Registered number: 05497433

SMART EDUCATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

COMPANY INFORMATION

Directors	Mr R Grimshaw Mr P Simpson (appointed 8 May 2018)
Company secretary	Mr P Simpson
Registered number	05497433
Registered office	26 Red Lion Square London WC1R 4HQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

Business review

The principal activity of the Company is the provision of teachers to schools on a supply basis, and the revenue from this was £9.1m (2017: £10.8m) during the year ended 31 August 2018.

The education sector is highly competitive and there has been increased pressure on school budgets. These factors made it a challenging year in the supply market and actions have been taken to enable a quick response to these challenges. These actions include investment in information technology and training employees to deliver an excellent and tailored service.

During the year the Company generated an operating loss of £0.2m (2017: £0.5m operating profit). The Company made a profit for the financial year of £0.1m for the year ended 31 August 2018 (2017: £0.6m).

The Directors do not recommend the payment of a dividend (2017: £nil). The financial performance of the Company as a whole for the year ended 31 August 2018 is set out in the consolidated financial statements of TES Global Holdings Direct Limited.

The financial position of the Company is presented in the balance sheet. Net assets at 31 August 2018 were £4.4m (2017: £4.3m).

In response to the business risk resulting from the uncertain economic climate, the directors aim to modify marketing strategies to reflect any changes in market conditions.

Employment of disabled persons

The Company endeavours to promote and ensure equal opportunities to all its employees, job applicants and former employees irrespective of race (including colour, nationality and ethnic and national origins), religion, belief, disability, gender, marital or civil partnership status, sex or sexual orientation, age or trade union membership. The Company values the individual contribution of all its employees and prospective employees from all sectors of the community. We recognise our social and moral duty to employ people with disabilities and we will do all that is practicable to meet this responsibility and comply with our legal responsibilities under the Equality Act 2010.

All those involved in recruitment have the additional responsibility to be open to all candidates based on their skills and expertise. Recruiters can explore any reasonable adjustments that may be required to ensure that disabled candidates are able to compete fairly in the selection process and once they have been appointed. If members of staff become disabled the group continues employment where possible, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The Company and its leadership works hard to communicate its strategy, progress and updates to staff, while investing in an open and collaborative culture that supports a shared common purpose. Communication is driven through several different channels, including a collaborative global intranet for news and collaboration, staff newsletters, town hall meetings and leadership blogs. Staff associations meet regularly with the management team to ensure the views of our employees are represented and taken into account when making decisions that are likely to affect their interests. The ambition is to ensure that employees understand the contribution they make to the business in achieving its goals both from a social purpose and a financial perspective.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

Human rights

The Company is fully committed to respecting the human rights of our employees and to compliance with all applicable laws regarding, among other things:

- prohibition of child, forced, bonded or indentured labour;
- providing compensation and benefits that are competitive and comply with applicable minimum wages, overtime hours, and mandated benefits;
- respecting the cultures, customs and values of the people in communities in which we operate;
- promoting workplace diversity;
- protecting the privacy of employees;
- promoting environmental stewardship;
- promoting health and safety practices; and,
- promoting ethical behaviour, business integrity and fair competition.

The Company seeks to provide consistent and comprehensive guidance to our employees through internal training regarding human rights and employment issues across the Company. As a responsible corporate citizen, the Company operates in accordance with all applicable human rights laws and respects and promotes human rights through our employment policies and practices, through our supply chain and through the responsible provision of our products and services. Through our various efforts to promote human rights, we seek to drive a consistent message that human rights form a part of our corporate culture and principles.

Environmental measures

The Company is fully committed to reducing its carbon emissions and play its part in the fight to combat climate change and is registered for ESOS (Energy Saving Opportunities Scheme).

Principal risks and uncertainties

The principal risks and uncertainties, including financial risks, facing the business are set out below:

Market risk
The demand for supply teachers influences the Company's turnover and therefore future performance may be affected by changes in demand. The Company performs periodic market reviews to identify any underlying changes in the level of demand.

Competitive risk
The main competitive threats facing the Company are from current competitors and potential new entrants into the market. In the opinion of the directors, the Company has sufficiently well-established positions in the local markets within which it operates to defend against potential threats.

Cash flow / liquidity risk
The Company has sufficient funds to cover liabilities as they fall due. A £25m credit facility is available to the Company if required.

