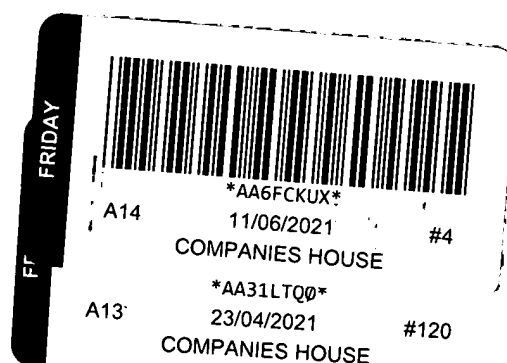

TES MIDCO LIMITED

**UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**



TES MIDCO LIMITED

COMPANY INFORMATION

Directors	S Krnic P Simpson R Williams
Registered number	11726755
Registered office	26 Red Lion Square London England WC1R 4HQ

TES MIDCO LIMITED

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TES MIDCO LIMITED
REGISTERED NUMBER: 11726755

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	2	<u>130,100</u>	<u>130,100</u>
Net assets		<u>130,100</u>	<u>130,100</u>
Capital and reserves			
Called up share capital	3	13,010	13,010
Share premium account	4	117,090	117,090
Total equity		<u>130,100</u>	<u>130,100</u>

The Directors of the Company have elected not to include a copy of the profit and loss account within the financial statements.

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

For the period ended 31 August 2020, the Company was entitled to an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The shareholders have not required the Company to obtain an audit of its accounts for the period in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 1 to 8 were approved by the Board of Directors on 8 April 2021 and signed on its behalf by



P Simpson
Director

The notes on pages 3 to 8 form part of these financial statements.

TES MIDCO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 2020**

	Called up share capital	Share premium account	Total equity
	£000	£000	£000
At 1 September 2019	13,010	117,090	130,100
At 31 August 2020	<u>13,010</u>	<u>117,090</u>	<u>130,100</u>

	Called up share capital	Share premium account	Total equity
	£000	£000	£000
At 14 December 2018	-	-	-
Shares issued during the period	13,010	117,090	130,100
At 31 August 2019	<u>13,010</u>	<u>117,090</u>	<u>130,100</u>

The notes on pages 3 to 8 form part of these financial statements.

TES MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies

1.1 Reporting entity

Tes Midco Limited (the "Company") is a limited company incorporated in the United Kingdom and domiciled in England. The Company's registered office is 26 Red Lion Square, London, WC1R 4HQ. The Company's principal activity is a holding company.

1.2 Basis of preparation of financial statements

The financial statements of Tes Midco 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 Finance Limited and is included in the consolidated financial statements of Tes Topco Limited, which are publicly available. The financial statements have been prepared in accordance with Companies Act 2006 as applicable to companies using FRS101, and under the historical cost convention. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The preparation of financial statements of Tes Midco Limited in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment 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. This covers all related party transactions entered into by this company; and
- The requirements paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 and 134-136 of IAS 1 Presentation of Financial Statements.

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

There were no new accounting standards adopted for the reporting year commencing 1 September 2019.

1.4 New accounting standards not yet adopted

Certain new accounting standard and interpretations have been published that are not mandatory for reporting periods ending 31 August 2020 and have not been early adopted by the Group. 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.

TES MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

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. The directors have considered their current cash flow projections, financing costs of the term loan and availability of the revolving credit facility. 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. The most significant impact for the Group arises on the potential closure of schools and the impact that this could have on school and teacher behaviour. UK schools remained open between September and December but have closed in January 2021 with the consensus being that this will be the case until March 2021. Despite the ongoing implementation of wider economic and social restrictions, it is apparent that the reopening of schools remains a key UK Government priority. The position varies by country across our International schools base. Encouragingly schools have remained open in Australia which is our individually most significant international market.

The Board has taken significant confidence from the manner in which the Group traded during the second half of the 2020 financial year despite the widespread schools closures in that period. In this period, we saw a reduction in the quantum of transactional advertising and supply revenue versus our original expectations. The remainder of our business, where revenue is largely covered by recurring subscription contracts, performed materially in line with our expectations. Our trading experience in the first four months of the 2021 financial year has been strong with revenue and cash generation in line with our expectations.

Following our disposal of the Supply businesses in December 2020, the potential adverse impact of school closures is materially reduced. Our most significant area of risk arises from a slowdown in overall teacher recruitment volumes. In revenue terms this would result in a reduction in transactional advertising.

