Registered number 11727093 (England and Wales)

Tes Topco Limited

Annual report and consolidated financial statements

for the year ended 31 August 2020

TES TOPCO LIMITED ANNUAL REPORT DISCLAIMER

This annual report has been prepared on the basis of information available to Tes Topco Limited and its subsidiaries (the "**Group**") as at the date hereof.

This annual report contains forward-looking statements. Forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue", "believe", "anticipated", "estimated", "intends", "expect", "plan", "seek", "projection", "suggest", "outlook", "should", "could", "would", "may", "will", "forecast", and other similar expressions or, in each case, their negative or other variations or comparable terminology.

These statements involve predictions of our future financial condition, performance, plans and strategies, and are thus dependent on a number of factors including, without limitation, assumptions and data that may be imprecise or incorrect. Forward-looking statements are subject to risks and uncertainties. Actual results or outcomes may differ materially from those expressed in any forward-looking statements made in this annual report. We caution you not to place undue reliance on any of these forward-looking statements.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

This annual report contains financial information prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This annual report contains non-GAAP measures and ratios. The non-GAAP measures and ratios may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation. Information needed to reconcile such non-GAAP financial measures to the most directly comparable measures under IFRS can be found in the *Strategic Report* section of the Annual Report.

Tes Topco Limited

Annual report and consolidated financial statements

for the year ended 31 August 2020

Contents

Tes Topco Limited

Directors and advisers

Directors
Mr R Williams (appointed 7 July 2020)
Mr E Hughes
Mr D Leigh
Mr D Rammal
Mr P Simpson
Mr P Wilde
Mr J Johnson

Company Secretary
Mr P Simpson

Registered Number
11727093

Registered Office
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London
England
WC1R 4HQ

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
29 Wellington Street
Leeds
LS1 4DL

Tes Topco Limited

Strategic report

Introduction

Tes Topco Limited ("TTC") is the parent undertaking for the trading activities of Tes Global Limited and its subsidiaries ("Tes"). Tes is a global digital education technology business helping teachers and schools succeed by providing essential software and services. Our mission is to support and connect teachers and schools worldwide, helping them to improve children's lives through education.

Business review

Tes employs over 800 people in four countries working collaboratively with our customers and the broader education community around the world. We provide a number of different services to teachers and schools, with revenue categorised into the following:

- Attract – predominantly subscription-based recruitment services for schools encompassing a digital recruitment platform and bespoke recruitment services;
- Train – teacher training services covering blended online training through specific subject knowledge enhancement and initial teacher training through to online licenses for duty of care and safeguarding training;
- Empower – technology tools for schools and teachers covering classroom needs planning, pupil behaviour management and an online marketplace for free and premium teaching resources; and
- Supply – the provision of supply teaching services to schools. Please see paragraph below concerning the disposal of the Tes Supply businesses in December 2020.

Alongside these market leading offerings, we remain the preeminent source of the latest news and information covering schools and the wider education sector, having published news and opinion for over 100 years. Our news site averages approximately 81 thousand visits each day and our weekly magazine, of which there are over 15 thousand subscribers, is read by multiple people per subscription.

Tes.com is home to a network of over 13 million educators and education enthusiasts worldwide. In addition to our news content, online discussion forums and recruitment platform, we host a global marketplace enabling educators to discover, share and sell paid and free classroom resources and lesson plans each year. In the twelve months to August 2020, 1.1m such resources were downloaded 50m times *(2019: 36.7m)*.

Tes.com/jobs is the largest recruitment platform in the UK for permanent teaching roles, with 100% of our job listings advertised online and with a significant presence globally through customer relationships with well over 1,000 International schools. We have a very successful recruitment subscription offering allowing schools to benefit from unlimited adverts and cost certainty. All advertisers have access to our School Portal which combines a seamless recruitment process for schools (from job posting to application management) with access to additional Tes services.

The recruitment platform is driven by a highly engaged user base of global teaching professionals whose consumption of news, resources and training solutions generate in excess of one million unique users each month. Teacher engagement with these services means that Tes remains the platform where schools are most likely to find the highest quality candidates for their vacancies, whether they are active or passive jobseekers.

Our strategy is to continue to invest in developing new solutions and acquiring suitable businesses that complement our approach. Tes sees significant opportunity to expand our business within the UK and internationally building on our existing reputation and footprint. The successful performance of the Edval, Edukey and Educare acquisitions since joining the Tes Group illustrates the rationale for this approach. We see opportunity to acquire additional skills and services and are actively engaged in the screening and pursuit of acquisition opportunities.

Tes Topco Limited

Strategic report (continued)

Business development

Acquisition of Edval Education Pty Limited ("Edval") and Tutor In Limited ("Tutor In")

In November 2019, Tes acquired Edval and Tutor In. These acquisitions continue our strategy of strengthening our service offering with complementary capability and skills. Edval is a market leading provider of school timetabling software, with their tools simplifying and improving the process of school timetabling. Edval is well established in the Australian market and has enjoyed early success within the broader international and UK school systems. Tutor In is an online recruitment toolkit that helps find candidates for jobs through its Two Sigmas service.

Disposal of the Tes supply businesses

Subsequent to the year end on 21 December 2020, Tes sold Tes Supply Limited and its subsidiaries (Tes Bidco Limited, Vision for Education Limited, ABC Teachers Limited and Smart Education Limited) to Lloyds Development Capital Limited for a total consideration of £27.0m. Consideration comprised up-front cash of £12.5m, additional cash due in June 2022 £1.25m, deferred consideration determined by post-sale performance of £6.25m and loan notes issued of £6.25m. This disposal was a strategic decision in order to allow Tes to focus on its strategic priorities.

Impact of COVID-19

A detailed review of the impact of Covid-19 on the Group is included in Note 31.

Business overview and financial highlights

For the year ended 31 August 2020, TTC reported net revenue of £99,464k *(2019: £98,250k)*, a management adjusted EBITDA of £43,649k *(2019: £41,237k)* and a loss for the year of £35,447k *(2019: £36,531k)*.

These results, which include the results of the discontinued operations, are summarised as:

	Year ended 31 August 2020 £'000	**Year ended 31 August 2019 £'000**	***% change***
Attract	58,185	60,765	*(4)%*
Train	14,057	9,563	*47%*
Empower	15,194	11,344	*34%*
Supply	12,028	16,578	*(27)%*
Net revenue	**99,464**	**98,250**	***1%***
Other income	725	1,540	*(53)%*
Management adjusted EBITDA	**43,649**	**41,237**	***6%***
	44%	***42%***	

Management Adjusted EBITDA is a non GAAP measure used to monitor the performance of the business and is defined as operating profit before depreciation, amortisation, impairment, other non-recurring and separately reported items (note 2), foreign exchange and fair value adjustments and one off other costs that management deem should be adjusted to show an underlying profit number used in order to manage, drive and value the business.

Whilst the Group reported a growth in net revenue of 1% to £99,464k *(2019: £98,250k)* and a growth in management adjusted EBITDA of 6% to £43,649k *(2019: £41,237k)*, the overall performance was adversely impacted by COVID in the second half of the year.

In net revenue terms this can be seen in the reduction in Attract (transactional advertising element) and Supply. We estimate that the adverse impact from COVID across these two revenue lines was approximately £7,100k.

Key performance highlights were as follows:

- Attract fell 4% in the year to £58,185k *(2019: £60,765k)*. Revenue from advertising recruitment subscription increased to £42,284k *(2019: £37,635k)* reflecting the successful take up of subscription services and the migration of transactional advertising customers to subscriptions;

Business overview and financial highlights (continued)

- This, coupled with the aforementioned impact of COVID, saw a £6,550k reduction in transactional advertising to £11,190k *(2019: £17,740k)*;
- The £4,494k increase in Train revenue reflects a full year contribution from Educare, acquired in August 2019, contributing £4,405k *(2019: £nil)*;
- Empower grew 34% in the year to £15,194k *(2019: £11,344k)*. This largely reflects strong growth in our Edukey business and a nine month contribution from the Edval acquisition of £3,922k *(2019: £nil)*; and
- Supply net revenue was £12,028k, a decline of 27% on the prior year amount of £16,578k. The year on year reduction reflected entirely the impact that COVID had on the number of supply days sold to schools in the second half of the year when schools were closed.

