Registered number: 05855261

EDUKEY EDUCATION LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2019

EDUKEY EDUCATION LTD

COMPANY INFORMATION

Directors	Mr J Romer-Lee Mr G Sasnauskas Mr P Simpson Mr D Wilson
Registered number	05855261
Registered office	26 Red Lion Square London WC1R 4HQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors 1 Embankment place London England WC2N 6RH

EDUKEY EDUCATION LTD

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DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2019

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

Principal activities

The principal activity of the Company is that of the provision of educational software.

Business update

On 17 March 2016, Tes Global Limited acquired a 45% stake in the Company and exercised an option for an additional 30% stake holding on 1 July 2018.

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 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 Period, after taxation, amounted to £1,457k *(year ended 31 May 2018: £505k)*.

The Directors do not recommend payment of a dividend *(2018: £nil)*.

Financial performance of the Group as a whole, for the period 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 Period and up to the date of signing the financial statements were:

Mr R Grimshaw (appointed 28 August 2018 and resigned 26 June 2020)
Mr J Romer-Lee (appointed 12 June 2018)
Mr G Sasnauskas
Mr P Simpson (appointed 28 August 2018)
Mr D Wilson

Directors' and officers' indemnity

The Company maintains qualifying third party 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.

Political donations

The Company did not make any political donation during the period *(2018: £nil)*.

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
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 depend against potential threats.

Principal risks and uncertainties (continued)

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.

Financial risk management

The Company's debt financing exposes it to a variety of financial risks that include the effects of changes in liquidity and interest rates. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided in the Group's Annual Report which does not form part of this report.

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.

Subsequent events

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

On 19 August 2020 the second call option was exercised and Tes Global Limited, the Company's parent company, purchased a further 19% of the share capital of the Company, taking Tes Global Limited's ownership to 94%.

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.

The Group has been actively monitoring the developments in respect of COVID-19. With schools currently closed in the UK and across many countries that the Group operates in, we have taken steps to protect the business from the impact of lost revenue that potentially arises. 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. To date, we have undertaken a number of steps including, but not limited to, the furloughing of UK employees, voluntary salary reductions for higher earners, a reduction in discretionary expenditure and the reprioritisation and phasing of certain capital expenditure programmes. In addition, we have drawn the full RCF available to us to ensure that maximum liquidity is available at all times. To date, our cash collection has remained consistent with previous periods. There remains fundamental uncertainty around the period for which schools will be closed and we have highlighted the potential impact that this may have in our going concern statement.

On 19 August 2020 the second call option was exercised and Tes Global Limited, the Company's parent company, purchased a further 19% of the share capital of the Company, taking Tes Global Limited's ownership to 94%.

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

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 AUGUST 2019

Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Disclosure of information to auditors

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.

Independent auditors

The 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 25 August 2020 and signed on its behalf.

P Simpson
Director

Independent auditors' report to the members of Edukey Education Limited

Report on the audit of the financial statements

Opinion

In our opinion, Edukey Education 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 15 month period (the "period") 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, the statement of changes in equity for the period 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 Edukey Education 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 period 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.

Other matter

The financial statements for the year ended 31 May 2018, forming the corresponding figures of the financial statements for the 15 month period ended 31 August 2019, are unaudited.

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 August 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 AUGUST 2019

	Note	**Period 1 June 2018 to 31 August 2019 £'000**	Unaudited Year ended 31 May 2018 £000
Revenue	2	**4,086**	2,007
Gross profit		**4,086**	2,007
Administrative expenses		**(2,416)**	(1,474)
Other operating income	4	**-**	46
Operating profit	3	**1,670**	579
Interest receivable and similar income	7	**171**	1
Interest payable and similar expenses	8	**(2)**	-
Profit before taxation		**1,839**	580
Tax on profit	9	**(382)**	(75)
Profit and total comprehensive income for the financial period/year		**1,457**	505

There was no other comprehensive income for the period ended 31 August 2019 *(year ended 31 May 2018: £nil)*

The notes on pages 11 to 27 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019

	Note	31 August 2019 £000	Unaudited 31 May 2018 £000
Non-current assets			
Intangible assets	12	**241**	-
Right of use assets	11	**18**	
Property, plant and equipment	10	**5**	2
		264	2
Current assets			
Trade and other receivables	13	**4,305**	1,215
Deferred tax asset	13	**3**	-
Cash and cash equivalents		**864**	1,560
		5,172	2,775
Current liabilities			
Trade and other payables	14	**(3,581)**	(2,378)
Net current assets		**1,591**	396
Net assets		**1,855**	398
Capital and reserves			
Called up share capital	16	-	-
Retained earnings		**1,855**	398
Total Equity		**1,855**	398

The notes on pages 11 to 27 form part of these financial statements.