This report was approved by the board on 30 May 2019 and signed on its behalf.

Mr P Simpson
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The directors present their report and the financial statements for the year ended 31 August 2018.

Principal activity

The principal activity of the Company is the provision of a recruitment service for publicly and privately funded schools by supplying them with qualified teachers on a daily, semi-permanent and permanent basis mainly in its key market of London.

Results and dividends

The profit for the year, after taxation, amounted to £55 thousand *(2017 - £614 thousand).*

No dividend (2017: £nil) was paid during the year and the directors do not recommend the payment of a final dividend (2017: £nil).

Directors

The directors who served during the year were:

Mr R Grimshaw
Mr P Simpson (appointed 8 May 2018)
Mr N Runnicles (resigned 8 May 2018)

Directors' and officers' indemnity

The Company maintains liability insurance for its directors and officers and had this in place throughout the period and up to the date of signing the financial statements.

Going concern

After making appropriate enquires, the directors have formed a judgement, at the time of approving the financial statements, that the Company has reasonable expectation that adequate resources will be available for it to continue its operations for the foreseeable future. In forming this judgement the directors have prepared cash flow projections for the date of the approval of these financial statements, reviewing contingency planning and the sufficiency of banking facilities at group level.

Key performance indicators

Due to the nature of the business, key performance indictors relating to financing are reviewed and monitored at Group level.

Principal risks and uncertainties

The principal risks and uncertainties, including financial risks, facing the business are set out in the strategic report.

Subsequent events

On 17 December 2018, TES Global Group Limited, the ultimate parent company of Smart Education Limited, was sold by TPG to Providence Equity Partners L.L.C. (Providence.) Completion took place on 31 January 2019. Providence is a premier global asset management firm with approximately $30 billion in assets under management across complementary private equity businesses. In preparation for this transaction, the University Services (THE) part of the Group was separated and will remain under the ownership of TPG pending a sale in the New Year. Upon closing of this transaction in January 2019, Tes and THE (sold to Inflexion), are now discrete businesses with different owners and the Senior Secured Notes have been settled in full. This has no impact on the going concern basis of preparation. On acquisition, Providence provided funding of £195m and have also provided access to a revolving credit facility of £25m. We believe that these sources of funding will be sufficient to fund our debt servicing requirements as they become due and working capital requirements for the next 12 months from the date of approval of these financial statements. As part of the deal, the THE business inter-company liabilities of £1.9m due to Tes were also fully repaid. All other inter-company balances with the Company have not been settled.

No other material events have taken place subsequent to the reporting date.

Future developments

No significant changes are expected in the coming year.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

Directors' confirmations

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

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

Auditors

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

This report was approved by the board on 30 May 2019 and signed on its behalf.

Mr P Simpson
Director

Independent auditors' report to the members of Smart Education Limited

Report on the audit of the financial statements

Opinion

In our opinion, Smart Education Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 August 2018; the statement of profit or loss account and other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Smart Education Limited

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Smart Education Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Nigel Reynolds (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

31 May 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £000	*2017 £000*
Revenue	3	**9,123**	*10,839*
Cost of sales		**(6,366)**	*(7,149)*
Net revenue		**2,757**	*3,690*
Administrative expenses		**(2,918)**	*(3,170)*
(Loss)/profit from operations	4	**(161)**	*520*
Finance income	6	**286**	*244*
Finance expense	6	**(57)**	*-*
Profit before tax		**68**	*764*
Tax expense	7	**(13)**	*(150)*
Profit for the year		**55**	*614*
Total comprehensive income		**55**	*614*

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	2018 £000	*2017 £000*
Assets			
Non-current assets			
Intangible assets	9	**48**	*48*
Property, plant and equipment	8	**60**	*84*
Investments	10	**-**	*-*
Deferred tax assets	7	**4**	*2*
		112	*134*
Current assets			
Trade and other receivables	11	**4,818**	*4,335*
Cash and cash equivalents		**845**	*1,051*
		5,663	*5,386*
Total assets		**5,775**	*5,520*
Liabilities			
Current liabilities			
Trade and other liabilities	12	**1,378**	*1,178*
		1,378	*1,178*
Total liabilities		**1,378**	*1,178*
Net assets		**4,397**	*4,342*