Prior to the advent of COVID, the Group was trading in line with expectations. The closure of schools led to a period of uncertainty and the Board took some specific actions to mitigate as far as possible the financial impact that this would have on the business. This included the following:

- Control of all discretionary expenditure in areas such as marketing, campaigns, events and related matters;
- Cessation of all employee related travel;
- The furlough of employees in areas where activity levels were reduced. In total, over 200 colleagues were furloughed at various points during the year. The total amount received in the year in respect of furlough payments was £1,290k *(2019: £nil)*;
- Tes Australia claimed an amount of $0.4m (£0.2m) in respect of the Job Keepers Programme, a scheme put in place to support Australian businesses that had experienced a reduction in revenue relative to prior periods; and
- Took advantage of the ability to defer payment of VAT under the VAT COVID19 deferral scheme.

Tes Topco Limited

Strategic report (continued)

Business overview and financial highlights (continued)

A reconciliation of management adjusted EBITDA to net profit from continuing operations is provided as follows:

	12mths ended 31 August 2020 £'000	12mths ended 31 August 2019 £'000	7mths ended 31 August 2019
EBITDA from continuing operations	40,906	35,562	21,639
EBITDA from discontinued operations	2,421	5,533	3,051
EBITDA pro-forma adjustment for Edval/Tutor In	147	-	-
Group EBITDA *	**43,474**	**41,095**	**24,690**
THE EBITDA to 14 December (1)	-	(631)	-
Pro-forma adjustment for TSA revenue (2)	-	514	-
Central costs incurred (3)	175	259	352
Management adjusted EBITDA	**43,649**	**41,237**	**25,042**
Depreciation and amortisation (note 2)	(18,424)	(18,447)	(12,054)
Non-recurring and separately reported costs (note 2)	(6,854)	(32,044)	(8,150)
Costs incurred related to COVID-19	(755)	-	-
Fair value adjustment on consolidated deferred revenue (note 4)	-	(5,007)	(5,007)
Impairment of goodwill and intangibles (notes 2 & 9)	(21,186)	(23,975)	(23,975)
Profit related to minority interest (note 29)	(182)	(289)	206
Foreign exchange	(84)	218	218
Discontinued operations	(1,958)	-	-
Operating loss	**(5,794)**	**(43,087)**	**(26,391)**
Finance income (note 5)	29	44	17
Finance cost (note 5)	(27,793)	(30,244)	(15,292)
Income tax expense (note 6)	(3,124)	2,111	3,046
Loss for the year from continuing operations	**(36,682)**	**(71,176)**	**(38,620)**
Profit from discontinued operations (note 30)	1,235	1,003	2,089
Loss for the year	**(35,447)**	**(70,173)**	**(36,531)**

Note EBITDA is a further measure of financial performance which takes management adjusted EBITDA and adds back central costs, the profit from THE prior to hive off, and a pro-forma adjustment for TSA revenue. EBITDA and Management adjusted EBITDA is not a measure of financial performance under IFRS, but is presented because we believe that it is a relevant measure for assessing our performance as it adjusts for certain items which we believe are not indicative of our underlying operating performance.*

(1) THE EBITDA up to the point of sale in December is eliminated to reflect results from continuing operations;
(2) TSA revenue is viewed by Management on an LTM (last twelve months) basis and therefore, the full twelve months impact is reflected;
(3) The costs incurred in Group Holding companies are added back as a non-operating cost.

Tes Topco Limited

Strategic report (continued)

Business overview and financial highlights (continued)

The financing available to the Group is held in Tes Acquisitions Limited ("TACL"), management adjusted EBITDA for the Group up to TACL level, is presented as follows:

	31 August 2020 £'000	31 August 2019 £'000
Management adjusted EBITDA	43,649	41,237
Costs incurred in Tes Topco Limited company*	(148)	-
Management adjusted EBITDA for Group up to Tes Acquisition Limited	**43,501**	**41,237**

Note costs incurred in the Tes Topco Limited company comprise the salary costs of a non-Executive Director, refer to Note 21.*

Liquidity and Capital Resources

Capital Resources
Our primary sources of liquidity consist of cash generated from operating activities and available drawings under the Revolving Credit Facility of £25m, of which £25m was drawn down and remained in place as at the year end. The cash balance at the end of the year was £40.3m *(2019: £12.0m)*.

As a result of the global pandemic resulting from COVID-19, the Group drew down the full revolving credit facility available in March 2020 in order to support the Group's ability to meet its obligations throughout a significant period of uncertainty. This was repaid in full in September 2020.

Further commentary is made with regards to the wider impact of COVID-19 on the Group in Note 32. We believe that the sources of funding available are sufficient to fund our debt servicing requirements as they become due and working capital requirements for the next 12 months from the date of approval of these financial statements. Our ability to generate positive cash flow from operations will depend on our future performance, which is driven by previously discussed factors.

Net cash generated from operating activities
Net cash generated from operating activities amounted to £43.0m for the year ended 31 August 2020 *(2019: £20.0m)*. EBITDA to operating cash flow was 94% in the year.

Net cash used in investing activities
The net cash outflow in relation to investing activities was £22.8m *(2019: £6.4m)* for the year ended 31 August 2020, being £0.3m of plant, property and equipment purchased (2019: £2.4m), £6.4m of intangible assets acquired *(2019: £3.9m)*, purchase of a further interest in Edukey £7.2m and the net cash impact of acquisitions of £8.9m *(2019: £0.2m)*.

Net cash used in financing activities
Net cash from financing activities was a £8.1m inflow for the year ended 31 August 2020 *(2019: £1.6m outflow)*. Comprising a net draw down of £20.0m from the RCF facility, net investment in right of use assets of £2.6m, interest repaid on the senior loan facility in the year of £11.6m and £0.3m of interest on lease liabilities, as well as cash outflows in respect of lease liabilities of £2.6m.

Material Contractual Commitments
The table below sets forth our contractual obligations and commercial commitments as at 31 August 2020 that are expected to have an impact on liquidity and cash flow in future periods. The following table excludes any future interest payments on our Term Loan that we would be required to make. The table also excludes any amount that would be available under the Revolving Credit Facility Agreement if it were to be utilised. The information presented in this table reflects management's estimates of the contractual payment streams of our current obligations, which may differ significantly from the actual payments made under these obligations.

Liquidity and Capital Resources (continued)

£'m	Payments due by period			
	Less than 1 year	**1 - 5 years**	**More than 5 years**	**Total**
Term loan(1)	-	-	195.0	195.00
RCF drawn down(2)	25.0	-	-	25.0
Lease liabilities(3)	1.8	3.4	0.9	6.1
Put/call options(4)	-	2.4	-	2.4
Preference shares(5)	-	-	129.9	129.9
Total	26.8	5.8	325.8	358.4

(1) Represents the aggregate principal amount of the Term Loan
(2) Represents the amount drawn down against the available RCF facility of £25m
(3) Represents the rent on our corporate headquarters and other leased office space
(4) Relates to options to acquire the remaining interest in EduKey (£2.4m)
(5) Represents the value of allotted preference shares (£129.9m)

Term Loan
A term loan of £195m was provided on 31 January 2019 with a termination date of 31 January 2026. Interest accrues at a rate of 5% plus LIBOR and is payable on a semi-annual basis.

The terms of the loan restrict the ability of the Group to, among other things, incur more debt, pay dividends, repurchase stock and make distributions and certain other payments and investments, create liens, enter into transactions with affiliates, transfer or sell assets, impair security interest, provide guarantees of other debt, agree to restrictions on dividends by subsidiaries, expand into unrelated businesses and merge or consolidate. The Group is required to submit annual audited financial statements and covenant compliance certificates under the terms of the Term Loan.

Revolving Credit Facilities Agreement
On 31 January 2019, the Company, together with other members of the Group, entered into the Revolving Credit Facilities Agreement, which provides for £25m of committed financing, all of which can be drawn by way of loans, ancillary facilities or letters of credit. This facility is available to the Group for the duration of the Senior Loan Facility, up to 31 January 2026.