The financial statements on pages 8 to 27 were authorised for issue by the board of directors on 25 August 2020 and were signed on its behalf by:

P Simpson
Director

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

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 June 2018	**-**	**398**	**398**
Comprehensive income for the Period			
Profit for the Period	-	1,457	1,457
Total comprehensive income for the Period	**-**	**1,457**	**1,457**
At 31 August 2019	**-**	**1,855**	**1,855**

	Called up share capital	(Accumulated) Losses/ Retained earnings	Total equity
	£000	£000	£000
At 1 June 2017 (unaudited)	**-**	**(107)**	**(107)**
Comprehensive income for the year			
Profit for the year	-	505	505
Total comprehensive income for the year	**-**	**505**	**505**
At 31 May 2018 (unaudited)	**-**	**398**	**398**

The notes on pages 11 to 27 form part of these financial statements.

1. Accounting policies

1.1 Reporting entity

EduKey Education Ltd (the 'Company') is a private limited company incorporated in the United Kingdom and domiciled in Wales. The Company's registered office is at 26 Red Lion Square, London, WC1R 4HQ. The Company's principal activity is the provision of educational software.

1.2 Basis of preparation of financial statements

The financial statements of Tes Global 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 Limited and is included in the consolidated financial statements of Tes Topco Limited, which are publicly available. The financial statements have been prepared under the historical cost convention and in accordance with FRS 101 and the Companies Act 2006.

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:

- IAS 7 Statement of Cash Flows; and
- 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 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 Revenue from contracts with customers;
- The requirements of IFRS 7 Financial Instruments: Disclosures.

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 period

Certain new accounting standards and interpretations have been published that are not mandatory for 31 August 2019 reporting periods 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.

On the basis that IFRS 15 Revenue from contracts with customers is applicable to the Company, the Company has chosen to early adopt IFRS 16 Leases (effective date for periods starting 1 January 2019). The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

1. Accounting policies

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 June 2018.

IFRS 15 "Revenue from contracts with customers"

From 1 June 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 June 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"

From 1 June 2018, the Company has retrospectively adopted IFRS 16 Leases, using the modified retrospective approach, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 June 2018.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 June 2018 was 3.5%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

On transition, the impact on the Company is to recognise a right of use asset of £55k, a discounted liability of £55k, depreciation of £37k and release of lease liability of £34k.

1. Accounting policies

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.

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. Accounting policies

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 period.

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 Revenue

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 raised under a subscription contract is recognised on a straight line basis over the period that the subscription runs.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. 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.

1.8 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. Accounting policies

1.9 Current and deferred taxation

The tax expense for the period 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.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.10 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 is recognised in profit and loss. Subsequent expenditure is capitalised if it is probably that future economic benefits associated with the expenditure, will flow to the Company.

Depreciation on assets under construction does not commence until they are complete and available for use. 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:

The estimated useful lives range as follows:

Furniture and equipment	25% reducing balance

1. Accounting policies

1.11 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.

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.

1.12 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 1.13. Subsequent recoveries of amounts previously written off, are credited to profit and loss.

1.13 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 has assessed that no material adjustment to provisions is required to reflect the lifetime expected loss.

1. Accounting policies

1.14 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.

1.15 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.

1.16 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 relating to the creation of software are capitalised if it is probable that the expected future economic benefits attributable to the asset, will flow to the Company and the costs can be reliably measured.

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

2. Revenue

An analysis of revenue by class of business is as follows:

	2019	*Unaudited 2018*
	£000	*£000*
Fee revenue	**4,086**	*2,007*
	4,086	*2,007*

All revenue arose within the United Kingdom.

3. Operating profit

The operating profit is stated after charging (crediting):

	Period 1 June 2018 to 31 August 2019 £000	*Unaudited Year ended 31 May 2018 £000*
Foreign exchange gain	**-**	*(1)*
Depreciation of right of use assets	**37**	-
Depreciation of tangible fixed assets	**2**	*1*
Amortisation of intangible assets, including goodwill	**16**	-
Research and development	**-**	*406*

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

No research and development applications have been made in the year.

4. Other operating income

	2019 £000	*Unaudited 2018 £000*
Research & development tax credit	**-**	*46*
	-	*46*

5. Employees

Staff costs were as follows:

	2019 £000	*Unaudited 2018 £000*
Wages and salaries	**743**	*563*
Social security costs	**406**	*212*
Other pension costs	**12**	*7*
	1,161	*782*

5. Employees (continued)

The average monthly number of employees, including the Directors, during the Period was as follows:

	2019 No.	*Unaudited 2018 No.*
Average number of staff (including Executive Directors)	45	*31*

6. Directors' remuneration

	31 August 2019 £000	*Unaudited 31 May 2018 £000*
Aggregate emoluments (excluding pension contributions)	107	*93*

The emoluments of P Simpson and J Romer-Lee are remunerated by Tes Acquisition Limited and Tes Global Limited, respectively. 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 period ended 31 August 2019 (*2018:£nil*).

