in Spain. The average discount rate for the Group's lease liability is 4.0%.

#### Extension options and indexation

IES makes case-by-case assessments of extensions for each individual contract. The actual contract term is normally used for contracts of more than two years, while contracts that are due to expire within two years are expected be extended under the extension clause contained in the agreements. IES's rental contracts are normally long-term and the average remaining contract term in IES's rental portfolio is approximately 10 years.

In regard to indexation, the commencement date of the contract is used as the base date, with increases according to the actual indexation clause in the agreement.

### Other asset classes

In addition to rental contracts, IES also leases 13 vehicles. Since the total value is considered insignificant, IFRS 16 is not applied to these leases. Nor is IFRS 16 applied to agreements for other small asset classes, such as IT equipment and other office equipment.

#### Transition effects

Transition to the new IFRS 16 standard on 1 July 2019 had a material effect on IES's accounting. Total assets increased sharply, while EBITDA and EBIT will be higher and net financial items more negative in coming quarters due to the change. The tables below show a reconciliation between the operating lease commitments at 30 June 2019 and the lease liability at the beginning of the new financial year on 1 July 2019, and a comparison of earnings and key figures in the 2018/19 financial year as if IFRS 16 had already been applied.

### Reconciliation of capitalisation of right-of-use assets

	Group
Commitments for operating lease agreements on properties at 30 June 2019	6,177
Of which leases on properties signed but not yet started at 30 June 2019	-1,679
Discounted with the interest rate implicit in the lease	-1,073
Right-of-use assets at 1 July 2019	3,425

Statement of financial position, Income statement and Key figures for IES at 30 June 2019 including effect of IFRS 16

MSEK	1 Jul. 2018 – 30 Jun. 2019	Variance IFRS 16	Effect of IFRS 16 in tables
INCOME STATEMENT			
Operating income	2,781		2,781
Operating expenses	-2,488	382	-2,107
Depreciation, amortisation and impairment of tangible and intangible assets	-84	-308	-392
Operating profit	209	74	283
Financial income	6		6
Financial expenses	-12	-130	-142
Profit/loss after financial items	202	-56	147
Tax	-48	11	-36
PROFIT/LOSS FOR THE YEAR	155	-44	110

MSEK	30/6 2019	Variance IFRS 16	Effect of IFRS 16 in tables
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Goodwill and intangible assets	893		893
Property, plant and equipment	476		476
Right-of-use assets	0	3,425	3,425
Deferred tax assets	0	11	11
Participations in associated companies	16		16
Total non-current assets	1,385	3,436	4,821
Total current assets	416		416
TOTAL ASSETS	1,801	3,436	5,237
TOTAL EQUITY	1,114	-44	1,070
LIABILITIES			
Non-current interest- bearing liabilities	171		171
Non-current finance lease liability		3,203	3,203
Other non-current liabilities	77		77
Total non-current liabilities	248	3,203	3,451
Current interest-bearing liabilities	24		24
Current finance lease liability		277	277
Current liabilities/Accrued expenses and deferred income	415		415
Total current liabilities	439	277	716
TOTAL EQUITY AND LIABILITIES	1,801	3,436	5,237

MSEK	1 Jul. 2018 – 30 Jun. 2019	Variance IFRS 16	Effect of IFRS 16 in tables
KEY FIGURES			
EBITDA	293	382	675
Adjusted EBITDA	299	382	681
Operating margin, adjusted EBITDA (%)	11%		24%
EBITA	212	74	287
Adjusted EBITA	223	74	297
Operating margin, adjusted EBITA (%)	8%		11%
EBIT	209	74	283
Adjusted EBIT	215	74	289
Operating margin, adjusted EBIT (%)	8%		10%
Non-current interest- bearing liabilities	171	3,203	3,374
Current interest-bearing liabilities	24	277	302
Less cash and cash equivalents	-245		-245
Net debt	-49	3,480	3,431
Net debt/Adjusted EBITDA (ratio)	-0.2		5.0
Equity/assets ratio	62%		20%

#### Judgements and estimates

Preparing these financial statements in accordance with IFRS requires management to make judgements and estimates, and make assumptions that influence the application of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

The company's estimates and judgements are based on historical experience and assumptions that management and the Board of Directors regard as reasonable in the prevailing circumstances. The judgements and estimates stated in this section have been limited to segments material to the degree of influence and underlying uncertainty. The estimates and judgements are evaluated regularly. Amendments to estimates are recognised in the period the amendment is made if the amendment only affects that period, or in the period the amendment is made and future periods, if the amendment affects both the current and future periods. Actual outcomes may differ from these estimates.

#### Critical judgements

The Group allocates school voucher funding and teachers' holiday pay over the periods that education is conducted, including periods of work before and after term time. Otherwise, the Group has not identified any other critical accounting estimates made in the application of the Group's accounting policies.

#### Key sources of estimation uncertainty

The causes of uncertainty in estimates that involve a significant risk of the value of assets or liabilities needing material restatement during the forthcoming financial year are goodwill impairment tests.

### Goodwill impairment tests

A number of material assumptions and judgements must be considered when testing goodwill for impairment in order to be able to measure the value in use of cash-generating units. These assumptions and estimates relate to expected future discounted cash flows. Forecast future cash flows are based on the best possible estimates of future revenues and operating expenses, based on historical experience, general market conditions, progress and

forecasts for the sector, and generally available information. These assumptions are prepared by management and reviewed by the Board of Directors. For more information on goodwill impairment testing, refer to Note 12 Goodwill.

#### Recognition

Essentially, non-current assets and non-current liabilities consist of amounts expected to be recovered or paid after more than 12 months from the reporting date. Essentially, current assets and current liabilities consist of amounts expected to be recovered or paid within 12 months of the reporting date.

#### **Consolidated accounts**

#### Basis of consolidation

The consolidated accounts include the Parent Company and its subsidiaries. Subsidiaries are companies under the control of Internationella Engelska Skolan i Sverige Holdings II AB. An investor exerts control over a company when the investor is exposed, or is entitled, to variable compensation from its involvement in the company and can affect returns through its influence.

Subsidiaries are reported in accordance with acquisition accounting. This method means that the acquisition of a subsidiary is treated as a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The purchase price allocation measures the fair value of the acquired identifiable assets and liabilities taken over, as well as potential non-controlling interests, on the acquisition date. Transaction expenses, apart from transaction expenses attributable to the issuance of equity instruments or debt instruments that occur, are recognised directly in profit or loss for the year. In business combinations where payment made exceeds the fair value of the acquired assets and liabilities taken over that are recognised separately, the difference is recognised as goodwill. When the difference is negative, in what is known as a bargain purchase, this is recognised directly in profit or loss for the year.

Purchases from and sales to non-controlling interests are recognised as a transaction within equity, i.e. between the Parent Company's owners (within retained earnings) and non-controlling interests. Accordingly, no goodwill arises in these transactions. The change in non-controlling interests is based on their proportional share of net

Subsidiaries' financial statements are included in the consolidated accounts effective the acquisition date until the date that control ceases.

#### Transactions eliminated on consolidation

Intra-group receivables and liabilities, revenue or expenses, and unrealised gains or losses arising from intra-group transactions between Group companies are eliminated wholly when preparing the consolidated accounts. Unrealised gains arising from transactions with associated companies are eliminated to the extent corresponding to the Group's participating interest in the company. Unrealised losses are eliminated in the same way, but only to the extent there is no impairment.

Foreign currency transactions and balance-sheet items Foreign currency transactions are translated to the functional currency at the rate of exchange on the transaction date. Foreign currency monetary assets and liabilities are translated to the functional currency at the rate of exchange on the reporting date.

Exchange rate differences arising in translations are recognised in other comprehensive income. Exchange rate gains and losses on operating receivables and operating liabilities are recognised in operating profit or loss, while exchange rate gains and exchange rate losses on financial receivables and liabilities are recognised as financial items.

#### Translation of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operation to the Group's

presentation currency, SEK, at the rate of exchange on the reporting date. The revenues and expenses of a foreign operation are translated to SEK at an average rate that is an approximation of the rates of exchange at each transaction date. Translation differences that arise on currency translation of foreign operations are recognised in other comprehensive income and accumulated in a separate component of equity termed the translation reserve. On the sale of a foreign operation, the accumulated translation differences attributable to the operation are realised, whereupon they are reclassified from other comprehensive income to profit or loss for the year.

#### Revenue

The Group recognises revenue when its amount can be measured reliably, it is likely that future economic rewards will flow to the company and specific criteria have been satisfied for each of the Group's operations. Revenues include the fair value of what is to be received, or will be received, for services rendered in the Group's operating activities. Revenues are recognised excluding value added tax, returns and discounts, and after the elimination of intra-group sales.

#### Rendering services

The majority of revenue consists of student voucher funding received monthly over 12 months of the year and social subsidies. Both student voucher funding and social subsidies are compensation for rendering a service assignment, and accordingly, are recognised as revenue by referring to the performance obligation during the periods education is conducted.

Revenue for goods or services sold is recognised on delivery to students.

#### Financial income

Financial income consists of interest income and potential exchangerate gains. Interest income is recognised in accordance with the effective interest method. Effective interest is the interest rate that discounts estimated future payments received and made during the expected term of a financial instrument, at the reported net value of the financial asset or liability. Measurement includes all expenses paid or received by contract parties that are a portion of effective interest, transaction expenses, and all other surpluses and deficits.

Dividend received is recognised when the right to receive a dividend is determined.

Exchange rate gains and exchange rate losses are not netted.

### Central government grants

Grants are measured at fair value when there is reasonable certainty that these grants will be received and that the Group will meet the conditions attached to the grant. Grants intended to cover costs are recognised in profit or loss as other operating income or through a reduction of the appropriate expense item.

#### **Employee benefits**

#### Short-term benefits

Short-term benefits for employees such as salary, social security contributions and holiday pay are expensed in the period when employees render services.

### Pensions

The Group has defined contribution and defined benefit pension plans. A defined contribution pension plan is a pension plan according to which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay further charges if this legal entity does not possess sufficient assets to pay all compensation to employees associated with them rendering service during current or previous periods. Accordingly, the Group bears no further risk. For the Group's obligations regarding expenditure for defined contribution plans, an expense is recognised in profit or loss for the year at the rate accrued by employees rendering services for the Group in a period.

Defined benefit plans are plans other than defined contribution plans for compensation after terminated employment. The defined benefit pension plan in the Group consists of the ITP (Supplementary Pensions for Salaried Employees) plan's ITP 2 component collectively agreed in Sweden. This pension obligation is fully vested through insurance with Alecta. The Group does not have access to information to enable reporting of its proportional share of the plan's obligations, assets under management and expenses for the longer term, which means it has not been possible to account this plan as a defined benefit plan. Accordingly, the ITP 2 pension vested through insurance with Alecta is recognised as a defined contribution plan, and accordingly, no accounting of defined benefit pensions in the Group is conducted pursuant to the projected unit credit method.

In Spain, general provisions are made for pensions and social security expenses. These are paid every month by the employer (23.6% of gross salary) and directly by the employee (4.7% of gross salary).

