Registered number: 07485685

HIBERNIA COLLEGE UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

HIBERNIA COLLEGE UK LIMITED

COMPANY INFORMATION

Directors	J Knight S Pinches P Simpson
Registered number	07485685
Registered office	26 Red Lion Square London England WC1R 4HQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors 1 Embankment Place London England WC2N 6RH

HIBERNIA COLLEGE UK LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The Directors present their report and the audited financial statements for the year ended 31 August 2019.

Principal activities

The principal activity of the Company is the provision of accredited, web based, third level education qualifications.

Business update

On 17 December 2018, Tes Global Group Limited, the parent company of the Company, was sold by TPG to Providence Equity Partners L.L.C (Providence), completion took place on 31 January 2019. In addition, the Senior Secured Notes were settled in full. As a result of the transaction, the Ultimate parent company changed to Tes Topco Limited.

On acquisition, Providence provided funding to the Tes Group, of which the entity belongs to, of £195m and access to a revolving credit facility of £25m, which was fully drawn in March 2020 to support the Group throughout COVID-19. Should the Company require, this funding is to be made available by Group. The Directors consider that the funding made available to the Group, is sufficient to fund the required debt servicing and working capital requirements for the next 12 months from the date of approval of these financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £2,209k *(2018: £1,444k)*.

The business continued to grow during the year, seeing revenue growth of 14.4% to £9,275k. The Company achieved operating profit of £2,495k *(2018: £1,612k)* and a profit after tax of £2,209k *(2018: £1,444k)*.

The Directors do not recommend the payment of a dividend.

Financial performance of the Group as a whole, for the year ended 31 August 2019, is set out in the consolidated financial statements of Tes Topco Limited.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J Knight
S Pinches
P Simpson

Directors' and officers' indemnity

The Company maintains qualifying third party liability insurance for its Directors and officers is in place throughout the period and up to the date of signing the financial statements.

Going concern

The company is reliant on support from the ultimate parent company, Tes Topco Limited, for it to continue to trade and a group letter of support is in place to support the Company if required, as a result of COVID-19.

Below is a summary of the directors' assessment of the group going concern position:

The Directors confirm that having reviewed the Group's cash requirements for the next 12 months from the date of signing the financial statements, they have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as and when they fall due for the foreseeable future. In assessing this they have considered the purchase of the group by Providence Equity Partners L.L.C. ("Providence"). The directors have considered their current cash flow projections, financing costs of the term loan and other use of proceeds, overlaid with the directors' expectations of the new capital structure and Providence's intentions to refinance the debt. Having due regard to these factors the directors have adopted the going concern basis in preparing these financial statements.

The uncertainty as to the future impact on the Group of COVID-19 has been considered as part of the Group's adoption of the going concern basis. To date, we have not seen a material impact on the Group's activities but with ongoing school closures, we anticipate that there is likely to be a significant reduction in the Group's revenue, particularly in transactional advertising and the provision of Supply teachers.

In the downside scenario that the Board has considered, we have assumed that UK schools remain closed until the start of the 2021 academic year (September 2020). The impact that this would have on our revenue remains unclear at this stage although our initial experience is that our transactional advertising and Supply net revenue has reduced by 60-80%. This would likely reduce our net revenue for the full year by up to £8m. Our mitigation strategies including the furloughing of employees, salary reduction and discretionary expenditure avoidance will materially offset such a decline in that period. The contracted nature of our subscription services means that we have a strong underpin for our financial performance. Encouragingly, our current experience is that we continue to see renewal volumes in line with our expectations across the Attract and Empower areas.

In our downside modelling, we would need to see a further decline in the level of transactional advertising and Supply revenue and a material reduction in our current subscription renewal before the Group reaching a point where it may breach its existing financial covenants. Given potential mitigations that would be available to the Group, we do not believe at this stage that this is a scenario that will materialise. Only this unlikely scenario would indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

On the basis that this Company is reliant on the letter of support from the Group, this also calls into question the material uncertainty over the ability of the Group to provide the letter of support, and hence the Company's going concern. In this scenario, this would indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Principal risks and uncertainties

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

Market risk
Changes in student turnover influence the Company's revenue and therefore future performance may be affected by changes in student demand. The Company performs regular reviews of its offerings to ensure it is attracting enough students.