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2018

	Note	2018 £000	*2017* *£000*
Capital and reserves			
Called up share capital	13	**6**	*6*
Share premium account	13	**641**	*641*
Retained earnings		**3,750**	*3,695*
TOTAL EQUITY		**4,397**	*4,342*

The financial statements on pages 11 to 30 were approved and authorised for issue by the board of directors on 30 May 2019 and were signed on its behalf by:

Mr P Simpson
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2018

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 September 2017	6	641	3,695	4,342
Comprehensive income for the year				
Profit for the year	-	-	55	55
Total comprehensive income for the year	-	-	55	55
At 31 August 2018	**6**	**641**	**3,750**	**4,397**

The notes on pages 16 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 September 2016	6	641	3,081	3,728
Comprehensive income for the year				
Profit for the year	-	-	614	614
Total comprehensive income for the year	-	-	614	614
At 31 August 2017	**6**	**641**	**3,695**	**4,342**

The notes on pages 16 to 30 form part of these financial statements.

1. Accounting policies

1.1 Basis of preperation

The financial statements of Smart Education Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The company is a wholly owned subsidiary of TES Global Holdings Direct Limited and is included in the consolidated financial statements of TES Global Holdings Direct Limited which are publicly available. The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101, and under historical cost.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of cash flows';
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- Management of financial risk disclosures including management of credit, liquidity, and market risk and interest rate sensitivity analysis;
- Disclosures around categories of financial instruments.

1.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.3 Revenue

Revenue represents net invoiced sale of services, excluding value added tax, and is recognised when the service to the customer has been completed. Turnover is only recognised when the amounts are fixed or determinable and collectability is reasonably assured.

Specifically, revenue in respect of temporary teacher placements is recognised immediately on the completion of the short-term assignment. Permanent teacher placements are recognised immediately on the commencement of the placement.

1. Accounting policies (continued)

1.4 Cost of sales

Cost of sales includes costs paid to the supply teachers and any other costs associated directly with the revenue generating activities of the Company.

1.5 Operating lease commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1.6 Finance income and expense

Finance income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Finance costs are accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

1.7 Going concern

After making appropriate enquires, the directors have formed a judgement, at the time of approving the financial statements, that the Company has reasonable expectation that adequate resources will be available for it to continue its operations for the foreseeable future. In forming this judgement the directors have prepared cash flow projections for the date of the approval of these financial statements, reviewing contingency planning and the sufficiency of banking facilities at group level.

1. Accounting policies (continued)

1.8 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between he tax bases of assets and liabilities and their carrying amounts in the financial statements. However, he deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a ransaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.9 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Fixtures and fittings	20% to 50% straight line
Computer equipment	25% to 100% straight line

1. Accounting policies (continued)

1.10 Trade and other receivables

Trade receivables includes amounts owed from group companies and due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate provisions for impairment are recognised as per note 1.11. Subsequent recoveries of amounts previously written off are credited to the income statement.

1.11 Impairment of trade receivables

The Company fully provides for any amounts of loan principal and charged income that is estimated to be irrecoverable from customers and group companies. This provision is calculated based on the type of debt, its age and the period in which the original debt was initiated and by comparison with the past performance of similar historical loans.

1.12 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

1.13 Share capital

All ordinary shares are classified as equity and carry the same voting and dividend rights.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Trade and other liabilities

Trade payables includes amounts owed to group companies and are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

1.15 Investments

Investments in subsidiary undertakings and associates are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment. Cost is defined as the fair value of the consideration transferred, excluding acquisition related costs.

1.16 Employee benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

1. Accounting policies (continued)

1.17 Defined contribution schemes

Contributions to defined contribution pension schemes are changed to the statement of comprehensive income in the year to which they relate.

1.18 New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the period ended 31 December 2018 and have had no material impact on the company. These standards have not been early adopted. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 August 2018 that have had a material impact on the company.

1.19 Critical accounting estimates and judgements

The preparation of the Company's financial statements in accordance with FRS 101 requires decisions and estimates for some items, which might have an effect on their recognition and measurement in the balance sheet and income statement. The actual amounts realised may differ from these estimates.

Depreciation and amortisation

Property, plant and equipment and intangible assets are stated at cost, net of depreciation or amortisation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. The carrying values of assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Provision is made against those assets that, in the opinion of the directors, have a value in use or net realisable value that is lower than their net book value. Other fixed assets are depreciated over their expected useful economic lives or anticipated length of use by the Company in order to write off their cost less estimated residual value.