#### Compensation on termination

An expense for compensation in tandem with termination of staff is only recognised if the company has a demonstrable obligation with no realistic possibility of withdrawal, pursuant to a formal, detailed plan to terminate employment before the normal time. When compensation is made as an offer to encourage voluntary redundancy, an expense is recognised if it is likely that the offer will be accepted and the number of employees that will accept the offer can be reliably measured.

#### Leases

Finance leases, where the Group essentially takes on all risks and benefits associated with ownership of the leased items, are measured in the statement of financial position at the fair value of the leased items, or if this value is lower, at the present value of future minimum lease payments. Lease payments are recognised as finance expenses and repayment of debt. Finance lease assets are depreciated over their anticipated useful life.

Leases where the lessor essentially retains all risks and benefits associated with the right of ownership are classified as operating leases. Until 30 June 2019, lease payments were expensed on a straight-line basis in profit or loss during the lease term. Initially, consideration is given to potential incentives obtained on entering the lease.

The Group only has leases reported as operating leases.

#### Accounting policies for leases from 1 July 2019 (after implementation of IFRS 16)

IES is the main lessee in leases of properties, vehicles and office equipment. Leases are recognised as right-of-use assets and as a corresponding liability on the date on which the asset is made available for use. Lease payments are distributed between interest payments and depreciation. Right-of-use assets are depreciated straight-line over the shorter of the asset's useful life and the lease

Assets and liabilities deriving from leases are measured based on their cost. The lease liability comprises the present value of fixed payments, lease payments that depend on an index or a rate, amounts that are expected to be payable under residual value guarantees, the exercise price for options that the lessee is reasonably certain to exercise and any penalties for termination if such an option is exercised.

Future payments are discounted at the rate implicit in the lease. If that rate cannot be readily determined, the Group's is to use the estimated incremental borrowing rate.

Right-of-use assets are measured at cost and, in addition to the amount at which the lease liability is initially measured, also comprise payments (less incentives received) made before the lease came into effect, initial direct costs and costs for dismantling, removing and restoring the site.

Expenses for leases with a term of less than 12 months and leases where the underlying asset has a low value are allocated straightline and recognised as a cost in profit or loss. Low value leases primarily pertain to cars, IT equipment and other office equipment.

#### **Financial expenses**

Financial expenses mainly consist of interest expenses on loans and exchange rate losses. Interest expenses on loans are recognised in accordance with the effective interest method.

Exchange rate gains and exchange rate losses are not netted.

#### Tax

Income tax consists of current tax and deferred tax. Income tax is recognised in profit or loss for the year apart from when underlying transactions are recognised in other comprehensive income or in equity, whereupon the associated tax effect is recognised in other comprehensive income and equity.

Current tax is tax to be paid or received in the current year, by applying those tax rates that are enacted or substantively enacted as of the reporting date. Current tax also includes restatements of current tax related to previous periods.

Deferred tax is recognised in total on all temporary differences arising between taxable values of assets and liabilities and their carrying amounts pursuant to the balance sheet method. Temporary differences are not considered in consolidated goodwill. Nor are temporary differences attributable to participations in subsidiaries not expected to be reversed within the foreseeable future considered. The measurement of deferred tax is based on how underlying assets or liabilities are expected to be realised or settled. Deferred tax is computed by applying those tax rates and tax rules that are enacted or substantively enacted on the reporting date and are expected to apply when the affected deferred tax assets are realised or the deferred tax liability is settled.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are only recognised to the extent it is likely that it will be possible to utilise them. The value of deferred tax assets is reduced when it is no longer likely that they can be utilised.

### Intangible assets

### Goodwill

Goodwill is measured at cost less potential accumulated impairment losses. Goodwill is allocated to cash-generating units and subject to impairment tests at least once yearly.

#### Customer relations

Customer relations refer to the estimated value of existing customer relations on acquisition and are measured at cost less accumulated amortisation. The Group's customer relations in the balance sheet are amortised over 6-8 years.

#### Land concessions

Land concessions refer to the estimated value of a time-limited right to conduct school operations on land on which the Group has a school building. Land concessions are not depreciated and are instead measured at cost less potential accumulated impairment losses. The remaining term of the current land concession is 33 years.

#### Property, plant and equipment

Property plant and equipment in the Group is measured at cost less deductions for accumulated depreciation and any impairment. The cost includes the purchase price and expenditure directly attributable to the asset to bring it to the location and condition for use in accordance with its purchase.

The carrying amount of an asset is derecognised from the balance sheet on disposal or sale, or when no future economic rewards are expected from use or disposal/sale of the asset. Gains or losses arising from sale or disposal of an asset consist of the difference between the sales price and the carrying amount of the asset after

deducting for direct selling expenses. Gains and losses are recognised in other operating income/expenses.

#### Leasehold improvements

When conducting leasehold improvements, a judgement of the useful life of the improvement is conducted. However, as a maximum, this period may be the estimated remaining term of the lease contract. Estimates should take special consideration of the fact that school operations involve substantial wear and tear on premises. Depreciation is then on a straight-line basis over the anticipated useful life of the asset.

#### Incremental expenditure

Incremental expenditure is added to cost only if it is likely that the future economic rewards associated with the assets will flow to the Group and the cost can be reliably measured. All other additional expenditure is recognised as an expense in the period it arises. Repairs are expensed immediately.

#### Depreciation principles

Anticipated useful lives of assets:

#### Property on leasehold sites

Permanent equipment, service facilities, etc. in buildings	10 years
Roof	25 years
Structure	30–50 years
Frontages	25 years
Inner surfaces such as floors, walls and ceilings	15 years
Installations such as electrical, plumbing and ventilation	18 years
Leasehold improvements	5–20 years
Other equipment	5 years
Photocopiers/printers	4 years
IT equipment	3 years

Depreciation is on a straight-line basis over the asset's anticipated useful life. The Group applies component depreciation, which means that depreciation is based on the anticipated useful lives of components.

Depreciation methods, residual values and the useful lives of the assets are re-evaluated at each year-end.

#### Amortisation of non-financial assets

Assets with an indefinite useful life such as goodwill are not impaired, but are subject to impairment tests at least yearly. Assets subject to impairment are assessed for any decline in value whenever events or changed circumstances indicate that their carrying amount is not recoverable.

Impairment is executed at an amount whereby the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less selling expenses and value in use. Measurement of impairment involves assets being grouped at the lowest level where there are separate identifiable cash flows (cash-generating units). When impairment has been identified for a cash-generating unit (group of units), impairment is primarily allocated to goodwill. A proportional impairment of other assets included in the unit (group of units) is then carried out.

Previously reported impairment is reversed if the estimated recoverable amount exceeds the carrying amount. However, no reversal is conducted that would result in the carrying amount becoming higher than it would have been if no impairment had been recognised in previous periods. Goodwill impairment is never reversed.

#### **Financial instruments**

A financial asset or financial liability is recognised in the balance sheet when the Group becomes party to the instrument's contracted terms. Accounts receivable are recognised when invoices are sent. Liabilities are recognised when the counterparty has performed and there is a contracted liability to pay, even if no invoice has yet been received. Accounts payable are recognised when invoices

A financial asset is derecognised from the balance sheet when the rights in the contract are realised, become due or the Group loses control over them. The same applies to part of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligations are fulfilled or otherwise cease to exist. The same applies to part of a financial liability.

A financial asset and financial liability are offset and recognised as a net amount in the balance sheet only when there is a legal right to offset these amounts and there is an intention to settle the items with a net amount or simultaneously realise the asset and settle

Purchases and sales of financial assets are recognised on the transaction date. The transaction date is the date the company undertakes to purchase or sell the asset.

#### Recognition and measurement

Financial instruments are initially recognised at cost corresponding to the instrument's fair value with a supplement for transaction expenses for all financial instruments within the Group. A financial instrument is classified on initial recognition on the basis of considerations including the purpose for which the instrument was purchased. Recognition determines how the financial instrument is measured after initial recognition. The Group holds financial instruments in the following categories:

- Financial assets are measured at amortised cost.
- Other financial liabilities

#### Financial assets measured at amortised cost

Loan receivables and accounts receivable are non-derivative financial assets that have determined or determinable payments and that are not quoted in an active marketplace. These assets are measured at amortised cost. Amortised cost is measured on the basis of the effective interest computed at the acquisition date. Accounts receivable are recognised at the amount expected to be received, i.e. after deducting for doubtful debt.

#### Other financial liabilities

Loans and other financial liabilities are included in this category. These liabilities are measured at amortised cost.

### Impairment of financial assets

The Group's financial assets, except for those classified as measured at fair value through profit or loss, are subject to the impairment model for expected credit losses. The Group's impairment model is based on expected credit losses and considers forward-looking information. An loss allowance is required when there is exposure to credit risk, usually at initial recognition of an asset or receivable. Under the simplified approach, the loss allowance is recognised for the expected lifetime of the receivable or asset. The simplified approach is applied to accounts receivable and contract assets.

Expected credit losses are measured based on and impaired according to a rating-method using an external credit rating process. Expected credit losses are measured at the total of probability of default, loss-given-default and exposure at default. Credit-impaired assets and receivables are individually assessed, considering historical, current and forward-looking information. Measurement of expected credit losses also considers any collateral and other credit enhancement in the form of guarantees. Financial assets are measured in the balance sheet at amortised cost, meaning the net of the gross value and the loss allowance. Changes in the loss allowance are recognised in profit or loss.

### Comparative year according to IAS 39

Financial instruments are recognised in accordance with IAS  $39\,$ for the comparative year 2017/18. Despite the fact that IAS 39 had different classification categories to IFRS 9, the corresponding classification categories under IAS 39 nevertheless resulted in measurement at amortised cost. IAS 39 prescribed a different method for reserves for credit losses, entailing that the reserve was made in connection with a confirmed credit event, unlike the IFRS 9 method whereby reserves are made for expected credit losses. There are otherwise no differences between these standards for the Group. A minor transition effect of MSEK -0.4 occurd on the transition from IAS 39 to IFRS 9 that was recognised in profit or loss.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash funds and immediately available balances with banks and corresponding institutions, as well as short-term, liquid investments with maturities of less than three months that are exposed only to insignificant risk of value fluctuations.

#### **Dividends**

Dividends to Parent Company shareholders are recognised as a liability in the consolidated financial statements in the period when the dividend was approved.

#### **Provisions**

A provision differs from other liabilities because of the uncertainty prevailing on the timing of payment or the amount required to settle the provision. A provision is recognised in the balance sheet when there is an existing legal or informal obligation resulting from an event that has occurred, and it is likely that an outflow of economic resources will be necessary to fulfil the obligation and the amount can be measured reliably. A provision is made of an amount that is the best estimate of what is necessary to settle the existing obligation on the reporting date. Where the effect of when in time the payment is executed is material, provisions are estimated by discounting expected future cash flow.

### Pledged assets and contingent liabilities

A contingent liability is recognised when there is a possible obligation arising from an event that has occurred and whose incidence is only confirmed by one or several uncertain future events, or where there is an obligation not recognised as a liability or a provision due to it not being likely that an outflow of resources will be necessary.

#### **Operating segments**

IFRS 8 Operating Segments stipulates that operating segments are reported in a manner that is consistent with internal reporting presented to the chief operating decision maker (CODM).