Working Capital
Our successful progress in driving adoption of advertising subscription packages has resulted in a more predictable and less volatile working capital profile in the business. Historic high working capital periods in January to March are now much lower reflecting lower transaction revenue. Our recent acquisitions have similarly positive working capital characteristics.

Principal risks and uncertainties

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

Market risk
Changes in teacher turnover directly influence the Group's revenue and therefore future performance may be affected by changes in teacher mobility. The Group performs periodic market reviews to identify any underlying changes in the rate of teacher turnover. Teacher turnover is influenced by a number of factors, including public sector spending and recessionary pressures. Management performs periodic reviews to identify any underlying changes in the level of demand.

In relation to the global pandemic COVID-19, detailed commentary has been provided in Note 32.

Principal risks and uncertainties (continued)

Competitive risk
Tes supports schools by attracting the right teachers to the right jobs. This will continue to deliver value to our customers. The main competitive threats facing the Group are from current competitors, potential new entrants and the adoption of technological changes in education. In the opinion of the Directors, Tes has a sufficiently well-established position in the marketplace to defend against potential threats and indeed sees technological advancement as an overall opportunity.

Cyber risk
The Group uses and provides to its customers a wide range of technology and is therefore at risk of harm from illegal cyber activity. The Group has implemented a range of policies and procedures and employs an experienced team of technicians who continue to review and react to potentially harmful cyber activity.

People risk
The Group competes across the market for a wide range of specific skills. In order to retain and attract these skills, there is a continual investment in the health and wellbeing of employees through training and support programs. The provision of technology and communication facilities allows employees the ability to work periodically from any location, which in turn allows for the employment of specific skill sets outside the location of Group offices.

Credit risk
The Group ensures that appropriate credit checks are made on potential customers before sales are made. Management regularly reviews outstanding receivables and debtor recovery plans, together with credit limits across most of our largest customers. The Group's policy is to deposit surplus cash with internally approved banks. These banks are reviewed at least annually to ensure that appropriate credit ratings are maintained.

Cash flow/ liquidity risk
The Group has sufficient funds to service the annual cost of its financing. The Group has access to a £25m revolving credit facility. As at 31 August 2020, the facility was fully drawn down due to uncertainty surrounding trading throughout the global pandemic. The RCF was fully repaid in September 2020.

Price risk
Future turnover remains sensitive to changes in advertising rates and overall market dynamics. The Group performs periodic market reviews to ensure that all rates remain competitive.

Renewal risk
Future revenue will be impacted by subscription renewal rates as the proportion of our revenue generated from such arrangements continues to grow. The Group continues to invest in a range of areas to ensure renewal rates improve including account management capabilities and technology facilitating the overall customer service we offer our customers.

On behalf of the board on 8 April 2021

Mr P Simpson
Director

Tes Topco Limited

Directors' report

The directors present their report and the audited consolidated financial statements of the Group and the Company for the year ended 31 August 2020.

Principal activities
The principal activity of Tes Topco Limited is that of a holding company for the trading activities of Tes Global Limited and its subsidiaries.

Dividends
The directors do not recommend a dividend for the year ended 31 August 2020 *(period ended 2019: £nil)*.

Political donations
The Group did not make any political donations during the year *(period ended 2019: £nil)*.

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

Name	Title	
Mr R Grimshaw	CEO	Resigned 26 June 2020
Mr R Williams	CEO	Appointed 7 July 2020
Mr E Hughes	Shareholder Director	
Mr D Leigh	Non-Executive Director	
Mr D Rammal	Shareholder Director	
Mr P Simpson	CFO	
Mr P Wilde	Shareholder Director	
Mr J Johnson	Non-Executive Director	

Rod Williams is the CEO of Tes Global Limited having joined the Company in July 2020. Previously, Rod was the CEO of Autodata. Prior to Autodata, he was the CEO of Adfredo, a leading online news publishing business. He holds a bachelor's degree in Business Studies from the University of Hertfordshire.

Paul Simpson is the CFO of Tes Global Limited. Prior to joining Tes in May 2018, Paul was the Group CFO of KCOM PLC, a UK-listed provider of telecommunications and IT services, for 12 years. Before this he worked in transaction services with EY in the UK and PWC in the UK and Italy. He qualified as a chartered accountant with PW in 1994 and is an Economics graduate from Coventry University.

Employment of disabled persons
The Group endeavours to promote and ensure equal opportunities to all its employees, job applicants and former employees irrespective of race (including colour, nationality and ethnic and national origins), religion, belief, disability, gender, marital or civil partnership status, sex or sexual orientation, age or trade union membership. The Group values the individual contribution of all its employees and prospective employees from all sectors of the community. We recognise our social and moral duty to employ people with disabilities and we will do all that is practicable to meet this responsibility and comply with our legal responsibilities under the Equality Act 2010. All those involved in recruitment have the additional responsibility to be open to all candidates based on their skills and expertise. Recruiters can explore any reasonable adjustments that may be required to ensure that disabled candidates are able to compete fairly in the selection process and once they have been appointed. If members of staff become disabled the group continues employment where possible, either in the same or an alternative position, with appropriate retraining being given if necessary.

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

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

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

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

Social and community issues
The Group believes in the power of great teaching and supports the sharing of free classroom resources created by teachers all over the world. Research from Stanford professors has shown that these resources have a positive impact on the standard of teaching in the classroom and on teacher wellbeing.

Other core initiatives that support and celebrate the teaching profession include a number of annual awards to recognise outstanding contributions of learning institutions and individuals in the community. These include the Tes Schools Awards, which were established to celebrate and reward the professionalism and flair of those teams making an outstanding contribution to primary, secondary and special needs schools in both the maintained and independent sectors in the UK.

The Group participates in a number of social and community initiatives through its staff and locations. A 'Matched Giving' scheme matches money raised by employees for charity, with amounts of up to £500 per team per period and £200 for individuals. Tes offers work placements for secondary school students. The Group is also supporting the Campaign for Female Education (Camfed). Following a staff vote we chose Camfed as our global charity partner and support a number of other local education related charities across the world.

Stakeholder interests
The Group recognises the importance of maintaining good relationships with external stakeholders, including customers and suppliers, achieved through regular communications.

Ensuring customers are provided with the best quality products and services is key to the Group's strategy and it continually looks at product development to ensure it is meeting evolving needs.

Tes Topco Limited

Directors' report (continued)

Environmental measures
The Group is fully committed to reducing its carbon emissions and play its part in the fight to combat climate change and is registered for ESOS ("Energy Saving Opportunities Scheme"). The 'Switch Off' initiative encourages employees at Tes to shut down their computers and switch off their monitors on a daily basis. The Group has an automatic 'Lights Off' function across all Tes floors at Red Lion Square and St Pauls' Place, inclusive of an intelligent lighting system for its meeting rooms. The Group has installed spectrally selective window film across specific glass areas of high solar gain, so as to effectively reduce energy consumption. The Group recycles wastepaper and cardboard on a weekly basis and has recycling bins on each floor for plastic bottles and aluminium cans. The Groups occupied area has an automatic out of hours shut-off for both air conditioning and heating, so as to reduce energy consumption. The Group prints all its publications on Programme for the Endorsement of Forest Certification accredited paper. The Group uses biodegradable film for all of its products.

Streamlined energy and carbon reporting ("SECR")

The Group's SECR disclosure presents the carbon footprint across scopes 1 and 2, together with an appropriate intensity metric and our total energy use of electricity, gas and biomass. We have followed the 2018 UK Government environmental reporting guidance. In preparing the figures below we have used the 2020 UK Government GHG Conversion Factors for Company Reporting and the 2020 UK Government Conversion Factors.

	Unit	UK based 2020
Energy consumption used to calculate emissions:		
Gas	kWh	63.278
Electricity	kWh	269.804
Transport fuel	kWh	312,227
Total	kWh	645.309
Emissions from combustion of gas kg CO2e (Scope 1)	kg CO2e	12.186
Emissions from combustion of fuel for transport purpose kg CO2e (Scope 1)	kg CO2e	73.968
Emissions from purchased electricity kg CO2e (Scope 2 location-based)	kg CO2e	62,258
Total gross kg CO2e based on above	kg CO2e	148.412
Intensity ratio		
Total full time employees (FTE)		818
Total kg CO2e per employee		181
Total UK revenue £'000	£'000	69,156
Total kg CO2e per £'000 of revenue		2.1460

See narrative surrounding the energy efficiency action taken in the year within 'Environmental measures' above.