Investments

Investments in subsidiary undertakings and associates are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment. Cost is defined as the fair value of the consideration transferred, excluding acquisition related costs.

1.20 Functional currency

The functional currency is pound sterling and the financial statements are presented in pounds sterling, which the directors consider is the appropriate presentational currency of the Company.

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions.

At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Gains or losses arising on retranslation of monetary items are included in net profit or loss for the year.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

2. Reporting entity

Smart Education Limited (the 'Company') is a limited company incorporated in England and Wales. The Company's registered office is at 26 Red Lion Square, London, WC1R 4HQ. The Company's principal activity is the provision of a recruitment service for publicly and privately funded schools by supplying them with qualified teachers on a daily, semi-permanent and permanent basis mainly in its key markets of London.

3. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

	2018	*2017*
	£000	*£000*
Provision of supply teachers	**9,123**	*10,839*
	9,123	*10,839*

4. Operating profit

	2018	*2017*
	£000	*£000*
Depreciation	**27**	*25*
Auditors' remuneration	**6**	*12*
Operating leases	**215**	*254*

5. Employee benefit expenses

	2018 £000	2017 £000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**1,758**	*1,814*
Social security costs	**188**	*188*
Other pension cost	**26**	*25*
	1,972	*2,027*

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

	2018 Number	2017 Number
Administration	**41**	*49*
	41	*49*

In addition to the employees, the entity contracts services from a further 257 (2017: 313) full time employee agency workers at a total cost of £6.4m (2017: £7.1m)

	2018 £000	2017 £000
Directors' remuneration		
Directors' remuneration	**1**	*8*
Total directors' remuneration	**1**	*8*

6. Finance income and expense

Recognised in profit or loss

	2018 £000	*2017 £000*
Finance income		
Interest receivable from group companies	**286**	*244*
Total finance income	**286**	*244*
Finance expense		
Interest payable to group companies	**(57)**	*-*
Total finance expense	**(57)**	*-*
Net finance income recognised in profit or loss	**229**	*244*

7. Tax expense

7.1 Income tax recognised in profit or loss

	2018 £000	*2017 £000*
Current tax		
Current tax on profits for the year	**15**	*150*
	15	*150*
Origination and reversal of timing differences	**(2)**	*-*
	(2)	*-*
	13	*150*
Total tax expense		
Tax expense	**13**	*150*
	13	*150*

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2018 £000	*2017 £000*
Profit for the year	**55**	*614*
Income tax expense	**13**	*150*
Profit before income taxes	**68**	*764*
Tax using the Company's domestic tax rate of 19% (2017:19.58%)	**13**	*150*
Total tax expense	**13**	*150*

Changes in tax rates and factors affecting the future tax charges

Changes to the UK corporation tax rate were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the enacted tax rates and reflected in these financial statements.

7. Tax expense (continued)

7.2 Deferred tax balances

The following is the analysis of deferred tax assets presented in the financial statements:

	2018	*2017*
	£000	*£000*
Accelerated capital allowances	**4**	*2*
	4	*2*

8. Property, plant and equipment

	Fixtures and fittings £000	Computer equipment £000	Total £000
At 1 September 2016	99	4	103
Additions	6	11	17
At 31 August 2017	105	15	120
Additions	2	1	3
At 31 August 2018	**107**	**16**	**123**

	Fixtures and fittings £000	Computer equipment £000	Total £000
Accumulated depreciation and impairment			
At 1 September 2016	10	1	11
Charge for the year	22	3	25
At 31 August 2017	32	4	36
Charge for the year	22	5	27
At 31 August 2018	**54**	**9**	**63**
Net book value			
At 31 August 2017	73	11	84
At 31 August 2018	53	7	60

9. Intangible assets

	Goodwill £000
Cost	
At 1 September 2016	161
At 31 August 2017	161
At 31 August 2018	**161**

	Goodwill £000
Accumulated amortisation and impairment	
At 1 September 2016	113
At 31 August 2017	113
At 31 August 2018	**113**
Net book value	
At 31 August 2016	48
At 31 August 2017	48
At 31 August 2018	48

10. Investments

	2018 £000	*2017 £000*
Investments in subsidiaries		
As at 31 August	**1**	*1*

Name of undertaking	Nature of business	Description of shares and proportion of nominal value of that class held
Smart Education (Australia) Pty Limited (AUS)	Recruitment agency	Ordinary shares of Aus $1 each (100% held)

During the year, the Company received a dividend of Nil (2017: Nil) from the subsidiary.