IES's Board of Directors is responsible for setting the Group's overall targets, progress and monitoring the company's overall strategy, making decisions on major business combinations, divestments and investments, and continuous monitoring of operating activities.

IES's CEO is responsible for leading and managing operations in accordance with the strategy set by the Board of Directors. Accordingly, the CEO is IES's CODM, and serves the function that allocates resources and evaluates results of operations within the Group. The CODM evaluates the progress and performance of operating segments based on operating profit before financial items and non-recurring items. Financial items and tax are reported for the Group as a whole.

IES's operations are organised, managed and reported on the basis of three operating segments: Sweden, Spain and the UK.

These three segments have slightly differing monitoring and reporting structures, as well as customer bases, and accordingly, differentiated risk exposure. The segments apply the same accounting policies as the Group. Internal reporting within IES is  $\,$ structured in accordance with this segment division, which also serves as the basis for in-depth analysis.

### **Cash flow statement**

The cash flow statement has been prepared in accordance with the indirect method. Reported cash flow only includes transactions that involve payments received or made. This means that there may be a departure due to changes in individual balance-sheet items.



## Allocation by segment

IFRS 8 Operating Segments stipulates that operating segments are reported in a manner that is consistent with internal reporting presented to the chief operating decision maker (CODM).

Segments have been identified on the basis of the monitoring and reporting structures to the Board of Directors and CEO. The Group's operating income and EBIT are allocated by geographical markets/ operating segments as follows.

IES's operations are organised, managed and reported on the basis of three operating segments: Sweden, Spain and the UK.

The segment in Sweden has one customer whose revenue exceeds 10% of the total. Total revenue for the year was MSEK 519.4.

#### Geographical markets/Segments

Revenue	2018/19	2017/18
Sweden	2,489.0	2,241.9
Spain	174.5	-
UK	1.4	1.2
Group adjustments/eliminations	-1.2	-
Group total	2,663.8	2,243.1
EBIT	2018/19	2017/18
EBIT Sweden	<b>2018/19</b> 191.9	<b>2017/18</b> 152.8
Sweden	191.9	
Sweden Spain	191.9 17.7	152.8

EBT	2018/19	2017/18
Sweden	193.4	154.0
Spain	9.9	-
UK	-0.8	-0.5
Group adjustments/eliminations	-0.1	0.1
Group total	202.4	153.6

Non-current assets by country	2018/19	2017/18
Sweden	847.5	906.2
Spain	537.2	-
UK	-	-
Group total	1,384.8	906.2

Investments by country	2018/19	2017/18
Sweden	71.9	88.8
Spain	4.8	-
UK	-	_
Group total	76.7	88.8

Depreciation and amortisation by country	2018/19	2017/18
Sweden	73.7	65.2
Spain	10.5	-
UK	-	-
Group total	84.2	65.2



## Other operating income

	2018/19	2017/18
Subsidy for "Karriärtjänster"	16.8	15.6
Subsidy for "Lärarlönelyft"	36.7	34.2
"Läxhjälp" subsidy	-	10.5
Subsidy for "Stärkt likvärdighet"	32.1	-
Junior Club	13.8	28.9
Other operating income	17.9	15.6
	117.3	104.8



## **Remuneration to auditors**

Ernst & Young AB	2018/19	2017/18
Audit assignment	2.0	1.2
Auditing services over and above the audit assignment	2.0	0.8
Tax advisory services	-	0.2
	4.0	2.2
Harmer Slater Ltd		
Audit assignment	0.1	0.1
	0.1	0.1



## Items affecting comparability

Items affecting comparability consists of non-recurring revenues and expenses.

These items are disclosed separately to improve comparability between periods.

	2018/19	2017/18
Expenses relating to acquisition in Spain	0.2	0.1
Severance pay, CEO	6.2	2.7
	6.4	2.8

#### Leases

#### **Operating leases**

Lease expenses for operating leases in the year primarily consist of rent for premises and office equipment, and amount to MSEK 380.0 (336.7).

Expensed lease payments for operating leases	2018/19	2017/18
Premises	371.2	329.1
Other equipment	8.8	7.6
	380.0	336.7

Future minimum lease payments for non-cancellable operating leases – Premises

	6,158.6	5,047.4
To be paid after more than 5 years	4,118.4	3,318.2
To be paid within 1–5 years	1,658.4	1,343.8
To be paid within 1 year	381.8	385.4

Future minimum lease payments for non-cancellable operating leases - Other equipment

	4.4	11.4
To be paid after more than 5 years	0.0	0.0
To be paid within 1–5 years	0.0	3.8
To be paid within 1 year	4.4	7.6



# **Employees and personnel expenses**

	2018/19		201	7/18
Average no. of FTEs	No. of FTEs	Of whom, men	No. of FTEs	Of whom, men
Sweden	2,669	37%	2,456	37%
Spain	359	29%	-	-
UK	0	0%	0	0%
Group total	3,028	36%	2,456	37%

Salary and remuneration	30 Jun. 2019	30 Jun. 2018
CEO, Board of Directors and senior executives	20.2	15.8
Other employees	1,107.1	930.3
	1,127.3	946.1
Pension and social security expenses		
Pension expenses for CEO, Board of Directors and senior executives	4.6	3.8
Other social security expenses for CEO, Board of Directors and senior executives	7.0	5.4
	11.6	9.3
Pension expenses for other employees	73.7	65.3
Other social security expenses for other employees	362.6	306.9
	436.3	372.2
Proportion of women and men, senior e	executives	
Female Board members elected by shareholders' meetings, %	33%	67%
Male Board members elected by shareholders' meetings, %	67%	33%
Other senior executives, women, %	50%	46%
Other senior executives, men, %	50%	54%
Information is as of the reporting date.		

The Group mainly has defined contribution pension plans, although Sweden also has defined benefit plans. The plans in Sweden consist of the ITP plan (Supplementary Pensions for Salaried Employees), which includes both ITP 1 defined contribution pensions and ITP 2 defined benefit pensions.

The defined benefit pension obligations of ITP 2 for retirement and survivors' pensions are fully vested through insurance with Alecta. This plan is a defined benefit multi-employer plan, but because there is no information for reporting as a defined benefit plan, it is reported as a defined contribution plan. Expected expenditure to Alecta next year amounts to MSEK 38.7. The Group's share of the total expenditure on the plan amounts to 0.18%.

The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of insurance commitments measured in accordance with Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. At year-end 2018, Alecta's surplus in the form of the collective consolidation ratio was 142% (154).

The Group's aggregate expense for defined contribution pension plans amounted to MSEK 29.4.

In Spain, general provisions are made for pensions and social security expenses. These are paid every month by the employer (23.6% of gross salary) and directly by the employee (4.7% of gross salary).

Disclosures regarding remuneration to the **Board of Directors and senior executives** 

The CEO has been an employee of Internationella Engelska Skolan i Sverige Holdings II AB since April 2016. All senior executives are employees of Internationella Engelska Skolan i Sverige AB.

2018/19	Basic salary, directors' fee	Pension expenses	Other compensation *)	Other benefits	Total
Chairman					
Per Båtelson (left 20 November 2018)	0.2	-	-		0.2
Birker Berthold Bahnsen (elected Chairman 20 November 2018)	-	-	-	-	-
Board members elected by shareholders' meetings					
Barbara Ann Bergström (left 20 November 2018)	0.0	-	-		0.0
Cecilia Marlow	0.3	-	-		0.3
Maria Rankka	0.3	-	-		0.3
Gunilla Carlsson (left 17 May 2019)	-	-	-	-	-
Peter Wikström (elected 20 November 2018)	0.2	-	-	-	-
Brian Hatch (elected 20 November 2018)	0.2	-	-	-	-
Lars Strannegård (elected 20 November 2018)	0.2	-	-	-	-
Senior executives					
Former CEO *	2.1	0.9	4.3	-	7.4
Current CEO **	-	-	1.4	-	1.4
Other senior executives (10)	11.1	3.7	-	0.1	15.0
Total	14.5	4.6	5.7	0.1	24.9

<sup>\*</sup> Other compensation to the former CEO is severance pay. Pension expenses include pension provisions paid together with severance pay.

\*\* Other compensation to the current CEO is consulting fees.

2017/18	Basic salary, directors' fee	Pension expenses	Other compensation	Other benefits	Total
Chairman					
Per Båtelson	0.5	-	-	-	0.5
Board members elected by shareholders' meetings					
Barbara Ann Bergström	0.3	-	-	-	0.3
Birker Berthold Bahnsen	-	-	-	-	-
Cecilia Marlow	0.4	-	-	-	0.4
Maria Rankka (elected 16 November 2017)	0.2	-	-	-	0.2
Gunilla Carlsson (elected 16 November 2017)	0.2	-	-	-	0.2
Senior executives					
CEO	2.3	1.0	2.0	0.0	5.3
Other senior executives (12)	10.1	2.8	_	0.3	13.1
Total	13.8	3.8	2.0	0.3	19.8

Compensation, terms and conditions for senior executives The Board of Directors applies the following guidelines for compensation of the CEO and senior executives: Internationella Engelska Skolan will offer overall compensation at market levels that enables the hiring and retention of qualified senior executives. Compensation within Internationella Engelska Skolan should be based on principles of performance, competitiveness and fairness. Variable compensation is not permitted. Pensions are to be based on either the ITP system, or if outside this system, contribution based and in such a case amount to a maximum of 30% of fixed salary. Share-based incentive programs are resolved by the shareholders' meeting following proposals by the Board.

Compensation to the CEO and other senior executives consists of basic salary, pension, company car and healthcare benefits. Senior executives mean the ten individuals who make up management jointly with the CEO on the reporting date.

The former CEO had a notice period of six months and severance pay of 12 months. The incoming CEO has a notice period of six months and severance pay of six months for termination initiated both by the Group, and if the CEO him/herself decides to terminate employment. Other senior executives have maximum notice periods of six months and maximum severance pay of six months.

Annette Brodin Rampe left her position as CEO and President effective 21 January 2019. Cecilia Marlow became interim CEO and President effective the same date. Anna Sörelius Nordenborg was appointed the new CEO of IES on 17 June 2019. She will take office on 25 November 2019.

#### Incentive programmes

At an Extraordinary General Meeting (EGM) of Internationella Engelska Skolan i Sverige Holdings II AB (publ) on 13 June 2018, the shareholders resolved to introduce two long-term incentive programmes in the form of a share matching programme for a maximum of 50 principals and other key individuals within the Group, and a share warrant programme for a maximum of ten senior executives. These programmes have been designed to motivate and retain competent professionals, improve consistency between the individuals' and the company's objectives, and increase motivation to achieve, and exceed, the company's financial targets.

#### Share matching programme

The EGM resolved on a share matching programme for a maximum of 50 principals and other key individuals within the Group. This programme was offered to participants at the end of June 2018, and the subscription period ended on 11 July 2018.