In relation to the global pandemic COVID-19 in March 2020, detailed commentary has been provided in this report.

Principal risks and uncertainties (continued)

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 depend against potential threats.

Cash flow / liquidity risk
The Company has sufficient funds to cover liabilities as they fall due. The Group, of which the Company belongs to, has access to a £25m revolving credit facility, which is reasonably expected to be made available to the Company, if required. As at 31 August 2019, £5m of this facility was drawn down and at March 2020, this was fully drawn in order to support the Group's activities throughout COVID-19.

Interest rate risk

All material interest relates to intercompany balances. Whilst subject to change this is controlled and managed on a group-wide basis.

Small company

In preparing this report, the Directors have taken advantage of the small companies exemption provided by Section 415A of the Companies Act 2006.

Events after the reporting date

The impact of COVID-19 is discussed in note 13.

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

Future developments

At the date of the approval of the financial statements, Brexit is not expected to have any direct effect on the Company. The Directors actively review the wider effects of Brexit on the environment in which the Company operates, at Group level.

There were no major changes in business activities during the year and no significant changes are expected in the coming year.

Statement of director's, responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 27 August 2020 and signed on its behalf.

P Simpson
Director

Independent auditors' report to the members of Hibernia College UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hibernia College UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 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 Directors' report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 August 2019; the statement of comprehensive income for the year ended 31 August 2019, the statement of changes in equity for the year ended 31 August 2019; 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.5 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on support from the ultimate parent company, Tes Topco Limited, for it to continue to trade and a group letter of support is in place to support the Company if required, as a result of COVID-19. However, as described in note 1.5 to the financial statements, there is a material uncertainty with regards to the ultimate parent company continuing to operate as a going concern in the event of a prolonged downside scenario. These conditions, with the potential that the ultimate parent cannot provide the support if called upon, create the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

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.

Independent auditors' report to the members of Hibernia College UK Limited

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 August 2019 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, 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.

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. 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
27 August 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £000	*2018 £000*
Revenue	3	**9,275**	*8,106*
Cost of sales		**(2,997)**	*(2,524)*
Gross profit		**6,278**	*5,582*
Administrative expenses		**(3,783)**	*(3,970)*
Operating profit	2	**2,495**	*1,612*
Interest receivable and similar income	5	**296**	*233*
Interest payable and similar expenses	6	**(65)**	*(61)*
Profit before tax		**2,726**	*1,784*
Tax on profit	7	**(517)**	*(340)*
Total comprehensive income		**2,209**	*1,444*

There was no other comprehensive income in the year ended 31 August 2019 *(2018: £nil)*.

The notes on pages 10 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019

	Note	2019 £000	*2018 £000*
Non-current assets			
Intangible assets	8	**485**	*281*
		485	*281*
Current assets			
Trade and other receivables	9	**8,256**	*4,614*
Cash at bank and in hand		**840**	*1,325*
		9,096	*5,939*
Trade and other payables	10	**(4,689)**	*(3,537)*
Net assets		**4,892**	*2,683*
Capital and reserves			
Called up share capital	11	**-**	*-*
Retained earnings		**4,892**	*2,683*
Total equity		**4,892**	*2,683*

The financial statements on pages 7 to 22 were approved by the Board of Directors on 27 August 2020 and signed on its behalf by

P Simpson
Director

The notes on pages 10 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2019

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 September 2018	-	2,683	2,683
Comprehensive income for the year			
Profit for the financial year	-	2,209	2,209
Total comprehensive income for the year	-	2,209	2,209
At 31 August 2019	-	4,892	4,892

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 September 2017	-	1,239	1,239
Comprehensive income for the year			
Profit for the financial year	-	1,444	1,444
Total comprehensive income for the year	-	1,444	1,444
At 31 August 2018	-	2,683	2,683

The notes on pages 10 to 23 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies

1.1 Reporting entity

Hibernia College UK Limited (the "Company") is a private limited company incorporated in the United Kingdom and domiciled in England. The Company's registered office is 26 Red Lion Square, London, England, WC1R 4HQ. The Company's principal activity is the provision of accredited, web-based, third level education qualifications.