The Board has prepared a prudent budget for the 2021 financial year with a combination of modest new business sales and cost reduction to mitigate any potential performance risk. Further to this, we have considered the potential impact that school closures would have on the revenue we generate from transactional advertising. Should revenue reduce to levels seen in the second half of 2020, schools would need to remain fully closed for more than a year before the Group would come close to a potential breach of quarterly banking covenants. We do not believe this is a realistic scenario. EBITDA headroom at each of the quarterly covenant test points from February 2021 to February 2022 exceeds £10m before the application of sensitivities. This headroom is based on no specific cost mitigation exercises and an assumption of ongoing investment in the business. Discretionary cost management and broader cost reduction initiatives are available to the Group in the event that we experience a material reduction in revenue.

TES MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.5 Going concern (continued)

In consideration of the above factors, we do not believe that there is a scenario that would result in the Group reaching a point where it may breach its existing financial covenants. However, it is unclear for how long there will remain a risk of school closures and possible disruption to our business from COVID 19. The consolidated financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

1.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

1.7 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.

1.8 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.

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.

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

TES MIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2020**

2. Investments

**Investments
in subsidiary
undertakings
£000**

Net book value

At 1 September 2019	130,100
Additions	
At 31 August 2020	<u>130,100</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Holding
Tes Global Finance Limited*	Holding and finance company	100 %
Tes Acquisition limited	Holding company	100 %
Tes Global Group Limited	Holding company	100 %
Tes Global Holdings Limited	Holding company	100 %
Tes Finance Limited	Holding and finance company	100 %
TSL Education SPV 2 Limited	Holding and finance company	100 %
Tes Education Resources Limited	Digital resources platform	100 %
Electronic Blackboard Limited	Dormant	100 %
englishteaching.co.uk Limited	Dormant	100 %
Tes Global Limited	Digital education services	100 %
Tes Global Services Limited	Holding company	100 %
TSL Education US Holdings Limited	Holding company	100 %
TSL Education US, Inc.^	Holding company	100 %
Tangient LLC^	Software and development services	100 %
Tes Global Hong Kong Limited^	Recruitment	100 %
Tes Supply Limited	Holding company	100 %
Tes Bidco Limited	Holding company	100 %
ABC Teachers Limited	Teacher recruitment agency	100 %
Vision for Education Limited	Provision of supply teachers	100 %
Smart Education Limited	Provision of supply teachers	100 %
Smart Education (Australia) Pty Limited^	Provision of supply teachers	100 %
Smart Teachers Limited	Dormant	100 %
Hibernia College UK Limited	Provider of web based education qualifications	100 %

TES MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2020

2. Investments (continued)

EduKey Education Limited	Provision of education services	94 %
Tes Aus Global Pty Limited [^]	Information provider	100 %
TSL Education Limited	Dormant	100 %
The Times Education Supplement Limited	Dormant	100 %
Educational Exhibitions Limited	Dormant	100 %
The Times Higher Education Supplement Limited	Dormant	100 %
Educare Education Limited	Provision of e-learning services	100 %
Motivation Management Limited	Dormant	100 %
Edval Timetables Pty Limited (Australia)	Holding company	100 %
Edval Holdings Pty Limited (Australia)	Holding company	100 %
Edval Education Pty Limited (Australia)	Software company	100 %
Edval Education Limited (UK)	Software company	100 %
Tutor In Limited (UK)	Software company	100 %

* denotes subsidiaries held directly by the company

[^]All companies are registered to: 26 Red Lion Square, London, WC1R 4HQ except for:

- TSL Education US, Inc: 160 Greentree Drive, Suite 101, Dover, Delaware 19904 USA
- Tangient LLC: 818 West Seventh Street, Suite 930, Los Angeles, CA 90017 USA
- Tes Aus Global Pty Ltd: 250 Bay Street, Brighton, Vic, 3186, Australia
- Tes Global Hong Kong Ltd: 18th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong
- Smart Education (Australia) Pty Ltd: Level 18 530 Collins Street, Melbourne VIC 300, Australia

TES MIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2020**

3. Called up share capital

	2020 £000	2019 £000
Allotted, authorised, called up and fully paid		
130,100,000 (2019:130,100,000) Ordinary shares of £0.10 each	<u>13,100</u>	<u>13,100</u>

4. Share premium

	2020 £000	2019 £000
Share premium	<u>117,090</u>	<u>117,090</u>

5. Controlling party

The immediate parent undertaking is Tes Topco 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.

6. Events after the reporting period

The Company has considered the impact of post reporting date events up to and including the date of signing.

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 2020.

After the reporting date on 31 August 2020, there were no other events of special significance which may have a material effect on the financial position and performance of the Company.