Participation required the participants to acquire shares of IES with their own funds, or alternatively allocate previously held shares acquired after 1 January 2018 to the programme, termed savings shares. With certain exceptions, participants that retain savings shares during the term of the program from 2 July 2018 until the publication date of the interim report for the period 1 July 2020 to 31 March 2021 inclusive, and are also employed by IES throughout the term, will receive one matching share for each saving share at the end of the period. However, the total value per right to receive a matching share is limited to three times the share price at the date of the programme's implementation. If the value of such a right exceeds this ceiling, the number of matching shares reduces proportionally.

As of 11 July 2018, nine principals and other key individuals within the Group had decided to participate in the programme to an extent implying that the total number of shares that could be granted pursuant to the share matching programme could amount to a maximum of 11,415 shares, corresponding to some 0.03% of the number of shares outstanding. The expenses for the share matching programme are recognised in accordance with IFRS 2, and measurements of entitlement to share matching and social security contributions is based on a customary valuation model (Monte Carlo simulation). The Group's expense for the share matching was MSEK 0.4 in the financial year.

The following parameters are applied to the valuation model (Monte Carlo simulation) in full-year and quarterly financial statements:

- The share price on the reporting date in SEK/share
- Expected volatility, %
- Expected share dividend is a parameter of the simulation. IES's dividend policy is stated in the Directors' Report
- Risk-free interest rate, %
- Estimated staff turnover, %
- Maximum outcome, three times share price on implementation
- Exercise date, at the end of May 2021
- Number of shares remaining in the program at the reporting date.

#### Share warrant programme

The EGM on 13 July 2018 also resolved on the issue of share warrants within the auspices of an incentive programme for the Group's senior executives. A maximum of ten senior executives. including the CEO, are entitled to participate in this programme. The issue involved a total of 468,000 share warrants that confer entitlement to subscribe for the same number of new shares of the company. This offering, which expired on 11 July 2018, was utilised by nine senior executives, who acquired a total of 284,000 share warrants. The participants acquired share warrants at SEK 5.00 per warrant, a total of SEK 1,420,000, which is considered at market value pursuant to external valuation according to the Black & Scholes model.

If the maximum number of acquired share warrants are exercised and the total number of subscribed matching shares are granted, this would imply dilution corresponding to some 0.71% of the company's total number of shares and votes.

The share warrants have a subscription price per share of SEK 89.10 per share. The share warrants can be exercised in a period of two weeks directly after publication of the company's interim report for the period July 2020 - March 2021 (Q3), or a period of two weeks directly after publication of the company's year-end report for July 2020 - June 2021.

Subject to certain exceptions, the company has reserved the right to repurchase share warrants if the participant's employment with the company terminates, or if the participant wishes to transfer share warrants before the share warrants can be exercised.

On 21 February 2019, the company repurchased all 111,000 share warrants from the former CEO at the subscription price. The number of share warrants outstanding subsequently amounted to 173,000, held by eight senior executives.

# 8

#### **Financial income**

Financial income	2018/19	2017/18
Other interest income and similar profit/loss items	6.0	7.7
	6.0	7.7

All interest income is attributable to financial items measured at amortised cost.



### **Financial expenses**

Financial expenses	2018/19	2017/18
Other interest expenses and similar profit/loss items	12.2	6.5
	12.2	6.5

All interest expenses are attributable to financial items measured at amortised cost.



## Tax on profit for the year

	2018/19	2017/18
Current tax	42.5	29.5
Adjustment for previous year	0.3	2.2
Change in deferred tax relating to temporary differences and customer relations	5.0	5.5
Reported tax	47.8	37.1
Reconciliation of effective tax rate	202.4	152.7
Earnings before tax	202.4	153.7
Tax at applicable rate for the Group (22%)	44.5	33.8
Tax attributable to previous years	0.3	2.2
Non-deductible expenses	2.8	0.9
Standard earnings, tax allocation reserves	0.2	0.2
Reported tax	47.8	37.1
Average effective tax rate	23.6%	24.1%

The Group has no tax items recognised in other comprehensive income or directly against equity.

### Disclosures on deferred tax assets and tax liabilities

The following table specifies the tax effect of temporary differences:

Deferred tax liabilities	30 Jun. 2019	30 Jun. 2018	30 Jun. 2017
Tax allocation reserves	60.1	54.1	48.6
Customer relations	10.9	-	-
Other	5.8	-	-
Carrying amount	76.8	54.1	48.6

Specification of change in deferred tax liabilities:

	30 Jun. 2019	30 Jun. 2018	30 Jun. 2017
Opening carrying amount	54.1	48.6	39.5
Change in temporary differences	22.7	5.5	9.1
Closing carrying amount, deferred tax liabilities	76.8	54.1	48.6



### Earnings per share

### Earnings per share, before and after dilution

	30 Jun. 2019	30 Jun. 2018
Profit for the year, MSEK	154.6	116.5
Average number of shares, before and after dilution, million	40.1	40.1
Earnings per share, before and after dilution. SEK	3.85	2.91



#### Goodwill

	30 Jun. 2019	30 Jun. 2018
Opening cost	661.0	661.0
Acquisition in Spain for the year	163.8	0
Closing accumulated cost	824.8	661.0
Closing carrying amount	824.8	661.0

#### Impairment test

Consolidated goodwill of MSEK 824.8 (661.0) arose on the acquisition of Internationella Engelska Skolan i Sverige AB and subsidiaries (MSEK 661.0) and on the acquisition of schools in Spain (MSEK 163.8). Goodwill is subject to impairment tests at the lowest levels where there are separate identifiable cash flows (cash-generating units). As of 30 June 2019, the Group has three cash-generating units, which comprise the operations in Sweden, Spain and the UK.

The impairment test consists of estimating whether a unit's recoverable amount is greater than its carrying amount. The recoverable amount is calculated on the basis of the unit's value in use, which is the present value of the unit's expected future cash flows without considering future operational expansion and restructuring. These computations proceed from estimated cash flows based on financial budgets and cover a four-year period. Cash flow beyond the four-year period is extrapolated using estimated growth rates according to the following information.

Material assumptions utilised for measuring the value in use:

Sweden	30 Jun. 2019	30 Jun. 2018	30 Jun. 2017
EBITDA margin *	11.0%	10.0%	10.5%
Growth rate **	2.0%	2.0%	2.0%
Discount rate ***	11.6%	11.3%	11.4%

- Estimated average gross margin for the next four years.
- Weighted average growth rate applied to extrapolate cash flows after the budget period.
- \*\*\* Discount rate before tax applied for calculating the present value of estimated future cash flows.

The discounted cash flow model involves forecasting future cash flows from operations including estimates of revenue volumes and production expenses. The material assumptions governing estimated cash flows over the next four years are the EBITDA margin and growth rate. The values of these variables have been estimated, primarily based on, and in accordance with, historical experience. These measurements reveal no impairment and do not indicate that any reasonable potential changes in material assumptions would result in impairment.

A sensitivity analysis demonstrates that:

- a one percentage point reduction in the EBITDA margin in the model would negatively affect value in use by MSEK 355.
- a one percentage point reduction in the growth rate beyond the four-year budget period would negatively affect value in use by
- a one percentage point increase in the discount rate would negatively affect value in use by MSEK 343.

Spain	30 Jun. 2019	30 Jun. 2018	30 Jun. 2017
EBITDA margin *	22.0%	-	_
Growth rate **	3.0%	-	-
Discount rate ***	12.0%	_	_

- Estimated average gross margin for the next four years.
- Weighted average growth rate applied to extrapolate cash flows after the budget period.
- Discount rate before tax applied for calculating the present value of estimated future cash flows.

The discounted cash flow model involves forecasting future cash flows from operations including estimates of revenue volumes and production expenses. The material assumptions governing estimated cash flows over the next four years are the EBITDA margin and growth rate. The values of these variables have been estimated, primarily based on, and in accordance with, historical experience. These calculations did not indicate any impairment requirement. A change in each of the material assumptions included in the calculation shows that the recoverable amount exceeds the carrying amount by a healthy margin. If the pre-tax return requirement were to increase by 1.7%, the recoverable amount would correspond to the carrying amount.

A sensitivity analysis demonstrates that:

- a one percentage point reduction in the EBITDA margin in the model would negatively affect value in use by MSEK 28.
- a one percentage point reduction in the growth rate beyond the four-year budget period would negatively affect value in use by
- a one percentage point increase in the discount rate would negatively affect value in use by MSEK 70.



## **Customer relations**

	30 Jun. 2019	30 Jun. 2018
Opening cost	-	-
Acquisition of operations	46.5	-
Translation difference	0.9	-
Closing accumulated cost	47.4	-
Opening amortisation	_	-
Amortisation for the year	-3.9	-
Closing accumulated amortisation	-3.9	_
Closing carrying amount	43.5	_

### **Land concessions**

	30 Jun. 2019	30 Jun. 2018
Opening cost	-	_
Acquisition of operations	24.6	-
Closing accumulated cost	24.6	_
Closing carrying amount	24.6	_

# 15

## **Intangible assets**

	30 Jun. 2019	30 Jun. 2018
Opening cost	-	-
Acquisition of operations	0.2	-
Closing accumulated cost	0.2	_
Closing carrying amount	0.2	_

# 16

# **Buildings**

	30 Jun. 2019	30 Jun. 2018 *
Opening cost	8.4	8.4
Acquisition of operations	231.9	0.0
Currency effect, acquired operations	12.0	-
Closing accumulated cost	252.3	8.4
Opening depreciation	-3.8	-3.5
Depreciation for the year	-9.7	-0.3
Closing accumulated depreciation	-13.5	-3.8
Closing carrying amount	238.8	4.6

<sup>\*</sup> These comparative figures refer to "Property on leasehold sites."

# 17

### Land

	30 Jun. 2019	30 Jun. 2018
Opening cost	-	-
Acquisition of operations	39.1	-
Closing accumulated cost	39.1	_
Opening depreciation	-	-
Depreciation for the year	-	-
Closing accumulated depreciation	-	_
Closing carrying amount	39.1	_

# Construction in progress and advance payments for property, plant and equipment

	30 Jun. 2019	30 Jun. 2018
Opening cost	-	_
Acquisition of operations	2.9	-
Closing accumulated cost	2.9	-
Opening depreciation	_	-
Depreciation for the year	-	-
Closing accumulated depreciation	-	-
Closing carrying amount	2.9	_

# 19

# **Machinery and equipment**

	30 Jun. 2019	30 Jun. 2018
Opening cost	438.0	380.3
Purchases for the year	67.0	84.2
Sales/retirements	-15.0	-26.5
Acquisition of operations	28.8	0.0
Closing accumulated cost	518.9	438.0
Opening depreciation	-305.9	-269.6
Depreciation for the year	-67.8	-62.5
Sales/retirements	14.5	26.2
Closing accumulated depreciation	-359.2	-305.9
Closing carrying amount	159.7	132.1

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# Improvements to own property and leasehold improvements

	30 Jun. 2019	30 Jun. 2018
Opening cost	49.4	44.8
Purchases for the year	4.9	4.6
Acquisition of operations	0.8	0.0
Closing accumulated cost	55.1	49.4
Opening depreciation	-17.0	-14.7
Depreciation for the year	-2.7	-2.3
Closing accumulated depreciation	-19.7	-17.0
Closing carrying amount	35.4	32.4

# **Group companies**

Entity	Main activity	Participating interest 2018/19 (2017/18)
Internationella Engelska Skolan i Sverige Holdings II AB	Owning and managing shares in subsidiaries	-
– Internationella Engelska Skolan i Sverige AB	Conducting school operations	100% (100%)
English Summer School AB	Conducting summer school operations	100% (100%)
– IES UK Schools LLP, UK	Owning and managing shares in subsidiaries in the UK	100% (100%)
IES International English Schools Ltd	Educational provider	100% (100%)
– International Education Partnership S.L.	Owning and managing shares in subsidiaries in Spain	100% (-)
Elian's Boston S.A	Conducting school operations	100% (100%)
Elian's Londres S.A	Conducting school operations	100% (-)
The English School of Asturias S.L	Conducting school operations	99.5% (-)
Colegio Internacional de Valladolid S.A	Conducting school operations	99.4% (-)
Colegio 67 S.L	Conducting school operations	100% (-)

There are no non-controlling interests in the Group.