Principal risks and uncertainties
The principal risks and uncertainties, including financial risks, facing the business are set out in the Strategic Report.

Research and development
In the year ended 31 August 2020, the Group spent £6.4m *(7 month period ended 31 August 2019: £4.7m)* on research and development, of this £4.0m *(2019: £3.9m)* was development spend which has been capitalised as part of the software and software development additions in the year (see note 9).

Future developments

At the date of the approval of the financial statements, Brexit has not had, and the Directors do not anticipate, 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.

Directors' and Officers' indemnity
The Group maintains qualifying third party liability insurance for its Directors and Officers and had this in place throughout the year and up to the date of signing the financial statements.

Going concern
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 were closed in January 2021 until early 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 school 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 school 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 half of the 2021 financial year has been strong with revenue and cash generation in line with our expectations.

Following disposal of the Supply businesses in December 2020, the potential adverse impact of school closures has 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.

Furthermore, as mentioned in 'Events after the reporting year', subsequent to the year end the group has acquired SchoolCloud Systems Ltd for a total consideration of £43.6m which was funded in cash £16.6m by the group and £30m via Shareholder bridge funding from Providence. Providence Equity Partners LLC, on behalf of Providence Equity Partners Fund VIII, has provided a letter to the Directors of the Company that they will provide the financial support to the extent of £30m to TES Topco Limited and its subsidiaries, such that they are able to complete the acquisition of SchoolCloud Systems Ltd and this support is available for a period exceeding 12 months from the date of signing these financial statements.

The Board has prepared a prudent budget for the 2021 financial year with a combination of modest new business sales and cost reduction targets to mitigate any potential performance risk. Further to this, we have considered a severe but plausible downside case with 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 there being 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.

Going concern (continued)
After making enquires and considering the above factors, including the support letter received from Providence for supporting the acquisition transaction (confirming that funds advanced will not be recalled for a period of 12 months from date of signing these financial statements), the directors have reasonable expectation that the Group has adequate resources to continue in operational existence. Furthermore, the directors 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. Accordingly, the Group and company continues to adopt the going concern basis in preparing its financial statements.

Independent auditors
The auditors are deemed to be re-appointed in accordance with the provision of s487 of the Companies Act 2006. PricewaterhouseCoopers LLP have indicated their willingness to serve as auditors for the coming year and they will therefore continue to serve as auditors for the Company.

Events after the reporting year

On 21 December 2020, Tes Supply Limited and its subsidiaries (Tes Bidco Limited, Vision for Education Limited, ABC Teachers Limited and Smart Education Limited) were sold to LDC for consideration of £27.0m. Consideration comprised up-front cash of £12.5m, additional cash due June 2022 £1.3m, deferred consideration determined by post-sale performance of £6.3m and loan notes issued of £6.2m.

On 25 February 2021, Tes Global Limited acquired 100% of the issued share capital of School Cloud Systems Ltd for consideration of £43,624k.

There are no other events meriting disclosure that have taken place after the reporting year.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and Company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, 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 Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the group financial statements, Article 4 of the IAS Regulation.

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

Statement of directors' responsibilities in respect of the financial statements (continued)
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act.

Directors' confirmations

In the case of each Director in office at the date of 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.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

The Directors have made a decision to commence a tender process for the appointment of its external auditor to be completed by mid-2021, with the chosen firm to be appointed for the financial year 2021. PriceWaterhouseCoopers LLP will remain auditors of the Company until a conclusion is reached on the outcome of the tender process and/or may be re-appointed as auditors as part of the tender process.

This report was approved by the board on 8 April 2021 and signed on its behalf.

Mr P Simpson
Director

Tes Topco Limited

Independent auditors' report to the members of Tes Topco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tes Topco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 August 2020 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 August 2020; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability 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 Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Tes Topco Limited

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2020 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report to the members of Tes Topco Limited

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

R Gissing

Rebecca Gissing (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
9 April 2021

Tes Topco Limited

Consolidated income statement

For the year ended 31 August 2020

	Note	Year ended 31 August 2020 £'000	7 month period ended 31 August 2019 £'000
Continuing operations			
Revenue	3,4	87,436	49,153
Cost of sales	3	(7,687)	(4,977)
Gross profit		**79,749**	**44,176**
Other income	3	725	872
Administrative expenses		(65,082)	(47,464)
Impairment of intangible assets	2	(21,186)	(23,975)
Operating loss	2	**(5,794)**	**(26,391)**
Finance income	5	29	17
Finance costs	5	(27,793)	(15,292)
Loss before income tax		**(33,558)**	**(41,666)**
Income tax (expense)/credit	6	(3,124)	3,046
Loss for the year/period from continuing operations		**(36,682)**	**(38,620)**
Profit from discontinued operations	30	1,235	2,089
Loss for the year/period		**(35,447)**	**(36,531)**
Loss attributable to:			
- The owners of TES Topco Limited		(35,265)	(36,737)
- Non-controlling interest (note 29)		(182)	206
		(35,447)	**(36,531)**

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement.

The loss for the Company for the year was £14.5m *(7 month period ended 31 August 2019: £7.9m).*

The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

Net revenue represents Supply revenue presented net of agency related cost of sales and all other Group revenues.

Tes Topco Limited

Consolidated statement of comprehensive income

For the year ended 31 August 2020

	Note	Year ended 31 August 2020 £'000	7 month period ended 31 August 2019 £'000
Loss for the year/period		**(35,447)**	**(36,531)**
Transactions with owners recorded directly in equity			
Contributions and distributions to owners			
Share based payments	15	668	290
Transactions with owners recorded directly in equity		**668**	**290**
Total other comprehensive income		**668**	**290**
Total comprehensive expense for the year/period		**(34,779)**	**(36,241)**
Total comprehensive expense attributable to:			
- The owners of TES Topco Limited		(34,597)	(36,447)
- Non-controlling interest		(182)	206
		(34,779)	**(36,241)**

The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

Tes Topco Limited

Registered number 11727093

Consolidated balance sheet

As at 31 August 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	3,564	5,078
Right of use asset	8	5,341	8,258
Intangible assets	9	313,360	330,676
		322,265	**344,012**
Current assets			
Trade and other receivables	11	11,676	13,581
Deferred tax asset	13	1,454	1,476
Cash and cash equivalents	12	40,270	12,042
		53,400	**27,099**
Total assets		**375,665**	**371,111**
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	14	100	100
Share premium	14	904	900
Accumulated losses		(71,044)	(36,447)
Non-controlling interest	29	272	454
Total deficit		**(69,768)**	**(34,993)**

Tes Topco Limited

Registered number 11727093

Consolidated balance sheet (continued)

As at 31 August 2020

	Note	2020 £'000	2019 £'000
Liabilities			
Non-current liabilities			
Borrowings	17	319,850	318,343
Lease liabilities	18	4,282	7,279
Financial liabilities at fair value through profit and loss	27	2,416	-
Deferred income tax liabilities	13	36,967	34,946
		363,515	**360,568**
Current liabilities			
Borrowings	17	25,000	5,000
Trade and other payables	16	54,884	30,795
Available for sale liabilities	31	244	-
Lease liabilities	18	1,790	1,834
Financial liabilities at fair value through profit and loss	27	-	7,907
		81,918	**45,536**
Total liabilities		**445,433**	**406,104**
Total equity and liabilities		**375,665**	**371,111**

The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

The financial statements on 18 to 75 were authorised for issue by the board of directors on 8 April 2021 and were signed on its behalf by:

Mr P Simpson
Director

Tes Topco Limited

Consolidated statement of changes in equity for the year ended 31 August 2020

	Share capital	Share premium	Accumulated losses	Non-controlling interest	Total deficit
	£'000	£'000	£'000	£'000	£'000
As at 1 September 2019	**100**	**900**	**(36,447)**	**454**	**(34,993)**
Issue of share capital (note 14)	-	-	-	-	-
Issue of share premium (note 14)	-	4	-	-	4
(Loss) for the year	-	-	(35,265)	(182)	(35,447)
Share based payments (note 15)	-	-	668	-	668
Total comprehensive (expense)	**-**	**-**	**(34,597)**	**(182)**	**(34,779)**
Balance at 31 August 2020	**100**	**904**	**(71,044)**	**272**	**(69,768)**

	Share capital	Share premium	Accumulated losses	Non-controlling interest	Total deficit
	£'000	£'000	£'000	£'000	£'000
Balance at 14 December 2018	**-**	**-**	**-**	**-**	**-**
Issue of share capital	100	-	-	-	100
Issue of share premium	-	900	-	-	900
Non-controlling interest on consolidation	-	-	-	248	248
(Loss)/profit for the period	-	-	(36,737)	206	(36,531)
Share based payments (note 15)	-	-	290	-	290
Total comprehensive (expense)/income for the period	**-**	**-**	**(36,447)**	**206**	**(36,241)**
Balance at 31 August 2019	**100**	**900**	**(36,447)**	**454**	**(34,993)**

The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

Tes Topco Limited

Registered number 11727093

Company balance sheet

As at 31 August 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investments	10	131,058	130,390
		131,058	**130,390**
Current assets			
Trade and other receivables	11	674	8
		674	**8**
Total assets		**131,732**	**130,398**
Equity and liabilities			
Equity attributable to owners of the company			
Share capital	14	100	100
Share premium	14	904	900
Accumulated losses		(21,477)	(7,615)
Total deficit		**(20,473)**	**(6,615)**
Liabilities			
Non- current liabilities			
Preference share capital	14	129,943	129,100
		129,943	**129,100**
Current liabilities			
Trade and other payables	16	22,262	7,913
		22,262	**7,913**
Total liabilities		**152,205**	**137,013**
Total equity and liabilities		**131,732**	**130,398**

The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

The loss for the Company for the year was £14.5m *(7 month period ended 31 August 2019: £7.9m).*

The financial statements on pages 18 to 75 were authorised for issue by the board of directors on 8 April 2021 and were signed on its behalf by:

Mr P Simpson
Director

Tes Topco Limited

Company statement of changes in equity for the year ended 31 August 2020

	Share capital	Share premium	Accumulated losses	Total deficit
	£'000	£'000	£'000	£'000
As at 1 September 2019	**100**	**900**	**(7,615)**	**(6,615)**
Issue of share premium (note 14)	-	4	-	4
Loss for the year	-	-	(14,530)	(14,530)
Total comprehensive expense for the year	**-**	**-**	**(14,530)**	**(14,530)**
Share based payments (note 15)	-	-	668	668
Transactions with owners in their capacity as owners	**-**	**-**	**668**	**668**
Balance at 31 August 2020	**100**	**904**	**(21,477)**	**(20,473)**

	Share capital	Share premium	Accumulated losses	Total deficit
	£'000	£'000	£'000	£'000
Balance at 13 December 2018	-	-	-	-
Issue of share capital	100	-	-	100
Issue of share premium	-	900	-	900
Loss for the period	-	-	(7,905)	(7,905)
Total comprehensive expense for the period	**-**	**-**	**(7,905)**	**(7,905)**
Share based payments (note 15)	-	-	290	290
Transactions with owners in their capacity as owners	**-**	**-**	**290**	**290**
Balance at 31 August 2019	**100**	**900**	**(7,615)**	**(6,615)**

The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

Tes Topco Limited

Consolidated statement of cash flows

For the year ended 31 August 2020

Group

	Note	Year ended 31 August 2020 £'000	7 month period ended 31 August 2019 £'000
Cash flows from operating activities			
Cash generated from operations	23	45,828	20,543
Income tax paid		(2,852)	(511)
Net cash generated from operating activities		**42,976**	**20,032**
Cash flows used in investing activities			
Purchase of property, plant and equipment	7	(287)	(2,373)
Intangible asset additions	9	(6,441)	(3,886)
Interest receivable	5	29	22
Acquisition of non-controlling interest		(7,207)	-
Cash paid for acquisitions	28	(10,148)	(12,136)
Cash acquired on acquisition	28	1,227	11,956
Net cash used in investing activities		**(22,827)**	**(6,417)**
Cash flows used in financing activities			
Issue of preference shares		347	-
RCF drawn down	17	25,000	5,000
RCF repaid		(5,000)	-
Interest paid		(12,227)	(6,042)
Net investment in right of use assets		2,602	-
Payment of lease liabilities		(2,643)	(531)
Net cash generated from/(used in) financing		**8,079**	**(1,573)**
Net increase in cash and cash equivalents		**28,228**	**12,042**
Cash and cash equivalents at beginning of the year/period		12,042	-
Cash and cash equivalents at end of the year/period	12	**40,270**	**12,042**

The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020

1 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all periods presented, unless otherwise stated.

1.1 Basis of preparation
The consolidated and single entity financial statements of Tes Topco Limited have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006, as applicable to companies reporting under IFRS. Tes Topco Limited is a private limited company incorporated in the United Kingdom and domiciled in England. The consolidated financial statements have been prepared under the historical cost convention as modified by financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.28. Amounts are rounded to the nearest thousands and are suffixed with a "k", "m" or "millions" in certain disclosure paragraphs, unless otherwise stated.

The Company has not generated any cash movements, nor does it carry any cash or cash equivalents at the year end. Therefore, a cash flow statement for the Company has not been provided.

1.2 Going concern
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 were closed in January 2021 until early 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 school 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 school 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 half of the 2021 financial year has been strong with revenue and cash generation in line with our expectations.

Following disposal of the Supply businesses in December 2020, the potential adverse impact of school closures has 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.

Furthermore, as mentioned in 'Events after the reporting year', subsequent to the year end the group has acquired SchoolCloud Systems Ltd for a total consideration of £43.6m which was funded in cash £16.6m by the group and £30m via Shareholder bridge funding from Providence. Providence Equity Partners LLC, on behalf of Providence Equity Partners Fund VIII, has provided a letter to the Directors of the Company that they will provide the financial support to the extent of £30m to TES Topco Limited and its subsidiaries, such that they are able to complete the acquisition of SchoolCloud Systems Ltd and this support is available for a period exceeding 12 months from the date of signing these financial statements.

1 Significant accounting policies (continued)

1.2 Going concern (continued)

The Board has prepared a prudent budget for the 2021 financial year with a combination of modest new business sales and cost reduction targets to mitigate any potential performance risk. Further to this, we have considered a severe but plausible downside case with 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 there being 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.

After making enquires and considering the above factors, including the support letter received from Providence for supporting the acquisition transaction (confirming that funds advanced will not be recalled for a period of 12 months from date of signing these financial statements), the directors have reasonable expectation that the Group has adequate resources to continue in operational existence. Furthermore, the directors 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. Accordingly, the Group and company continues to adopt the going concern basis in preparing its financial statements

1.3 New accounting standards adopted by the Group

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.

1.5 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in an acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Where control changes any excess in fair value over consideration may result in recognition of a gain on previously held equity interest. Changes in the non-controlling interest, which do not result in a change in control, are accounted for as equity transactions.

Inter-company transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Significant accounting policies (continued)

1.6 Property, plant and equipment
Property, plant and equipment are stated at cost, less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Group assets, with the exception of those held by ABC Teachers Limited, are depreciated over their expected useful lives less estimated residual value, based on original cost, rather than acquired fair values. The principal rates, using the straight-line basis, are as follows:

Category	Rates of Depreciation
Computer equipment	25% per annum
Furniture and office equipment	20% to 25% per annum

The assets of ABC Teachers Limited are depreciated at 20% on a reducing balance basis

Assets in the course of construction are transferred into an asset category at the point of completion of construction. As assets are transferred upon completion there is no depreciation charged against this category of asset.

1.7 Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating units.

Customer relationships
Customer relationships acquired as part of a business combination are shown at fair value at the date of acquisition and subsequently less accumulated amortisation. Identifiable intangible assets are those which can be sold separately, or which arise from legal rights. Amortisation is charged to the income statement for the financial year using the straight-line method over their estimated useful lives.