Highest paid Director:

	31 August 2019 £000	*Unaudited 31 May 2018 £000*
Aggregate emoluments (excluding pension contributions)	53	*53*

7. Interest receivable and similar income

	2019 £000	*Unaudited 2018 £000*
Interest receivable from group companies	171	*-*
Other interest receivable	-	*1*
	171	*1*

8. Interest payable and similar expenses

	2019 £000	*Unaudited* *2018* *£000*
Interest payable to group companies	1	-
Interest payable on lease liabilities	1	-
	2	-

9. Tax on profit

	2019 £000	*Unaudited* *2018* *£000*
Corporation tax		
Current tax on profits for the period/year	353	75
Adjustments in respect of previous periods	32	-
Total current tax	385	75
Origination and reversal of timing differences	(3)	-
Total deferred tax	(3)	-
Taxation on profit	382	75

9. Tax on profit (continued)

Factors affecting tax charge for the period/year

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

	2019 £000	*Unaudited 2018 £000*
Profit before tax	**1,842**	*580*
Profit multiplied by standard rate of corporation tax in the UK of 19% *(2018:19%)*	**350**	*110*
Effects of:		
Adjustments in respect of prior periods	**32**	-
Utilisation of tax losses	-	*(18)*
Set off notional from R & D	-	*(17)*
Total tax charge for the period/year	**382**	*75*

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.

Deferred taxation

	2019 £000	*Unaudited 2018 £000*
At beginning of period/year	-	-
Credited to profit or loss	**(3)**	-
At end of period/year	**(3)**	-

The deferred tax asset comprises short term timing differences.

10. Property, plant and equipment

	Furniture and Equipment £000
Cost or valuation	
At 1 June 2018	8
Additions	5
At 31 August 2019	13
Accumulated depreciation	
At 1 June 2018	6
Charge for the Period on owned assets	2
At 31 August 2019	8
Net book value	
At 31 August 2019	5
At 31 May 2018	*2*

11. Right of use assets

	Right of use assets £000
Cost	
At 1 June 2018	-
Impact of change in accounting policy	55
At 31 August 2019	**55**
Depreciation	
At 1 September 2018	-
Charge for the year	37
At 31 August 2019	**37**
Net book value	
At 31 August 2019	**18**
At 31 August 2018	*-*

Amounts recognised in the income statement:

	2019 £000	*2018 £000*
Depreciation charge (note 3)	37	-
Interest expense (note 8)	1	-
	38	*13*

IFRS 16 *Leases* was adopted from 1 June 2018. Right of use assets relate to property leases held by the Company. The interest charge on the lease liabilities of £1k has been included in finance costs (note 8) and the depreciation charge of £18k in the period is included within administrative expenses (note 3).

12. Intangible assets

	Development expenditure £000	Assets under construction £000	Total £000
Cost			
Additions - internal	186	71	257
At 31 August 2019	186	71	257
Accumulated amortisation			
Charge for the period	16	-	16
At 31 August 2019	16	-	16
Net book value			
At 31 August 2019	170	71	241
At 31 May 2018	-	-	-

An amortisation charge of £16,000 in the period is included within administrative expenses in the Statement of Comprehensive Income.

13. Trade and other receivables

	31 August 2019 £000	*Unaudited 31 May 2018 £000*
Due after more than one year		
Deferred tax asset	**3**	-
	3	-

The deferred tax asset comprises short term timing differences *(2018: £nil)*.

	31 August 2019 £000	*Unaudited 31 May 2018 £000*
Due within one year		
Trade receivables	**722**	*984*
Amounts owed by group undertakings	**3,581**	-
Other receivables	-	*134*
Prepayments and accrued income	**2**	*5*
Corporation tax repayable	-	*91*
	4,305	*1,214*

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

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.

14. Trade and other payables

	31 August 2019 £000	*Unaudited 31 May 2018 £000*
Amounts owed to group undertakings	**23**	-
Corporation tax	**183**	*75*
Other taxation and social security	**292**	*111*
Accruals and deferred income	**3,062**	*2,192*
Lease liabilities (note 15)	**21**	-
	3,581	*2,378*

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

15. Lease liabilities

	31 August 2019 £000	*Unaudited 31 May 2018 £000*
Current		
Lease liabilities	**21**	-
	21	-
Total lease liabilities	**21**	-

16. Called up share capital

	31 August 2019 £	*Unaudited 31 May 2018 £*
Allotted, called up, authorised and fully paid		
100 *(2018 - 100)* Ordinary shares of £1.00 each	**100**	*100*

17. Related party disclosure

Under FRS101 the exemption in paragraphs 17 and 18A in respect of related party transactions applies.

18. Transactions with key management personnel

Under FRS101 the exemption in paragraphs 17 and 18A in respect of key management services applies.

19. Controlling party

As of 1 July 2018, Tes Global Limited owned 75% of the share capital and Mr D Wilson and Mr G Sasnauskas owned 13% and 12%, respectively.

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. Tes Topco Limited is the ultimate parent company.

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.

20. 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.

On 19 August 2020 the second call option was exercised and Tes Global Limited, the Company's parent company, purchased a further 19% of the share capital of the Company, taking Tes Global Limited's ownership to 94%.

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.