# Joint ventures

Entity	I	Main activity	Participating interest in joint venture 30 Jun. 2019	interest 2018/19
Colegio IA		Conducting sch operations	ool 15.8	50% (50%)
			15.8	
Participat	tions in j	oint ventures	30 Jun. 2019	30 Jun. 2018
Opening o	ost		54.1	55.2
Repaymer	nt, acquis	ition escrow	-	-1.2
Profit con	tribution	for the year	2.2	0.1
Effect of a in IEP Spa		of remaining 5	-40.4	-
Closing a	ccumula	ted change	-38.3	-1.1
Closing ca	arrying a	mount	15.8	54.1
Entity	Profit, 100%	Profit, IES's share, 50%	Other comprehensive income	Total comprehensive income
Colegio IALE S.A	4.3	2.2	-	2.2
	4.3	2.2	-	2.2

# **Current receivables**

	30 Jun. 2019	30 Jun. 2018
Receivables, joint ventures	8.9	22.0
	8.9	22.0
Current receivables – joint venture	30 Jun. 2019	30 Jun. 2018
Opening carrying amount	22.0	20.4
Effect of acquisition of remaining 50% in IEP Spain	-13.3	-
Translation difference	0.2	1.5
Closing carrying amount	8.9	22.0

## Financial assets and liabilities

Financial assets and liabilities as of 30 June 2019

The table below presents the Group's financial assets and liabilities, recognised at carrying amount or measured at fair value, respectively, classified in accordance with IFRS 9 categories. The Group's financial assets and liabilities for the 2017/18 comparative year are presented according to the IAS 39 classification categories. The carrying amount for current receivables and liabilities comprises a

reasonable estimate of the fair value meaning that these amounts are the same in the table below.

Since liabilities to credit institutions carry floating interest and no major changes in the credit margin have taken place, the market value is deemed to correspond to the carrying amount.

	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
Financial assets			,			
Accounts receivable	-	21.6	-	-	21.6	21.6
Other current receivables	-	2.5	-	-	2.5	2.5
Prepaid expenses and accrued income	-	117.0	-	-	117.0	117.0
Current receivables, joint venture	-	8.9	-	-	8.9	8.9
Cash and cash equivalents	-	245.0	-	-	245.0	245.0
	=	394.9	=	-	394.9	394.9
Financial liabilities						
Liabilities to credit institutions – non-current	-	-	-	171.3	171.3	171.3
Liabilities to credit institutions – current	-	-	-	24.4	24.4	24.4
Liabilities to joint ventures	-	-	-	9.7	9.7	9.7
Accounts payable	-	-	-	109.2	109.2	109.2
Other current liabilities	-	-	-	2.6	2.6	2.6
Accrued expenses	-	-	-	167.9	167.9	167.9
	_	-	_	485.1	485.1	485.1

### Financial assets and liabilities as of 30 June 2018

	Loan receivables and accounts receivables	Other financial liabilities	Total carrying amount
Financial assets			
Receivables, joint ventures	22.0	-	22.0
Accounts receivable	12.9	-	12.9
Other current receivables	0.0	-	0.0
Prepaid expenses and accrued income	104.9	-	104.9
Current receivables, joint venture	140.7	-	140.7
Cash and cash equivalents	121.9	-	121.9
	402.4	-	402.4
Financial liabilities			
Accounts payable	-	77.2	77.2
Other current liabilities	-	3.3	3.3
Accrued expenses	-	17.2	17.2
	-	97.7	97.7

Management judges that there is no material difference between carrying amounts and fair values.

The table below illustrates financial instruments, classified in the following value hierarchy:

Level 1 - (unadjusted) quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly

Level 3 - unobservable inputs for the asset or liability.

30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Receivables, joint ventures	0.0	8.9	0.0	8.9
	0.0	8.9	0.0	8.9
Financial liabilities				
Liabilities to credit institutions	0.0	195.7	0.0	195.7
	0.0	195.7	0.0	195.7
30 June 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Receivables, joint ventures	0.0	163.7	0.0	163.7
	0.0	163.7	0.0	163.7
Financial liabilities				
r de la diserció e a la casa diserció deservado de la	0.0	0.0	0.0	0.0
Liabilities to credit institutions				

Liabilities to credit institutions	30 Jun. 2019	30 Jun. 2018
Liabilities to credit institutions	195.7	0.0
Change in liabilities to credit institutions		
Opening carrying amount	0.0	0.0
Loans raised/changed	215.4	0.0
Repayment of loans	-19.7	0.0
Closing carrying amount	195.7	0.0

The carrying amounts are deemed to essentially correspond to the fair

Liabilities to credit institutions as at 30 June 2019 are specified by the following currencies. Closing carrying amount	Local currency	MSEK
MEUR	18.5	195.7

The Group's liabilities to credit institutions comprises loans raised by IEP and its subsidiaries in Spain. At the end of the period, the Group had outstanding acquisition loans of MEUR 7.1, or MSEK 75.4, and property loans and other loans totalling MEUR 11.4, or MSEK 120.3. Collateral in real estate and Parent Company guarantees has been pledged for the above loans.

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### **Financial risks**

As a result of its operations, the Group is exposed to various types of financial risk: credit risk, market risks (currency risk, interest risk and other price risk) and liquidity risk. The Group's overall risk management is focused on the unpredictability of the financial markets and endeavours to minimise potential unfavourable effects on the results of the Group's operations.

The Group's financial transactions and risks are managed centrally by the Group's central accounting function. The overall objective of financial risks is to provide cost-efficient financing and liquidity management.

#### Credit risk

Credit risk is the risk that the Group's counterparty in a financial instrument is unable to fulfil its obligations and thus causes a financial loss to the Group. The Group has no material concentration of credit risks.

#### Credit risk in accounts receivable

Credit losses amount to insignificant sums in relation to the Group's operating income.

The age analysis of accounts receivable on the reporting date is stated below. Accounts receivable are invoiced voucher funding and expenses for Junior Club.

	30 Jun. 2019	30 Jun. 2018
Accounts receivable – not overdue	18.0	12.6
Accounts receivable overdue by 31–90 days	2.6	0.3
Accounts receivable overdue by >90 days	0.9	_
Carrying amount	21.6	12.9

Expected credit loss reserve	30 Jun. 2019	30 Jun. 2018
Opening balance	-	_
Expected credit loss reserve	0.4	-
Confirmed losses	-	-
Closing balance	0.4	_

The Group did not recognise any impairment for the year. Customers are mainly municipalities with high credit ratings. The recognised reserve is for expected credit losses and guarantee commitments under IFRS 9. The Group establishes provisions for expected credit losses based on individual assessment of the receivables, which includes information known about the counterparty and forwardlooking information.

#### Market risk

Market risk is the risk that the fair value of, or future cash flows from, a financial instrument vary due to fluctuations in market prices. IFRS classifies market risks in three types: currency risk, interest risk and other price risks. The market risk affecting the Group primarily consists of currency risk and interest risk.

The Group's objective is to manage and control market risks within parameters set by the Board of Directors.

#### **Currency risk**

Currency risk is the risk that the fair value of, and future cash flows from, a financial instrument vary due to fluctuations in foreign exchange rates. The primary exposure is sourced from the Group's sales and purchases in foreign currency. This exposure is termed transaction exposure. Currency risk also exists in the translation of assets and liabilities in foreign currencies, and in the translation of

the assets and liabilities of foreign operations to the functional currency of the Parent Company, termed translation exposure.

#### Transaction exposure

Currency risk related to fluctuations in contracted payment flows increased during the year due to the acquisition in Spain, although the Sweden segment continues to account for more than 90% of the Group's operating income.

Currency exposure 2018/2019 (%)	Operating income	Operating expenses
EUR	6.30%	6.03%
GBP	0.05%	0.09%
Currency exposure 2017/2018 (%)		
EUR	0.14%	0.04%
GBP	0.01%	0.08%

As stated in the above table, the Group's transaction exposure is in EUR and GBP. A 10% fluctuation of the SEK against the EUR would have an impact on profit after tax and equity of approximately MSEK +/- 11.9 (0.2). A 10% fluctuation of the SEK against the GBP would have an impact on profit after tax and equity of approximately MSEK +/- 0.1 (0.1).

#### Translation exposure

The Group also has translation exposure arising from the translation of assets and liabilities in foreign currencies and the results of operations and net assets of foreign operations into SEK. The translation exposure is to the EUR and GBP, where exposure on the reporting date for EUR amounts to MSEK 190.2 (162.7), and for GBP, to MSEK 3.0 (3.9). A 10% fluctuation of the SEK against the EUR would have an impact on profit after tax and equity of approximately MSEK +/- 13.0 (11.5), and a 10% fluctuation of the SEK against the GBP would have an impact on profit after tax and equity of approximately MSEK +/- 0.3 (0.4).

#### Interest risk

Interest risk is the risk that the fair value of, or future cash flows from, a financial instrument changing due to fluctuations in market interest rates. A significant factor affecting interest risk is fixedinterest terms. Over and above equity, the Group's operating activities are also financed through borrowings from credit institutions, with more information under "Credit agreements."

### Liquidity risk

Liquidity risk is the risk of the Group encountering difficulties in fulfilling the obligations associated with financial liabilities. The Board of Directors manages liquidity risks by continuously monitoring cash flow to reduce liquidity risk and ensure solvency. To some extent, the Group also has the potential to alter the rate that investments are executed to attempt to adapt its yearly capital requirement to the Group's actual financial resources. Additionally, the Parent Company possesses a MSEK 100 overdraft facility to be able to manage unexpected liquidity contingencies.

Refinancing risk means the risk that cash and cash equivalents are not available and that finance can only be arranged partly, or is not available, or alternatively, is subject to increased cost.

The Group's contractual and undiscounted interest payments and repayments of financial liabilities are stated in the following table. Amounts in foreign currency have been translated to SEK at closing day rates. Financial instruments accruing floating interest have been measured at the interest rate applying on the reporting date. Liabilities have been included in the earliest period when repayment can be required.