Trade names
Trade names acquired as part of a business combination are shown at fair value at the date of acquisition and subsequently less accumulated amortisation. Identifiable intangible assets are those which can be sold separately, or which arise from legal rights. Amortisation is charged to the income statement for the financial year using the straight-line method over their estimated useful lives.

1.8 Intangible assets
Internally developed software cost
The Group capitalises expenditure that is directly attributable to the development of the intangible asset which is amortised on a straight-line basis over 2 to 5 years from the point the asset is available for use. The assets are valued at cost less accumulated amortisation, except those identifiable intangible assets acquired as part of a business combination which are shown at fair value at the date of acquisition, and subsequently less accumulated amortisation.

Category	Estimated Useful Lives
Customer relationships	Straight line over periods ranging from 7 to 16 years
Software and software development	2 to 5 years
Trade name	Straight line over 25 years

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Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Significant accounting policies (continued)

1.8 Intangible assets (continued)
Internally developed software cost (continued)

Where no intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Development expenditure is capitalised only when the Group can demonstrate the following:

- Technical feasibility of completing the asset so that it will be available for use or resale;
- Intention to complete and ability to use or sell the asset;
- How the asset will generate future economic benefit;
- Availability of resource to complete the asset;
- Ability to reliably measure the expenditure during development; and
- Ability to use the asset generated.

When the Directors are satisfied the technical, commercial and financial viability of individual projects are met, identifiable expenditure is capitalised and amortised over the useful life of the asset.

The development cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Assets in the course of construction are transferred into an asset category at the point of completion of construction. As assets are transferred upon completion there is no depreciation charged against this category of asset.

1.9 Impairment
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised immediately as an expense. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group tests annually whether goodwill has suffered any impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, except where fair value less cost to sell is more representative of the maturities and growth stages of the business.

1.10 Financial assets

1.10.1 Classification
Financial assets include trade receivables and cash and cash equivalents. Management determines the classification of its financial assets at initial recognition.

Trade receivables and cash and cash equivalents

Trade receivables and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets. The Group's financial assets comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Significant accounting policies (continued)

1.10 Financial assets (continued)

1.10.2 Recognition and measurement
Financial assets are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method less provision for impairment.

1.11 Financial liabilities

1.11.1 Classification
Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss for the financial year.

1.11.2 Recognition and measurement
The Group's financial liabilities at fair value through profit or loss comprise 'put/call options on non-controlling interest'. All other financial liabilities are recognised at fair value, net of transaction costs incurred, and subsequently carried at amortised cost using the effective interest method.

1.11.3 Term loan
The term loan was recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, net of any transaction costs incurred. Borrowings are classified as current liabilities to the extent that amounts fall due within 12 months of the balance sheet date, otherwise amounts are held as non-current liabilities. Interest is recognised in the consolidated income statement over the period of the borrowing.

1.12 Put/call options
The call options give the Group a contractual right to purchase the equity instruments owned by non-controlling interests which gives rise to a financial liability for the present value of the redemption amount. The financial liability is recognised initially at the present value of the redemption amount with the corresponding debit recognised directly in equity. Subsequent fair value re-measurements of the liability at future balance sheet dates have been taken to the income statement.

1.13 Cash and cash equivalents
Cash and cash equivalents includes cash in hand, current balances and other short-term highly liquid investments with banks and similar institutions.

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate provisions for impairment are recognised as per note 1.9. When a trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

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

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

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Significant accounting policies (continued)

1.16 Non-recurring and separately reported items
Items which are material either because of their size or their nature, and which are non-recurring, are presented within their relevant income statement category, but disclosed separately in note 2 to the financial statements. The separate reporting of non-recurring items helps to provide a better understanding of the Group's financial statements.

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

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

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

1.18 IFRS 15 Revenue from contracts with customers
In recognising revenue under IFRS 15, the Group 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 Significant accounting policies (continued)

1.19 Revenue recognition
Revenue comprises the fair value of the consideration receivable by the Group 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, as follows:

- Transactional advertising revenue is recognised when the advert is made live;
- Advertising and software subscription revenue raised under a subscription contract is recognised on a straight line basis over the period that the subscription runs;
- Revenue from circulation is recognised in the week in which the magazine is published for Newsstand purchases. Magazine subscription revenues are recognised on a straight line basis over the period in which the subscription runs. Refunds from circulation returns are debited to revenue;
- Revenue from the supply business represents invoiced sale of services (both placement of supply teachers and permanent placement of teachers), excluding value added tax, and is recognised when the service to the customer has been completed;
- Permanent recruitment revenue is recognised when the service to the customer has been fulfilled;
- Premium resources revenue is recognised depending on the service provided. One off sales are recognised immediately, while subscription revenue is recognised on a straight line basis over the period that the subscription runs;
- Events and summit income are recognised on a straight line basis over the period when the event or summit occurs. Amounts received in advance of an event or summit are deferred until the period when the event or summit occurs;
- Training revenue is recognised on a straight line basis over the period of delivery of a training course; and
- Other advertising (display) revenues are recognised in line with the performance of the service related to each element of the package.

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.

Net revenue is presented in addition to gross revenue on the face of the Consolidated Income Statement to reflect the revenue generated from the Supply businesses, net of associated costs paid directly to the Supply teachers.

1.20 Cost of sales
Cost of sales includes print and paper costs, distribution costs, premium resources author royalties, supply teacher agency costs and any other costs associated directly with the revenue generating activities of the Group.

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

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

1 Significant accounting policies (continued)

1.23 Segmental analysis
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors has been identified as the chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments.

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

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

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

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

The Group's results, financial position and cash flows are translated into the presentational currency as follows:

- equity items other than net profit at the rate of transaction;
- assets and liabilities at the closing rate;
- income, expenses and cash flows at the average exchange rate; and
- resulting exchange differences are included in equity.

1.25 Group as lessee
The Group assess whether a contract contains a lease at inception of a contract. For all lease agreements with a contractual length exceeding 12 months, a right of use asset is recognised and a corresponding lease liability. The Group recognises lease payments as an operating expense on a straight line basis over the lease term.

The right of use asset is recognised as a non-current asset (note 8), with the lease liability presented separately as liability. The liability is recognised as current to the extent of payments due within 12 month of the balance sheet date, anything due thereafter is recognised as a non-current liability (note 18).

The lease liability is initially measured at the present value of the lease payments, discounted at a rate implicit in the lease, where this cannot be readily determined, the incremental borrowing rate is applied.

Lease payments comprise:
- fixed lease payments, less lease incentives; and
- onerous lease provision releases.

The lease liability is subsequently measured by increasing the carrying value to reflect interest on the lease liability and reducing carrying value in line with lease payments made. Interest is charged using the effective interest method.

The Group re-measures the lease liability and a corresponding adjustment to the right of use asset, when a change in lease term arises, as such the lease liability is re-measured by discounting the revised lease payments at a revised discounting rate. No such adjustments were made during the year ended 31 August 2020 or period ending 31 August 2019.

1 Significant accounting policies (continued)

1.25 Group as lessee (continued)
The right of use asset comprises the initial measurement of the corresponding lease liability made at or before the commencement date, plus any directly attributable costs. The assets are subequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter of the period of the lease term and the useful life of the asset. Depreciation is charged at commencement of the lease.

Right of use assets are subject to impairment reviews in line with the Group's impairment policy (see 1.9).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement, the Group has not applied this practical expedient.

1.26 IFRS 9 Expected credit loss
The Group 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 Group have assessed that no material adjustment to provisions is required to reflect the lifetime expected loss.

1.27 Group as lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease. Otherwise, it is classified as a finance lease.

If the sublease is classified as a finance lease, the original lessee derecognises the right-of-use asset on the head lease at the sublease commencement date and continues to account for the original lease liability in accordance with the lessee accounting policy (see 1.25). The original lessee, as the sublessor, recognises a net investment in the sublease and evaluates for impairment regularly by applying the derecognition and impairment requirements in IFRS 9 Financial Instruments.