1.2 Basis of preparation of financial statements

The financial statements of Hibernia College UK 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 Topco Limited and is included in the consolidated financial statements of Tes Topco Limited. The financial statements have been prepared in accordance with Companies Act 2006 as applicable to companies using FRS101, and under the historical cost convention.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in 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:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D,111 and 134-136 of IAS 1 Presentation of Financial Statements; and
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 118(e) of IAS 38 Intangible Assets.

Accounting policies have been applied consistently throughout these financial statements, other than where new policies have been adopted.

1.3 New accounting standards in the year

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.4 Impact of new international reporting standards, amendments and interpretations

IFRS 9 "Financial instruments"

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 September 2018.

1. Accounting policies

1.4 Impact of new international reporting standards, amendments and interpretations (continued)

IFRS 15 "Revenue from contracts with customers"

From 1 September 2018, the Company has applied IFRS 15 using the cumulative effect method and therefore the comparative information is not restated. There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 September 2018. In recognising revenue under IFRS 15, the Company have followed the five step model and considered identification of the contract with a customer, identification of performance obligation of each contract, transaction price, allocation of transaction price to performance obligation and recognition of revenue at the point the performance obligation has been satisfied.

IFRS 16 "Leases"

Management has undertaken a group wide assessment of IFRS 16 and concluded that there is no impact on the Company as there are no active leases with commitments exceeding 1 year.

1.5 Going concern

The company is reliant on support from the ultimate parent company, Tes Topco Limited, for it to continue to trade and a group letter of support is in place to support the Company if required, as a result of COVID-19.

Below is a summary of the directors' assessment of the group going concern position:

The directors confirm that having reviewed the Group's cash requirements for the next 12 months from the date of signing the financial statements, they have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as and when they fall due for the foreseeable future. In assessing this they have considered the purchase of the group by Providence Equity Partners L.L.C. ("Providence"). The directors have considered their current cash flow projections, financing costs of the term loan and other use of proceeds, overlaid with the directors' expectations of the new capital structure and Providence's intentions to refinance the debt. Having due regard to these factors the directors have adopted the going concern basis in preparing these financial statements.

The uncertainty as to the future impact on the Group of COVID-19 has been considered as part of the Group's adoption of the going concern basis. To date, we have not seen a material impact on the Group's activities but with ongoing school closures, we anticipate that there is likely to be a significant reduction in the Group's revenue, particularly in transactional advertising and the provision of Supply teachers.

In the downside scenario that the Board has considered, we have assumed that UK schools remain closed until the start of the 2021 academic year (September 2020). The impact that this would have on our revenue remains unclear at this stage although our initial experience is that our transactional advertising and Supply net revenue has reduced by 60-80%. This would likely reduce our net revenue for the full year by up to £8m. Our mitigation strategies including the furloughing of employees, salary reduction and discretionary expenditure avoidance will materially offset such a decline in that period. The contracted nature of our subscription services means that we have a strong underpin for our financial performance. Encouragingly, our current experience is that we continue to see renewal volumes in line with our expectations across the Attract and Empower areas.

1. Accounting policies

1.5 Going concern (continued)

In our downside modelling, we would need to see a further decline in the level of transactional advertising and Supply revenue and a material reduction in our current subscription renewal before the Group reaching a point where it may breach its existing financial covenants. Given potential mitigations that would be available to the Group, we do not believe at this stage that this is a scenario that will materialise. Only this unlikely scenario would indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

On the basis that this Company is reliant on the letter of support from the Group, this also calls into question the material uncertainty over the ability of the Group to provide the letter of support, and hence the Company's going concern. In this scenario, this would indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

1.6 Functional currency

The Company's functional and presentational currency is the pound sterling and the financial statements are presented as such.

Transactions in currencies other than the functional currency of the Company, are recorded at the rates of exchange prevailing on the date of the transaction.

At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies, are retranslated at the rate prevailing at the statement of financial position date. Gains and 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 and denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

1.7 IFRS 15 Revenue from contracts with customers

In recognising revenue under IFRS 15, the Company have followed the five step model and considered identification of the contract with a customer, identification of performance obligation of each contract, transaction price, allocation of transaction price to performance obligation and recognition of revenue at the point the performance obligation has been satisfied.