30 Jun. 2019

Maturity analysis	<1 year	1–3 years	>3 years
Liabilities to credit institutions	24.4	75.6	95.7
Liabilities to joint ventures	9.7	-	-
Accounts payable	109.2	-	-
Other current liabilities	2.3	-	-
Accrued expenses	167.9	-	-

30 Jun. 2018

Maturity analysis	<1 year	1–3 years	>3 years
Accounts payable	77.2	-	_
Other current liabilities	3.3	-	-
Accrued expenses	17.2	-	_

#### **Credit agreements**

At year-end, the Group had a credit agreement, via the Parent Company, involving an overdraft facility of MSEK 100. As of 30 June 2019, MSEK 0 (0) of this facility was utilised. The overdraft facility is subject to annual contractual interest on the credit amount plus an arrangement rate on amounts outstanding from time to time. The overdraft facility matures on 31 December 2019. As collateral for the above loan, Internationella Engelska Skolan i Sverige AB holds a floating charge of MSEK 62.5. Alongside of the general terms of  $\,$ the credit facilities described above, Internationella Engelska Skolan i Sverige Holdings II AB's (publ) obligations to the relevant financial institutions are regulated in a covenant agreement from 29 June 2018. The contract includes customary commitments for Internationella Engelska Skolan i Sverige Holdings II AB (publ) and its subsidiaries, such as restrictions on the provision of collateral and the raising of borrowings. The credit facilities also include financial covenants stipulating that the Group's net debt/EBITDA ratio must not exceed certain levels.

At the end of the period, the Group had, outstanding acquisition loans of MEUR 7.1, or MSEK 75, and property loans and other loans totalling MEUR 11.4, or MSEK 121, through IEP and its subsidiaries  $\,$ in Spain. Security was obtained for the above loans by pledging collateral in properties and Parent Company guarantees.

#### Covenants

The following covenants apply for the Parent Company's credit agreements.

Covenant, leverage = net debt/EBITDA.

The Group had satisfied the covenant with a comfortable margin as of 30 June 2019.

#### **Capital management**

The Group's target for its capital structure is to maintain an optimal asset and capital structure over time that is well adapted to the Group's operating activities. Capital is defined as equity, which amounts to MSEK 113.9 (953.3). The Board of Directors has set a financial target of the Group's minimum equity/assets ratio being 40%. At the end of the financial year on 30 June 2019, the equity/ assets ratio was 61.9% (72.9).

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## Prepaid expenses and accrued income

	30 Jun. 2019	30 Jun. 2018
Prepaid rent	96.1	89.5
Prepaid licences and applications	3.8	4.6
Prepaid educational materials	1.2	0.7
Accrued interest income, joint ventures	0.0	1.3
Other prepaid expenses	15.8	8.8
	117.0	104.9

## Accrued expenses and deferred income

	30 Jun. 2019	30 Jun. 2018
Accrued holiday pay liability	98.2	90.3
Accrued social security contributions on holiday pay liability	30.8	28.4
Accrued other personnel-related expenses	5.6	7.2
Accrued central government grants	4.0	4.5
Other prepaid expenses	29.3	12.8
	167.9	143.2

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### Cash and cash equivalents

Cash in hand	30 Jun. 2019	30 Jun. 2018
Bank balances	245.0	121.9
	245.0	121.9

## Equity

Share capital and other capital contributed, in SEK.

	No. of shares	Share Other capita capital contribute	
As of 30 June 2018	40,050,000	1,001,250	360,904,777
As of 30 June 2019	40,130,000	1,003,250	361,281,624

#### Share capital

At 30 June 2019, the number of registered shares totalled 40,130,000, of which 40,050,000 were ordinary shares and 80,000 were Class C treasury shares issued in July 2018. Each ordinary share carries one vote and each Class C share carries one-tenth of a vote. The quotient value is SEK 0.025 (0.025).

## Other capital contributed

Other capital contributed consists of capital provided by the company's owner in August 2012 for the acquisition of subsidiaries and capital contributed in 2019 for the share matching programme.

#### Translation reserve

The translation reserve covers all exchange rate differences arising from the translation of the financial statements of foreign operations.

	2018/19	2017/18
Opening carrying amount	0.5	0.1
Change for the year	5.8	0.4
Closing carrying amount	6.3	0.5

# 30

### **Related-party transactions**

At 30 June 2019, through the Parent Company, the Group had a related-party relationship with Colegio IALE through its 50% ownership of Colegio IALE. A management fee of MSEK 0.3 was charged to the Spanish company during the full-year (July to June). In addition, the Parent Company had previously issued a loan of MEUR 0.8 to the company. During the July-June period, accrued but undue interest on this loan corresponded to MSEK 0.5.

During the period, the Group also had a related-party relationship with a party related to a Board member through its subsidiary Internationella Engelska Skolan i Sverige AB. Consulting fees and the reimbursement of costs for school market and business intelligence amounted to MSEK 0.2 for the July-June period. The amount is considered market-based.

Finally, during the July-June period, the Group had a related-party relationship through the Parent Company with a company wholly owned by a Board member. During the year, consulting fees paid and the reimbursement of costs related to an interim CEO position amounted to MSEK 1.4. The amount is considered market-based.

For information on remuneration to senior executives, refer to Note 7 Employees and personnel expenses.



# Pledged assets and contingent

Floating charge for the subsidiary Internationella Engelska Skolan i Sverige AB were submitted for credit agreements with credit institutions, at an amount of MSEK 62.5 (62.5).

In the full-year July 2018-June 2019, most of the operations in Spain were consolidated into the IES Group. The Parent Company guarantees 100% of the property loans in Elians Boston and Elians Londres, amounting to a combined total of MEUR 10.4. In addition, the Parent Company issued a guarantee for the acquisition loan, which amounted to MEUR 7.1 at the end of the period. The Parent Company's guarantee for 50% of the property loan in Colegio IALE remains. At the end of the period, the property loan amounted to MEUR 1.1.

Internationella Engelska Skolan i Sverige AB guarantees its subsidiary IES International English Schools UK Ltd.'s compliance with a management agreement with Sabres Educational Trust for a school in the UK, with some 500 students and a contract term until 31 August 2022 inclusive.

From time to time, the Group is party to various proceedings and legal cases that have arisen during the course of day-to-day business operations. These claims relate, but are not limited, to the Group's business practice and HR issues. Regarding issues that do not require any provision, from information currently available, the Group considers that these will not exert any material adverse impact on the results of the Group's operations.

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## **Acquisitions**

Acquisition of the remaining 50% of International Education Partnership, Spain

On 9 July 2018, IES acquired the remaining 50% of the former joint venture, International Education Partnership, S.L. (IEP) in Spain. This acquisition means that most of the operations in Spain, three of four schools, are now part of the IES Group, making IES one of the largest players in Spain in the market for private bilingual (English and Spanish) quality schools.

The final acquisition balance sheet is shown on the right. During the year, the amounts on the acquisition balance sheet were adjusted for property, plant and equipment, intangible assets, goodwill and deferred tax.

The fair value of previous holdings has been estimated at KEUR 3,760. This amount consists of the original purchase price of KEUR 3,433 for the two Elians companies included in IEP at November 2016, and the total profit contribution of KEUR 327 from joint ventures previously included in IEP. The difference between the carrying amount and fair value was not considered material. The purchase price of KEUR 12,000 for the remaining portion of IEP, of which an estimated additional consideration of KEUR 2,500 is due for payment by December 2019, is clearly upwardly impacted by IEP's acquisition of English School of Asturias S.A, in May 2018 before IES acquired the remaining 50% of IEP.

The above-mentioned additional consideration was dependent on the EBITDA trend for IEP and Colegio IALE could be triggered in December 2019 at the earliest, which IES expected was to be the case. The entire additional consideration was paid in connection with IES's sale of 50% of Colegio IALE to the same counterparty, the Monzonis family, on 5 July 2019 so no liability for the additional consideration remains in IES's balance sheet after this date.

Through the acquisition, IES's Parent Company assumed 100% of the guarantees for the property loans in the two Elians companies that are now subsidiaries. For Elians IALE, which was 50% owned by IES until 5 July 2019, the guarantee for 50% of the property loan remains and amounted to MEUR 1.1 at the end of the year.

The operations in IEP have been included in the IES Group's consolidated accounts since July 2018. The Group's financial statements for the July 2018-June 2019 period include revenues of MSEK 174.3 and operating profit of MSEK 17.7 for the Spain segment.

Final purchase price allocation IEP	KEUR	KSEK
Property, plant and equipment	28,923	295,890
Intangible assets	2,431	24,871
Current receivables	1,048	10,721
Cash and cash equivalents	996	10,189
Provisions and liabilities	-30,768	-314,760
Other liabilities	-3,786	-38,731
Customer relations	2,873	29,391
Deferred tax, customer relations	-718	-7,348
Net identifiable assets and liabilities	999	10,224
Fair value of previous holdings	3,760	38,465
Purchase price, remainder of IEP	12,000	122,761
Total purchase price	15,760	161,226
Acquired net assets	999	10,224
Goodwill	14,761	151,002
Total acquired assets	15,760	161,226
Total remuneration for the acquisition	15,760	161,226
- Of which fair value of previous holdings	3,760	38,465
– Of which unpaid additional consideration	2,500	25,575
Cash and cash equivalents in acquired operations	996	10,189
Impact on the Group's cash and cash equivalents	8,504	86,997

Acquisition of Colegio Internacional de Valladolid, Spain On 1 April 2019, through its wholly owned Spanish subsidiary IEP, IES acquired 99.4% of the shares in Colegio Internacional de Valladolid (CIV), a fee-based bilingual private school in Valladolid, Spain, with 294 students aged 3-18 years on the acquisition date. The enterprise value of the operations was approximately KEUR 800. The acquisition was financed by a shareholders' contribution of KEUR 280 from IEP and the assumption of liabilities. The building is rented and not included in the acquisition, unlike IEP's previously acquired schools.

In the 2018/19 financial year, the company generated sales of just over MEUR 2, with slightly negative EBITDA, but was first consolidated in the IES Group from 1 April 2019 and thus did not have any material effect on the IES Group's financial statements for 2018/19.

The preliminary acquisition balance sheet is as follows:

Preliminary purchase price allocation CIV	KEUR	KSEK
Property, plant and equipment	488	5,071
Intangible assets	0	0
Current receivables	63	653
Cash and cash equivalents	316	3,284
Provisions and liabilities	-365	-3,793
Other liabilities	-525	-5,454
Customer relations	401	4,170
Deferred tax, customer relations	-100	-1,043
Net identifiable assets and liabilities	278	2,889
Total purchase price	278	2,889
Acquired net assets	278	2,889
Goodwill	0	0
Total acquired assets	278	2,889
Total remuneration for the acquisition	278	2,889
- Of which fair value of previous holdings	0	0
- Of which unpaid additional consideration	0	0
Cash and cash equivalents in acquired operations	316	3,284
Impact on the Group's cash and cash equivalents	-38	-394

Acquisition of Engage Independent School, Spain On 7 June 2019, through its wholly owned Spanish subsidiary IEP, IES acquired 100% of the shares in Engage Independent School (EIS), a fee-based private school in Majadahonda (Madrid), Spain, with 400 students aged 3-18 years on the acquisition date. The enterprise value of the operations was approximately MEUR 2.4. The acquisition was financed in its entirety by a shareholders' contribution of MEUR 2.4 from IES. The building is rented and not included in the acquisition.