The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease. In the case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease, adjusted for any initial direct costs associated with the sublease, to measure the net investment in the sublease.

The difference between the right-of-use asset and net investment in the sublease is recognised in the profit or loss. During the term of the sublease, the intermediate lessor recognises both finance income on the sublease and interest expense on the head lease.

If the sublease is classified as an operating lease, the intermediate lessor continues to recognise the right-of-use asset and lease liability in accordance with the lessee accounting policy (see 1.25). Revenue from the sublease is recognised over the term of the sublease.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the subleases were classified with reference to the underlying asset.

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Significant accounting policies (continued)

1.28 Critical accounting estimates and judgements

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

Impairment of goodwill and intangible assets

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. The Group tests annually whether goodwill and intangible assets have suffered any impairment, in accordance with the Group's accounting policy. In determining the recoverable amount of all CGUs, it is necessary to make a series of assumptions to estimate the present value of future cash flows. In each case, these key assumptions have been made by management reflecting past experience and future expectations.

Determining whether intangible assets are impaired requires an estimation of the value-in-use of the cash-generating units to which these assets have been allocated. The value-in-use calculation requires estimation of future cash flows expected to arise for the cash-generating unit, the selection of suitable discount rates and the estimation of long-term growth rates. As determining such assumptions is inherently uncertain and subject to future factors, there is the potential these may differ in subsequent periods and therefore materially change the conclusions reached. In light of this, consideration is made each year as to whether sensitivity disclosures are required for reasonably possible changes to assumptions.

The main assumptions within forecast operating cash flow include the achievement of future sales, the cost incurred, removing non-cash flow items and the levels of ongoing capital expenditure required to support forecast production.

Put/call on non-controlling interest

The Group has estimated the value of future purchase consideration payable to vendors based on Management's estimate of the future performance indicators of the relevant entity. These are assessed at least on an annual basis and any adjustments to fair value are reflected in the Consolidated Income Statement.

Acquisition accounting

Accounting for acquisitions requires a fair value exercise to be undertaken in order to assess the assets and liabilities acquired, including any separately identifiable intangible assets. The process of determining fair values may require estimates to be made that are subjective in nature. The Group employed the advice of an impartial third party advisor in determining the fair values of the Group at acquisition.

Share-based payments

The Group has estimated the fair value of the shares issued to management based on the Monte Carlo model. The inputs into the valuation model are subjective in nature. These are subject to an annual assessment of fair value with adjustments to fair value recognised in the income statement.

1.29 Pensions

The Group operates a defined contribution Group Personal Pension Plan, which receives fixed contributions. The Group's legal or constructive obligation for this plans is limited to the contributions. Pension contributions are charged to the income statement as incurred. These contributions are invested separately from the Group's assets.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Significant accounting policies (continued)

1.30 Share based payments
At acquisition of the Tes Group on 31 January 2019, senior management were given the opportunity to acquire shares in the Group. These shares cannot be traded and must be sold back to the Group when employment ceases. The shares are redeemable only upon sale of the Group.

The fair value of options granted under scheme, is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, based on the terminal value of the Group.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the fair value of the scheme and recognises the impact of changes to the original estimate, if any, in profit or loss, with a corresponding adjustment to equity.

1.31 Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Note 21 provides further detail.

2 Operating loss

Group	2020 £'000	2019 £'000
Depreciation and amortisation		
Depreciation of property, plant and equipment (note 7)	1,464	807
Depreciation on right of use assets (note 8)	315	671
Amortisation of intangible assets (note 9)	16,645	10,576
	18,424	**12,054**
Impairment		
Impairment of intangible assets (note 9)	21,186	23,975
	21,186	**23,975**
Other operating expenses		
Foreign exchange (gains)/losses	13	1
Loss/(gain) on sale of tangible assets (note 7)	120	-
Loss/(gain) on sale of intangible assets (note 9)	282	-
Research and development	2,439	1,078
	2,854	1,079

Notes to the financial statements for the year ended 31 August 2020 (continued)

2 Operating loss (continued)

Group	2020 £'000	2019 £'000
Separately reported costs		
M&A and disposal costs	1,361	4,131
Non-recurring restructuring costs	2,295	574
Management incentive plan (note 15)	668	290
Other separately reported costs	622	-
Revaluation of put/call option	1,908	3,155
	6,854	**8,150**

Impairment of intangible assets

Management reviewed the carrying values of intangibles held by each CGU at the year end and identified that the carrying value of assets relating to Hibernia College UK Limited and Tutor In Limited were in excess of its realisable value. As such, the assets were impaired down to their recoverable values, giving rise to an impairment charge of £21,186k *(2019: £23,975k relating to Tes Supply Limited)* see note 9.

Separately reported costs

Non-recurring restructuring costs incurred in the year comprise £2,295k *(2019: £574k)* of business restructuring costs, including changes in senior management and redundancies, including fees associated with this.

The management share based scheme was reviewed in order to assess its fair value at the year end, this resulted in a cost of £668k *(2019: £290k)* (note 15).

An additional 19% of the shareholding in Edukey Education Limited was acquired in July 2020. The fair value of the option to acquire the final 6% shareholding was assessed by management and revalued, reflecting the improving performance of the business, to £2,607k resulting in a cost in the year of £1,908k *(2019: £3,155k)* (note 26). This option is exercisable in July 2022.

The Group incurred mergers and acquisitions related costs in the year of £1,361k *(2019: £4,131k)*. These costs comprise third party advisory fees incurred in respect of completed, potential and aborted acquisitions and disposals in the year.

Other separately reported costs of £622k comprise £248k of legal fees in respect of one-off advisory, £220k of onerous property costs (service charges and rates costs for buildings not in use) and £154k provided for by the Supply business in respect of a potential claim.

Notes to the financial statements for the year 31 August 2020 (continued)

3 Segmental analysis

The Group has fully adopted the provisions as set out under IFRS 8.

Tes is a global digital education technology business, providing a range of services to schools and teachers through a number of different market-facing brands. The different types of revenue generated are detailed below and comprise: School sales (advertising solutions, software solution for schools, resources for teachers), Train (the provision of accredited training and development), and Supply (provision of supply teaching resources). Previously, the business viewed School sales as Attract (advertising solutions) and Empower (software solution for schools, resources for teachers), following a change in direction of the business, this has now been combined as School sales.

The chief operating decision maker has been identified as the Board of Directors, which makes the strategic decisions. The Group's reported segments are based on the internal reporting structure and financial information provided to the Board. The Board reviews the performance of the Group by the reported segments.

The Board does not review the assets and liabilities of the Group on a segmented basis and has therefore chosen to adopt the amendments to IFRS 8 which permit not segmenting the assets and liabilities of the Group. Other information provided to the Board is measured in a manner consistent with that in the financial statements. Accounting policies are consistent across the reportable segments.

Group segmental analysis:

Group	12 mths 2020 £'000	7 mths 2019 £'000
Attract	58,185	36,034
Train	14,057	6,643
Empower	15,194	6,476
Revenue	**87,436**	**49,153**
Other income	725	872
Total revenue	**88,161**	**50,025**
Costs		
Cost of sales	7,687	4,977
Staff costs (note 21)	26,141	13,661
Other costs	13,105	9,396
Total costs	**46,933**	**28,034**
Discontinued operations (note 30)	2,421	3,051
Total management adjusted EBITDA	**43,649**	**25,042**

Net revenue and management adjusted EBITDA are the key segmental performance measures used by the Group in assessing performance. The reconciliation of non-GAAP management adjusted EBITDA to IFRS statutory loss for the year is shown on page 4. Supply net revenue is presented net of the associated cost of supply teachers.

Notes to the financial statements for the year 31 August 2020 (continued)

3 Segmental analysis (continued)

Other income includes £448k *(2019: £872k)* from a Transitional Services Agreement with THE, this agreement expired on 14 December 2019. Upon expiry of the TSA, THE became completely self-sufficient as an entity. An additional £277k *(2019: £nil)* on income was generated from the recharge of ancillary services to sub-lessors of RLS, including service charges, insurance and utilities.