1. Accounting policies

1.8 Revenue recognition

Revenue comprises the fair value of the consideration receivable by the Company for the sale of goods and services in the ordinary course of its business. Revenue is shown net of value added tax, returns and trade discounts. Revenue is recognised depending on the nature of the good or service supplied.

One off sales are recognised immediately, while subscription revenue is recognised on a straight line basis over the period that the subscription runs.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

1.9 Cost of sales

Cost of sales includes exam and course fees, external tutor fees and other distribution costs associated with revenue generating activities.

1.10 Interest receivable, payable and similar income and expenses

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

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

1.11 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

1. Accounting policies

1.12 Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately, are carried at cost less accumulated impairment losses.

Development expenditure 2 – 4 years straight line

(ii) Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if all of the following have been demonstrated:

- Technical feasibility of completing the intangible asset, so that it will be made available for use or sale;
- Intention to complete the intangible asset and use or sell it;
- Ability to use or sell the intangible asset;
- The ability of the asset to generate probable future economic benefit;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria as listed above. Where no internally generated asset can be recognised, development expenditure is recognised in profit and loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

1.13 Impairment of intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit, to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use, are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

1. Accounting policies

1.13 Impairment of intangible assets (continued)

Recoverable amount is the higher of fair value less cost of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is then recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying value does not exceed the carrying value that would have been determined had no impairment loss been previously recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case, the reversal of the impairment loss is treated as a revaluation increase (see note 1.12).

1.14 Trade and other receivables

Trade and other receivables includes amounts due from group companies and 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. Balances due after one year are presented as non-current assets.

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 1.15. Subsequent recoveries of amounts previously written off, are credited to profit and loss.

1.15 IFRS 9 Expected credit loss

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. The current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables are also considered. The Company have assessed that no material adjustment to provisions is required to reflect the lifetime expected loss.

1.16 Trade and other payables

Trade payables includes amounts owed to group companies and obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due in one year or less. For payments due over one year, balances are classified as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Accounting policies

1.17 Cash and cash equivalents

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

1.18 Financial instruments

Financial assets and liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than those at fair value through profit or loss) are added to, or deducted from the fair value of the financial asset or liability, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.19 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 proceed20

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 statement of financial position and profit and loss. The actual amounts realised may differ from these estimates.

Capitalisation of development costs

Development costs are capitalised, in accordance with the Company's accounting policy. Determining the amounts to be capitalised requires management to make a judgement based on assumptions and estimates regarding the expected future cash generation of new developments and the expected period of benefits.

Intercompany receivables

Intercompany receivables have been assessed in line with IFRS 9. As part of this, management have assessed outstanding balances based on the probability of default, loss given default and exposure default. The judgemental elements of this are the expected ability of debtors to repay on demand, and the probability of default and this is therefore highly subjective and potentially large in magnitude.

There were no other critical accounting estimates or judgements required in the preparation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

2. Operating profit

The Company made an operating profit of £2,495k *(2018: £1,612k)* for the year ended 31 August 2019. The Company made a profit for the financial year after tax of £2,209k *(2018: £1,444k)*.

Included within the Company's operating loss for the year are amortisation costs of £130k *(2018: £50k)*.

Audit services are borne by the Company's parent undertaking, Tes Global Limited. No amounts were recharged to the Company.

3. Revenue

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

	2019 **£000**	*2018* *£000*
Sale of services	**9,275**	*8,106*
	9,275	*8,106*

All turnover arose within the United Kingdom.

4. Employees

Staff costs were as follows:

	2019 **£000**	*2018* *£000*
Wages and salaries	**1,691**	*1,964*
National insurance cost	**140**	*183*
Other pension costs	**103**	*134*
	1,934	*2,281*

The average monthly number of persons employed by the Company in the year was 30 *(2018: 32)*.