In the 2018/19 financial year, the company generated sales of just over MEUR 3, with slightly positive EBITDA, but was first consolidated in the IES Group from 7 June 2019 and thus did not have any material effect on the IES Group's financial statements for 2018/19.

The preliminary acquisition balance sheet is as follows:

Preliminary purchase price allocation EIS	KEUR	KSEK	
Property, plant and equipment	235	2,500	
Intangible assets	0	0	
Current receivables	9	95	
Cash and cash equivalents	856	9,105	
Provisions and liabilities	-14	-154	
Other liabilities	-355	-3,779	
Customer relations	1,221	12,987	
Deferred tax, customer relations	-305	-3,247	
Net identifiable assets and liabilities	1,646	17,507	
Total purchase price	2,400	25,528	
Acquired net assets	1,646	17,507	
Goodwill	754	8,021	
Total acquired assets	2,400	25,528	
Total remuneration for the acquisition	2,400	25,528	
– Of which fair value of previous holdings	0	0	
- Of which unpaid additional consideration	0	0	
Cash and cash equivalents in acquired operations	856	9,105	
Impact on the Group's cash and cash equivalents	1,544	16,423	

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# Post balance sheet events

On 5 July 2019, IES sold its 50% shareholding in Colegio IALE to the co-owners, the Monzonis family, for MEUR 3.9, generating a capital gain of approximately MSEK 25 for IES. In connection with the transaction, the additional consideration of MEUR 2.5 was settled, as agreed when IES acquired 50% of IEP on 2 July 2018. After the sale, the Monzonis family owns 100% of Colegio IALE.

The sale is part of the simplification of ownership of the Spanish operations that began in summer 2018, when IES acquired the Monzonis family's shareholding in three other schools in Spain.

A new school in Skellefteå opened in August 2019. Accordingly, a total of some 26,800 students started the new school year in the 37 schools within the Swedish operations.

# **NOTES PARENT COMPANY**

### **Accounting policies**

#### Accounting standards applied

The Parent Company applies the Swedish Annual Accounts Act and the RFR's (the Swedish Financial Reporting Board) recommendation RFR2 "Accounting for Legal Entities." This recommendation entails the Parent Company applying the same accounting policies as the Group except in those instances where the Swedish Annual Accounts Act or applicable tax regulations limit the scope to apply IFRS.

Differences between the Group's and Parent Company's accounting policies are stated below. The following accounting policies for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements, unless otherwise stated.

The Parent Company's revenues are for management services and interest from subsidiaries and associated companies.

Receivables with jointly controlled entities are items including bank balances in central accounts.

#### **Subsidiaries**

Participations in subsidiaries and associated companies are recognised in the Parent Company in accordance with the cost method, which means that transaction expenses are included in the carrying amount of participations in subsidiaries.

#### Financial assets and liabilities

Due to the relationship between accounting and taxation, the regulations governing financial instruments pursuant to IFRS 9 are not applied in the Parent Company as a legal entity, but rather, the Parent Company applies the Swedish Annual Accounts Act's cost method. Accordingly, the Parent Company's financial assets are measured at cost less any impairment, and financial current assets are measured in accordance with the lower of cost or market value principle.

### Leases

The Parent Company recognises all leases as operating leases regardless of their economic substance.

Group contributions and shareholders' contributions The Parent Company applies the alternative rule for Group contributions, and recognises Group contributions received and paid as year-end appropriations. Shareholders' contributions are recognised directly against equity with the recipient and capitalised in shares and participations with the issuer, to the extent impairment is not required.

The Parent Company recognises untaxed reserves including deferred tax liabilities on the basis of the relationship between accounting and taxation.

# 35 Revenue

	2018/19	2017/18
Management fee to Group companies	4.2	3.2
Management fee to associated companies and jointly controlled entities	0.3	-
	4.5	3.2

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### Other operating income

	2018/19	2017/18
Management fee to associated companies and jointly controlled entities	-	0.9
Exchange rate gains	-	3.3
Other operating income	0.5	0.4
	0.5	4.6

#### Remuneration to auditors

Ernst & Young AB	2018/19	2017/18
Audit assignment	0.6	0.8
Auditing services over and above the audit assignment	0.9	0.5
Tax advisory services	-	0.0
	1.5	1.3

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### **Employees and personnel expenses**

### Average number of employees

The average number of employees is based on hours of attendance paid by the company in relation to normal working hours.

	2018/19	2017/18
Men	-	0.7
Women	1.0	0.3
	1.0	1.0
Salary and remuneration	2018/19	2017/18
Board of Directors and CEO	7.7	5.4
	7.7	5.4
Pension and other social security expenses		
Pension expenses for the Board of Directors and CEO	0.9	1.0
Other social security expenses for the Board of Directors and CEO	2.5	1.6
	3.5	2.6

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# **Year-end appropriations**

	30 Jun. 2019	30 Jun. 2018
Group contribution received	235.0	50.0
	235.0	50.0

Provision, tax allocation reserve	30 Jun. 2019	30 Jun. 2018
Opening carrying amount	-37.2	-27.4
Provision, tax allocation reserve, 2019	-53.0	-9.8
Closing carrying amount	-90.2	-37.2



# Tax on profit for the year

	2018/19	2017/18
Current tax	35.7	7.3
Total reported tax	35.7	7.3
Average effective tax rate	22.1%	24.8%
Reconciliation of effective tax rate		
Reported earnings before tax	161.5	29.2
Tax on reported profit at applicable tax rate (22%)	35.5	6.4
Tax effect of:		
Other non-deductible expenses	0.2	0.0
Non-taxable income	-	-
Standard earnings, tax allocation reserves	0.0	0.0
Tax attributable to previous years	0.0	0.8
Reported tax	35.7	7.3
Effective tax rate	22.1%	24.8%



# **Participations in Group companies**

	30 Jun. 2019	30 Jun. 2018
Opening cost	361.9	361.9
Purchases for the year	243.9	0
Closing accumulated cost	605.7	361.9
Closing carrying amount	605.7	361.9

Company/ corporate ID no./ Reg. office	Participating interest 2018/19 (2017/18)	Share of vote 2018/19 (2017/18)	No. of participations 2018/19 (2017/18)	Carrying amount 2018/19 (2017/18)
Internationella Engelska Skolan i Sverige AB, 556462- 4368, Stockholm	100% (100)	100% (100)	1,002 (1,002)	361.9 (361.9)
International Education Partnership S.L. 98993306, Spain	100% (50)	100% (50)	12,543 (0)	243.9 (0)

	Equity	Profit for the year
Internationella Engelska Skolan i Sverige AB, 556462-4368, Stockholm	289.7	71.1
International Education Partnership S.L. 98993306, Spain	148.9	-6.8



# Participations in associated companies and jointly controlled entities

	30 Jun. 2019	30 Jun. 2018
Opening cost	53.2	54.4
Repayment, acquisition escrow	-	-1.2
Acquisition expenses	-	0.1
Acquisition of subsidiaries	-37.3	-
Closing accumulated change	0.0	-1.1
Closing carrying amount	15.9	53.2

Company/ corporate ID no./Reg. office	Participating interest 2018/19 (2017/18)	Share of vote 2018/19 (2017/18)	No. of participations 2018/19 (2017/18)	Carrying amount 2018/19 (2017/18)
International Education Partnership S.L.	0% (50)	0% (50)	0% (50)	0% (50)
Colegio IALE S.A, Valencia, Spain	50% (50)	50% (50)	50% (50)	50% (50)



# **Related-party transactions**

	6.16	D 1 6		5	11.110
	Sales of goods/services	Purchases of goods/services	Interest	Receivable on reporting date	Liability on reporting date
Subsidiaries	4.7	0.0	0.8	30.0	0.0
	4.7	0.0	0.8	30.0	0.0
	Sales of goods/services	Purchases of goods/services	Interest	Receivable on reporting date	Liability on reporting date
Associated companies and jointly controlled entities	0.3	0.0	0.5	8.9	0.0
	0.3	0.0	0.5	8.9	0.0
Non-current receivables – as	sociated companies and joir	ntly controlled entities		30 Jun. 2019	30 Jun. 2018
Opening carrying amount				22.0	20.4
Transfer of current receivables				-8.9	_
Effect of acquisition of remaining	ng 50% in IEP Spain			-13.4	-
Exchange rate fluctuation for the	ne year			0.3	1.5
Closing carrying amount				0.0	22.0



# Other liabilities



# Prepaid expenses and accrued income

	30 Jun. 2019	30 Jun. 2018
Current liability, associated companies and jointly controlled entities	26.4	-
Other liabilities	1.1	1.5
	27.5	1.5

	30 Jun. 2019	30 Jun. 2018
Accrued interest income	0.0	1.0
Other interim receivables	0.4	0.4
	0.4	1.5



# No. of shares

The total number of ordinary shares is 40,050,000 (40,050,000) and the total number of Class C shares is 80,000 (-). All share classes have a quotient value of SEK 0.025 (0.025).

	C	Outstanding		Total issued		
	Quotient value per share, SEK	Ordinary shares	Total	Class C shares	Total	Share capital, SEK
Opening balance, 1 July 2018	0.025	40,050,000	40,050,000	-	40,050,000	1,001,250
Issue of Class C shares	0.025	-	-	80,000	80,000	2,000
Closing balance, 30 Jun. 2019	0.025	40,050,000	40,050,000	80,000	40,130,000	1,003,250

## Accrued expenses and deferred income

	30 Jun. 2019	30 Jun. 2018
Accrued holiday pay liability	0.0	0.2
Other prepaid expenses	1.0	1.7
	1.0	1.9



Total

# Allocation of profit

The following funds are a	t the disposal	of the AGM.	SEK:
---------------------------	----------------	-------------	------

Retained earnings	398,437,836
Profit for the year	125,741,312
Total	524,179,148
The Board of Directors and CEO propose that:	
Dividends to shareholders of SEK 1.16 (0.0) per share	46,550,800
To be carried forward	477,628,348

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### Pledged assets and contingent liabilities

In the full-year July 2018-June 2019, most of the operations in Spain were consolidated into the IES Group. The Parent Company guarantees 100% of the property loans in Elians Boston and Elians Londres, amounting to a combined total of MEUR 10.4. In addition, the Parent Company issued a guarantee for the acquisition loan, which amounted to MEUR 7.1 at the end of the period. The Parent Company's guarantee for 50% of the property loan in Colegio IALE remains. At the end of the period, the property loan amounted to MEUR 1.1.

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#### Post balance sheet events

On 5 July 2019, IES sold its 50% shareholding in Colegio IALE to the co-owners, the Monzonis family, for MEUR 3.9, generating a capital gain of approximately MSEK 25 for IES. After the sale, the Monzonis family owns 100% of Colegio IALE.

The sale is part of the simplification of ownership of the Spanish operations that began in summer 2018, when IES acquired the Monzonis family's shareholding in three other schools in Spain.