The registered office of the above is Level 18, 530 Collins Street, Melbourne, VIC 3000, Business Level 3, 127 Creak Street, Brisbane, Australia.

11. Trade and other receivables

	2018	2017
	£000	£000
Trade receivables	796	807
Amounts owed by group companies	3,962	3,269
Other receivables	1	162
Prepayments and accrued income	59	97
Total trade and other receivables	**4,818**	*4,335*

Amounts owed by group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum (2017: 8%)

12. Trade and other liabilities

	2018	2017
	£000	£000
Trade payables	27	41
Amounts owed to group companies	737	457
Other tax and social security	356	317
Accruals and deferred income	243	310
Other payables	15	53
Total trade and other liabilities	**1,378**	*1,178*

Amounts owed to group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum (2017: 8%)

13. Called up share capital

Authorised

	2018 Number	2018 £000	*2017 Number*	*2017 £000*
Ordinary shares of £0.01 each	**647,565**	**6**	*647,565*	*6*
Special shares of £1.00 each	**2**	**-**	*2*	*-*
	647,567	**6**	*647,567*	*6*

			Issued and fully paid	
	2018 Number	2018 £000	*2017 Number*	*2017 £000*
Ordinary shares of £0.01 each				
At 1 September and 31 August	**647,565**	**6**	*647,565*	*6*

	2018 Number	*2017 Number*
Special shares of £1.00 each		
At 1 September and 31 August	**2**	*2*

The share premium account represents the excess of consideration over nominal value on the issue of ordinary share capital.

14. Operating lease commitments

	2018 £000	*2017 £000*
Before 1 year	**232**	*267*
Between 1 - 5 years	**928**	*1,068*
Over 5 years	**536**	*885*
Total	**1,696**	*2,220*

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for land and buildings.

15. Controlling parties

The immediate parent undertaking is TES Global Holdings Limited, a company registered in England & Wales. The Company and its immediate parent are both consolidated entities of TES Global Holdings Direct Limited, a company registered in England & Wales.

Copies of the largest parent in the group, TES Global Holdings Direct Limited consolidated financial statements, which include the Company, are available from The Company Secretary, TES Global Holdings Direct Limited, 26 Red Lion Square, London WC1 R 4HQ

Copies of the smallest parent in the group, TES Global Holdings Limited consolidated financial statements, which include the Company, are available from The Company Secretary, TES Global Holdings Limited, 26 Red Lion Square, London WC1 R 4HQ.

TES Global Holdings Direct Limited is wholly owned by the ultimate parent undertaking, TES Global Investments S.ar.l, a company incorporated in Luxembourg.

The directors consider that the ultimate controlling party of the Company is TPG Capital LLP, headquartered in the US, on behalf of the funds under its management until 31 January 2019.

On 31 January 2019 the immediate parent undertaking, TES Global Holdings Limited was purchased by Providence Equity Partners L.L.C. (Providence.) As of this date the ultimate controlling party is considered to be Providence.

16. Events after the reporting date

On 17 December 2018, TES Global Group Limited, the ultimate parent company of Smart Education Limited, was sold by TPG to Providence Equity Partners L.L.C. (Providence.) Completion took place on 31 January 2019. Providence is a premier global asset management firm with approximately $30 billion in assets under management across complementary private equity businesses. In preparation for this transaction, the University Services (THE) part of the Group was separated and will remain under the ownership of TPG pending a sale in the New Year. Upon closing of this transaction in January 2019, Tes and THE (sold to Inflexion), are now discrete businesses with different owners and the Senior Secured Notes have been settled in full. This has no impact on the going concern basis of preparation. On acquisition, Providence provided funding of £195m and have also provided access to a revolving credit facility of £25m. We believe that these sources of funding will be sufficient to fund our debt servicing requirements as they become due and working capital requirements for the next 12 months from the date of approval of these financial statements. As part of the deal, the THE business inter-company liabilities of £1.9m due to Tes were also fully repaid. All other inter-company balances with the Company have not been settled.

No other material events have taken place subsequent to the reporting date.