SOVEREIGN CAPITAL

EDUCATION SECTOR UPDATE

World Class Learning

EDUCATION

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WORLD CLASS LEARNING

Sovereign is a leading investor in the education sector having invested in more than 14 businesses over the last seven years. During 2008, Sovereign continued to invest in the sector, supporting succession plans for World Class Learning (WCL) and Paragon Education (Paragon).

CREATIVE CAPITAL FOR GROWTH

WCL and Paragon follow Sovereign's previous investments in leading independent schools group Alpha Plus, special needs schools group SENAD and training and apprenticeship provider Employability and Skills Group (esg). An overview of these companies can be found on the back page. Under Sovereign's stewardship, and with its financial and strategic support, these organisations have grown considerably, both organically and through acquisition.

WORLD CLASS LEARNING

WCL manages 19 schools, including five British schools in the USA and one in Qatar, educating over 2,200 pupils. WCL was created in 2002 by the merger of the British Schools of America, founded in 1998, and Fieldwork Education, founded in 1984. Having built a relationship with the business since 2001, Sovereign was the natural partner for the management team to continue the group's development.

"It was refreshing to find an investor that has a long term approach, understands the value of quality in education and shares our commitment to great schools and great learning." explained Martin Skelton, one of the founders, who remains with the business as Director of Learning.

WCL's schools offer British and international pupils a high quality learning environment with the highest standards of academic rigour and discipline. The UK trained staff aim to create independent thinkers with a global outlook. This approach has allowed WCL to increase capacity in three schools in the last two years. The group expects to open a new school by September 2009 in the Middle East.

WCL's products and services division, known as Fieldwork Education, manages 13 international schools around the world, including the schools operated by Shell International.

Fieldwork Education also designed and developed the International Primary Curriculum (IPC) which is used in more than 630 schools in 51 countries. Schools adopting the IPC have shown improved pupil staff and parental engagement, higher test scores and better behaviour and in the UK, highly complementary OFSTED inspection reports. Sovereign sees strong opportunities to develop WCL's Fieldwork Education in tandem with further international expansion of the British schools overseas.

Ryan Robson, Managing Partner at Sovereign, who has been investing in education for over 10 years, indentified WCL as the ideal platform for development: "it is not easy to find a group with the educational footprint of WCL. We followed the growth of the business for several years and developed a deep understanding of the education market through our previous investments in the sector. WCL represented a unique platform to grow both internationally and in the UK. The group truly has a focus on providing world class learning."

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>
> **MARTIN SKELTON** - WCL

HOW HAS SOVEREIGN HELPED?

In addition to the original £17 million invested in April 2007, £18 million is committed to WCL to support further growth.

In the first year of operations Sovereign and the management team have:

- Invested heavily in people. The existing management team has been supported by the appointments of :
  - Paul Brett as Chairman. Paul has more than 35 years' experience in education.
  - Ann Mcphee as director of Education. Ann has over 30 years experience in education and is currently focusing on the continuous improvement of learning in each school including learning environments and leadership structure at each school.
  - Steve Brown as Group Financial Director. Steve has implemented new central finance systems and a group video conferencing to improve communications.
  - Theo Teeder, as Commercial Director of Fieldwork Education. Theo is currently supporting the existing team improving the marketing and customer relationship model in order to increase the level of service to existing and new clients.
- Expanded pupil capacity by 320 places by investing in the development of the Houston and Doha Campuses.
- Moved the head office to new premises that are more easily accessible to clients and allow for expansion.
- Increased pupil numbers organically by 20%.

WCL's management team has benefited from support and investment from Sovereign. Marcel Van Miert, CEO, commented: "Sovereign has helped reshape and re-energise the board. Sovereign's knowledge of, and experience in, education has strengthened WCL's management expertise. Together we are building a robust business whilst simultaneously raising standards and demand for places at our schools." Marcel, whom Sovereign established a good relationship with for a number of years prior to WCL, joined in 2007 as Commercial Director. He had previously been Managing Director of Nord Anglia's schools division and Director of the European Business Schools.

ALPHA PLUS

Under Sovereign's stewardship, Alpha Plus became one of the largest groups of independent schools in the UK with 17 schools by late 2007, with a further two in development, ranging from nursery to 6th form colleges.

Sovereign invested in people, premises and IT. The Alpha Plus schools were equipped to the highest standard to create positive learning environments. Following the initial investment in 2002, the group expanded capacity by 1,100 places and increased pupil numbers by 44% to 2,800 in 2007.

Sovereign also invested in new facilities for the Group supporting organic growth, as well as financing the acquisitions of Cliff & Silverwood Schools in 2004, The Minors Nursery in 2004 and Davenport Lodge in 2007. Sovereign sold Alpha Plus to Delancey in December 2007.

ESG

esg is a market leading provider of learning and employability programmes. The Group operates from 35 centres across England and employs over 800 people. In the nine months of the current financial year the Group has helped over 3,500 employees achieve a recognized qualification and over 2,250 unemployed people prepare for and find employment.

Through Sovereign's Buy & Build strategy, esg was formed through the acquisition of four companies.

- Sencia – delivers employability services
- STL – focuses on service sector based SME employers
- Orient – serves large, multi-site, service sector employers
- Triangle – specialises in early years childcare apprenticeships

esg operates in the same market as Paragon and is forecast to grow significantly in the coming years.

PARAGON EDUCATION

Paragon is Sovereign's second core investment within vocational training. The business provides a variety of learning programmes for young adults based in the South West of England. The Group operates from eight centres and employs over 190 people. The Group is helping over 3,700 learners to achieve a recognised qualification.

Paragon operates in a market with priority state funding that is forecast to grow substantially throughout the next decade. Sovereign is focused on supporting Paragon to implement a Buy & Build strategy and acquire high quality, complementary businesses within the growing, government-funded training sectors.

SENAD

With Sovereign's guidance, The SENAD Group became a pre-eminent dedicated provider of Special Educational Needs (SEN) schools in the country.

Operating residential schools for children and care homes for young adults across the SEN spectrum, SENAD was developed through Sovereign's Buy & Build expertise and the bringing together of Honormead Schools, Principal Care Services, Tregynon Hall School, Aran Hall School and Orchard School.

Sovereign invested in new facilities for the Group and supported organic growth as well as financing the follow-on acquisitions listed above.

When Sovereign sold the group in 2006, SENAD offered over 400 places for children across seven schools and had built a reputation as a provider of quality education for the children and young adults in its care.

EXPERTISE IN THE EDUCATION SECTOR

In addition to Sovereign's deep sector knowledge and its successful track record in education and training, Ryan Robson, Managing Partner, has a particular interest in the education sector. Ryan has been a director of several leading educational groups and a local authority member with responsibility for school performance. He has chaired a series of policy reviews aimed at improving the educational outcomes for disadvantaged young people.

We continue to look for further opportunities in the education and training sector. If you would like to have a confidential conversation with us about your organisation please call Ryan Robson or David Myers on +44 (0)20 7340 8800 or visit our website: www.sovereigncapital.co.uk

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