# **SIGNATURES**

The board of directors and chief executive officer hereby certify that these annual accounts and consolidated accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council Regulation (EC) no. 1606/2002 of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles, and give a true and fair view of the group's and parent company's financial position and results of operations. The directors' reports of the group and parent company give a true and fair view of the group's and parent company's operating activities, financial position and results of operations, and state the material risks and uncertainty factors facing the parent company and group companies. These annual accounts and consolidated accounts were approved for issuance by the board of directors on 9 October 2019. The Consolidated Income Statement and Consolidated Balance Sheet and the Parent Company Income Statement and Parent Company Balance Sheet will be subject to adoption at the Annual General Meeting on 22 November 2019.

Stockholm, Sweden, 9 October 2019

477.628.348

Birker Bahnsen Chairman of the Board

Maria Rankka Board member

Albert Lauschus Employee representative

Brian Hatch Board member Lars Strannegård Board member

Jessica Fryksten Employee representative

Peter Wikström Board member

Cecilia Marlow Board member and Interim CEO

Our audit report was presented on 15 October 2019 Ernst & Young AB

> Daniel Öberg **Authorised Public Accountant**

# **AUDITOR'S REPORT**

To the general meeting of the shareholders of Internationella Engelska skolan Holdings II AB (publ), corporate identity number 556900-7254

### Report on the annual accounts and consolidated accounts **Opinions**

We have audited the annual accounts and consolidated accounts of Internationella Engelska skolan Holdings II AB (publ) except for the corporate governance statement on pages 57-61 and the statutory sustainability report on pages 66–72 for the year 2018/2019. The annual accounts and consolidated accounts of the company are included on pages 50-108 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30June 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30June 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 57–61 and the statutory sustainability report on pages 66-72. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and the statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### **Basis for Opinions**

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the FLL

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

### **Key Audit Matters**

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section

#### **Revenue recognition**

#### Description

Revenue for 2018/2019 of MSEK 2,663.8 is recognized in the consolidated income statement. These revenues mainly consist of school voucher funding received from various municipalities, which is based on students' domicile. Revenue recognition associated with items including student voucher funding from municipalities is allocated to periods based on the company's principle for the period education is conducted. Against a background of the scale of the revenue item and the principles for revenue allocation, we judge this to be a key audit matter. A review of revenue recognition is stated in 'Judgements and estimates' and revenue in note 1.

How our audit addressed this key audit matter

In our audit, we considered the principles, reviewed and evaluated the process for revenue recognition of school voucher funding and executed analytical reviews of it. We also reviewed municipal decisions on school voucher funding and conducted random testing of student voucher funding received and allocations executed to evaluate the completeness and allocation of revenue. We also tested the controls the company has prepared. We reviewed the disclosures made regarding revenues in the annual accounts.

#### Goodwill

#### Description

Goodwill of MSEK 824.8 was recognized in the consolidated statement of financial position as of 30 June 2019. The company conducts impairment tests each year, to verify that carrying amounts do not exceed estimated recoverable amounts of these assets. Recoverable amounts are measured by calculating the present value of future cash flows per cash-generating unit and are based on estimates and judgments of a number of factors, including growth and margins, which are based on management's business plan and forecasts. As a result of uncertainty in estimates conducted when measuring recoverable amounts, we judge that goodwill is a key audit matter. A review of the impairment test is stated in note 12 and in the 'Judgements and estimates' section of note 1.

How our audit addressed this key audit matter In our audit, we reviewed management's process for preparing impairment tests, through means including evaluating the previous quality of forecasts and assumptions. We also make comparisons with other companies. With the support of our valuation specialists, we reviewed the company's model and methodology for conducting impairment tests and have evaluated the company's sensitivity analyses, as well as executing sensitivity analyses of critical assumptions and potential influences. We review the disclosures made regarding goodwill in the annual accounts.

of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-49 and 113-116. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, 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.

### Responsibilities of the Board of Directors and the **Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated

accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so. The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- · Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements

regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts. including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

### Report on other legal and regulatory requirements Oninions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Internationella Engelska skolan Holdings II AB (publ) for the year 2018/2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### **Basis for opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

## Responsibilities of the Board of Directors and the **Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among

other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- · in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 57-61 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 66-72, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Jakobsbergsgatan 24, Box 7850, 103 99 Stockholm, was appointed auditor of Internationella Engelska Skolan i Sverige Holding II AB (publ) by the general meeting of the shareholders on the 20th of November 2018 and has been the company's auditor since the 31st of August 2012.

Stockholm 15 October 2019 Ernst & Young AB

Daniel Öberg **Authorised Public Accountant** 

# ETHICAL GUIDELINES FOR IES

Ever since its inception in 1993, Internationella Engelska Skolan (IES) has been driven by strong values. Basic among those is the conviction that education and enlightenment are the keys to success for young people and to progress for society. In order to provide schools of high quality, IES as an organisation carries three core beliefs:

- 1. The need for a calm and orderly learning environment, in which teachers can teach and students learn.
- 2. The importance to learn to command the English language, as the key to the world.
- 3. The value of showing high expectations for every student, irrespective of background, and preach the norm of working hard, through thick and thin, to reach your full potential.

The promise from IES as an organisation is to always place these fundamental convictions at the centre of everything it does. Leaders at all levels must strive to work towards them, as their foremost task, by recruiting competent people who share these beliefs, by assembling and motivating members of staff to go in this same direction, by supporting people in the organisation in these efforts and to constantly make clear that our purpose is about results and character for the students.

As an organisation with strong norms and values, IES also is governed by the following basic views:

- Laws and regulations are to be followed, even if we may be working to change some of them for the better.
- Honesty shall characterise everything we do. We do not say one thing in public and deliberately act differently in practice. We set correct grades in our schools after a professional assessment, not bending to undue pressure.
- When marketing our schools, we present what we can offer in education, never offer benefits not relevant to education.
- We show openness and a constructive attitude to other forces for the good of the students, like when municipalities, politicians and organisations want to visit, learn and cooperate for valid purposes.
- "We take with utmost seriousness our assignment to operate a school, plan responsibly and respond quickly and forcefully to correct problems. No organisation can avoid problems, but our organisation shall be dedicated to not let them persist without taking action."
- We handle resources and finances in a responsible way, to secure that we can meet all our obligations and that IES schools can be relied upon as stable and long-term.
- We expect dedicated and professional efforts from our employees, with a preparedness to "go the extra mile", while offering a work environment where members of staff can thrive in exercising their profession and advance in responsibilities when excelling. Every employment, every assignment, every promotion is to be based on merit, only.
- We uphold a climate of trust and transparency in the organisation, in which wrongdoings or unprofessional behaviour can be reported to management, for objective handling.

· We respect the professional integrity of different roles, like teachers' assessment of correct grading and our principals' sphere of autonomy to be the true leaders of their schools, within the framework of what IES stands for.

Within and beyond what is stated above, each individual working for IES must keep in mind:

- · That adult guardianship of young people requires that you never, ever, allow any breakdown in the role as a responsible guardian. Adults in the school are not "buddies", not "friends on social media", not "romantically alluring" with students. They are adults.
- That any type of action bordering on corruption is absolutely forbidden. This includes, but is not limited to, any attempt to give favours to friends or relatives in being admitted to a school, accepting benefits for setting higher grades, using the position at IES for personal gain, buying equipment or services based on a personal relationship, etc. In case of any uncertainty on what is bordering on corruption, it is the responsibility of an employee to confer with his or her principal or superior.
- That employment at IES, and embracing its values, entails giving the school your full professional dedication. Anything that interferes with that professional focus should be discussed with your principal. The task of educating and supporting young people for life is a demanding one, requiring full use and focus of your energy.

A culture of strong values in conviction and action cannot be regulated in every detail - that's why it is called a "culture." Every member of the IES organisation has a personal responsibility to act so that the culture is confirmed and renewed every day, with every action. Ask vourself:

- Is my way of acting and thinking in accordance with the core values of IES?
- Do I contribute to a positive, upbeat and constructive atmosphere in the school, and by my way of interacting with students and colleagues?
- Can I explain and defend my actions with a clear conscience, should they be scrutinised in public, for example in a newspaper article or through a school inspection?
- Do I contribute positively to the strong and good reputation of IES? This entails also how I am perceived outside of school, for example when a parent happens to run into me in a public environment. Impressions are created not only in school, but also by what others can see outside of school, including how I act on social media.
- What consequences could my behaviour have for IES and the school? Go for the good, dare to stand up for strong values. Try to be someone to emulate also in civil life.

As a member of Swedish Association of Independent Schools, IES is also adhering to the "Etiska riktlinjer for Friskolornas Riksforbund", which is published on its website www.friskola.se.

# **DEFINITIONS**

Key figures defined according to IFRS are indicated by \*

#### Alternative performance measures

The Group uses alternative performance measures to increase the reader's understanding of the performance of operations. We believe these alternative performance measures facilitate evaluation and analysis of the Group's performance in important segments such as the potential for dividends and execution of future strategic investments, as well as the Group's ability to satisfy its various financial obligations. Some alternative performance measures, such as adjusted EBIT and adjusted EBIT margin, also enable investors to better judge the earnings trend between years, excluding items affecting comparability.

#### **Adjusted EBIT**

Operating profit refers to profit after amortisation of acquisitionrelated intangible assets and before financial items and tax, excluding items affecting comparability.

#### Adjusted EBIT margin

Adjusted EBIT as a percentage of operating income.

#### Cash and cash equivalents

Cash and bank balances, and current investments.

#### Earnings per share \*

Profit for the period divided by the number of shares.

#### FRITDA

(Earnings before interest, taxes, depreciation and amortisation), operating profit before the amortisation of acquisition-related intangible assets and before financial items and tax, excluding items affecting comparability.

### **Equity/assets ratio**

Equity divided by total assets.

#### FTE

Full-time equivalent, average number of full-time employees.

#### Heads

Number of employees at the end of the period disregarding utilisation.

#### Investments

The net of investments and disposals of tangible and intangible assets excluding acquisition-related investments.

#### Items affecting comparability

Items affecting comparability are reported separately to illustrate the performance of underlying operations. Items affecting comparability are items such as advisory services in connection with acquisitions, costs resulting from strategic decisions and significant restructuring of operations. However, government grants such as Likvärdighetsbidrag, Lärarlönelyftet and Karriärtjänster, are not included in items affecting comparability, because they are expected to recur for several years, and are part of operating activities.

#### Net debt (+)/net cash (-)

Interest-bearing liabilities less cash and cash equivalents.

#### Net margin

Profit for the period divided by total operating income.

#### Number of shares\*

Number of shares as stated in the share register.

#### **Operating profit (EBIT)**

Operating profit refers to profit before financial items and tax.

#### Other operating income

Revenues from Junior Club and compensation for Karriärtjänster, Likvärdighetsbidrag, Lärarlönelyftet and other government grants (for government grants, refer also to revenue recognition in Note 1 on page 89).

#### Return on equity

Profit for the year divided by average equity (opening balance plus closing balance divided by two).

#### Revenue \*

School voucher funding and social subsidies.

#### Revenues per student

Total revenues divided by average number of students during the period.

#### Segment

Internationella Engelska Skolan reports geographical markets as operating segments.

### Total costs per student

Operating expenses including depreciation divided by the average number of students during the period.

#### Working capital

Current assets, excluding current receivables, joint ventures and cash and cash equivalents, less operating liabilities.

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