Directors emoluments

The Directors are remunerated by other group companies. Their emoluments are deemed to be wholly attributable to their services to these companies. Accordingly, the Directors received no emoluments (*2018: £nil*) for services provided to the Company. No amounts were recharged to the Company in respect of these services for the year ended 31 August 2019 (*2018: £nil*).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

5. Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from group companies	296	233
	296	233

6. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable to group companies	65	61
	65	61

7. Tax on profit

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	519	340
Total current tax	519	340
Deferred tax		
Origination and reversal of timing differences	(2)	-
Total deferred tax	(2)	-
Taxation on profit on ordinary activities	517	340

7. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2018 - higher than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19%)*. The differences are explained below:

	2019 £000	*2018* *£000*
Profit before tax	**2,726**	*1,784*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2018: 19%)*	**518**	*339*
Effects of:		
Expenses not deductible for tax purposes	**1**	*1*
Adjustments to deferred tax charge in respect of prior periods	**(2)**	*-*
Total tax charge for the year	**517**	*340*

Factors that may affect 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 reflected in these financial statements.

8. Intangible assets

	Development expenditure £000
Cost	
At 1 September 2018	**343**
Additions	**334**
At 31 August 2019	**677**
Accumulated amortisation	
At 1 September 2018	**62**
Charge for the year	**130**
At 31 August 2019	**192**
Net book value	
At 31 August 2019	**485**
At 31 August 2018	*281*

9. Trade and other receivables

	2019 £000	*2018* *£000*
Trade receivables	**2,148**	*842*
Less: provision for impairment for trade receivables	**(38)**	*(5)*
Amounts owed by group undertakings	**6,131**	*3,413*
Other debtors	**3**	*341*
Prepayments	**12**	*23*
	8,256	*4,614*

In determining the recoverability of a trade receivable, the Company considers the ageing of each receivable and any change in circumstances of the individual customer. The Directors believe that there is no further provision required in excess of the allowance for doubtful debts.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales and the historical credit losses experienced. The current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables are also considered. The Company have assessed that there is no material adjustment to provisions required, to reflect the lifetime expected loss.

The maximum exposure to credit risk at the end of the period is the fair value of trade and other receivables. The Directors estimate that the carrying value of receivables is an approximation of their fair value.

Amounts owed by group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum *(2018: 8%).*

10. Trade and other payables

	2019 £000	*2018 £000*
Trade payables	**210**	*271*
Amounts owed to group undertakings	**1,766**	*1,158*
Other payables	**81**	*75*
Accruals	**1,771**	*1,736*
Contract liabilities	**862**	*297*
	4,689	*3,537*

Amounts owed to group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum *(2018: 8%)*.

11. Called up share capital

	2019 £	*2018 £*
Allotted, authorised, called up and fully paid		
100 *(2018 - 100)* Ordinary shares of £1 each	**100**	*100*

12. Controlling party

The immediate parent undertaking is Tes Global Limited, a company registered in England & Wales. The company and its immediate parent are both consolidated entities of Tes Topco Limited a company registered in England & Wales.

The ultimate parent of the Company is Tes Topco Limited. Copies of the smallest and largest parent in the group, Tes Topco Limited consolidated financial statements, which include the Company, are available from the Company Secretary, Tes Topco Limited, 26 Red Lion Square, London, WC1R 4HQ.

13. Events after the reporting date

The Company has considered the impact of post reporting date events up to and including the date of signing. In March 2020, the Group had drawn its full £25m revolving credit facility, which the Company has access to, should it be required, in order to further strengthen the capital structure. The revolving credit facility is due for repayment by September 2020, but can be extended as required.

The outbreak of the coronavirus COVID-19 is having a direct impact on the customer and supply chain. Whilst we have seen a reduction in transactional advertising and Supply revenue consistent with the reduced curriculum provision, our subscription renewals continue to perform well and activity levels in the Train and Empower areas have been high as schools adapt to new working practices. Considering that the spread of the virus accelerated during the first quarter of 2020, this event was classified as a non-adjusting event for accounting purposes. Given the uncertainties on the scope and length as well as the ongoing developments, the Group cannot give any accurate or reliable estimation on potential quantitative impacts currently. This may result in a challenged and volatile market environment. The assessment on the ability of the group to operate as going concern is disclosed under Note 1.5.

The impact of COVID-19 has no material impact on the Companies critical estimates and judgements disclosed in the accounting policies in relation to the year ended 31 August 2019.

After the reporting date on 31 August 2019, there were no other events of special significance which may have a material effect on the financial position and performance of the Group.