4 Revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over a specified contract length and at a point in time, across the reporting segments:

	Total revenue	**Over specified contract**	**At a point in time**
Year ended 31 August 2020	**£'000**	**£'000**	**£'000**
Attract	58,185	42,440	15,745
Train	14,057	14,057	-
Empower	15,194	11,646	3,548
Revenue	**87,436**	**68,143**	**19,293**

	Total revenue	**Over specified contract**	**At a point in time**
Period ended 31 August 2019	**£'000**	**£'000**	**£'000**
Attract	36,034	22,781	13,253
Train	6,643	6,643	-
Empower	6,476	2,902	3,574
Revenue	**49,153**	**32,326**	**16,827**

The Group does not adjust contracted consideration at inception of a contract, where the period between transferring goods or services and payment by customers, is expected less than one year.

The Group has subsidiaries domiciled in England, Wales (United Kingdom), Europe, Australia and the United States (Rest of the World). Group revenue generated by customer location is as follows:

	2020	**2019**
	£'000	**£'000**
United Kingdom	69,156	41,847
Europe	2,896	1,575
Rest of the world	15,384	5,731
Revenue	**87,436**	**49,153**

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

4 Revenue from contracts with customers (continued)

The Group has recognised the following contract liabilities related to customers with contracts:

Year ended 31 August 2020	Book value liability £'000	Fair value on Tes Global and Educare b/fwd £'000	Fair value adjustment on acquisition of Edval £'000	Fair value 31 August 2020 £'000
Attract	6,376	(4,854)	-	1,522
Train	3,242	(2,211)	-	1,031
Empower	7,492	(1,500)	(1,965)	4,027
Contract liability	**17,110**	**(8,565)**	**(1,965)**	**6,580**

Period ended 31 August 2019	Book value liability *£'000*	Fair value adjustment on acquisition of Tes Global *£'000*	Fair value adjustment on acquisition of Educare *£'000*	Release of fair value adjustment *£'000*	Fair value 31 August 2019 *£'000*
Attract	6,005	(8,607)	-	3,753	1,151
Train	2,605	(219)	(2,087)	95	394
Empower	3,259	(2,659)	-	1,159	1,759
Supply	29	-	-	-	29
Contract	**11,898**	**(11,485)**	**(2,087)**	**5,007**	**3,333**

The release of the fair value adjustment of £nil *(2019: £5,007k)* has been adjusted to arrive at management adjusted EBITDA, as this is a consolidation adjustment which is not included in the trading of the underlying entities. Without making this adjustment revenues would not be comparable.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

5 Finance income and finance costs

Group	2020 £'000	2019 £'000
Finance costs:		
Term loan	11,648	6,835
RCF loan	645	-
Amortisation of loan issue costs	664	293
Lease interest (note 8)	253	164
RCF non-utilisation fees	138	127
Preference share dividends (note 14)	14,389	7,873
Other bank interest	56	-
Finance costs	**27,793**	**15,292**
Finance income:		
Interest income on cash at bank	(29)	(17)
Finance income	**(29)**	**(17)**
Net finance costs	**27,764**	**15,275**

6 Income tax expense/(credit)

Group	2020 £'000	2019 £'000
Current tax:		
Current tax on profits for the year/period	4,450	2,230
Adjustments in respect of previous periods	(768)	-
Total current tax	**3,682**	**2,230**
Deferred income tax (note 13):		
Origination and reversal of temporary differences	(4,388)	(4,787)
Adjustments in respect of previous periods	582	-
Effect of change in UK rate of corporation tax	3,558	-
Total deferred income tax	**(248)**	**(4,787)**
Income tax expense/(credit)	**3,434**	**(2,557)**

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

6 Income tax expense/(credit) (continued)

Income tax expense is attributable to:

	2020	2019
Group	**£'000**	**£'000**
Continuing operations	3,124	(3,046)
Discontinued operations (note 30)	310	489
Income tax expense/(credit)	**3,434**	**(2,557)**

Factors affecting current tax charge for the year

The main rate of UK corporation tax was 19% throughout the year ending 31 August 2020.

The tax charge in the income statement is higher *(2019: higher)* than the standard rate of corporation tax in the UK of 19%. A reconciliation of the tax charge for the year to the loss for the year multiplied by the applicable UK tax rate is shown below:

	2020	2019
	£'000	**£'000**
Loss before income tax	**(33,558)**	**(41,666)**
Tax calculated at the standard rate of corporation tax in the UK of 19% *(2019: 19%)*	(6,376)	(7,917)
Tax effects of:		
Permanent differences arising in respect of fixed assets	1,737	1,396
Expenses not deductible for tax purposes	4,045	2,971
Unrecognised losses	38	22
Impact of corporation tax rate change	3,559	562
Differences in overseas tax rates	307	(87)
Adjustments in respect of prior year	(186)	7
Total income tax expense/(credit)	**3,124**	**(3,046)**

The Finance Act 2016, which was substantially enacted on 15 September 2016, included provisions to reduce the main rate of UK corporation tax to 19% effective from 1 April 2017 and 17% with effect from 1 April 2020. The March 2021 Budget announced an increase in the UK standard rate of corporation tax to 25% from 1 April 2023 and cancelled the earlier suggested change of 17%. The legislation was not enacted during the year so deferred tax has been provided using the enacted rate of 19%.

7 Property, plant and equipment

Group	Computer equipment £'000	Furniture and office equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 September 2019	1,008	2,841	2,036	5,885
Acquired on acquisition	68	-	-	68
Additions	234	53	-	287
Disposals	-	(207)	-	(207)
Reclassification as available for sale	(521)	(351)	-	(872)
Transfers in	181	1,855	-	2,036
Transfers out	-	-	(2,036)	(2,036)
At 31 August 2020	**970**	**4,191**	**-**	**5,161**
Accumulated depreciation				
At 1 September 2019	(433)	(374)	-	(807)
Depreciation charge	(505)	(959)	-	(1,464)
Reclassification as available for sale	339	248	-	587
Eliminated on disposal	-	87	-	87
At 31 August 2020	**(599)**	**(998)**	**-**	**(1,597)**
Net book value				
At 31 August 2020	**371**	**3,193**	**-**	**3,564**
At 31 August 2019	**575**	**2,467**	**2,036**	**5,078**

Depreciation expense of £1,464k *(2019: £807k)* has been charged to administrative expenses in the consolidated income statement.

Assets under construction of £2,036k as at 31 August 2019, related to ongoing works at Red Lion Square (London office), whereby works were completed in November 2019. Costs were then transferred to the appropriate asset categories and depreciation charge commenced.

Company

The Company had no property, plant and equipment during the year under review.

8 Right of use assets

Amounts recognised in the balance sheet

This note provides information for leases where the Group is a lessee:

Group	Total £'000
Cost	
At 1 September 2019	8,929
Net investment in right of use assets	(1,944)
Reclassification as available for sale	(1,262)
At 31 August 2020	**5,723**
Accumulated depreciation	
At 1 September 2019	(671)
Depreciation charge	(315)
Reclassification as available for sale	604
At 31 August 2020	**(382)**
Net book value	
At 31 August 2020	**5,341**
At 31 August 2019	*8,258*

IFRS 16 *Leases* was adopted from incorporation of the Group. Right of use assets relate to property leases held by the Group. The interest charge on the lease liabilities of £253k *(2019: £164k)* has been included in finance costs (note 5) and the depreciation charge of £315k *(2019: £671k)* in the year is included within administrative expenses (note 2).

Amounts recognised in the income statement

Group	2020 £'000	*As restated* 2019 £'000
Depreciation charge (note 2)	315	671
Interest expense (note 5)	253	164
	568	**835**

Notes to the financial statements for the year ended 31 August 2020 (continued)

9 Intangible assets

Group	Goodwill £'000	Software and software development £'000	Trade name £'000	Customer relationships £'000	Assets under construction £'000	Total £'000
Cost						
At 1 September 2019	127,755	17,173	154,058	66,123	118	365,227
Additions	8,053	4,002	6,862	3,132	2,439	24,488
Acquired on acquisition	-	667	-	-	-	667
Adjustment for Educare fair value	(4,358)	-	-	-	-	(4,358)
Disposals	-	(296)	-	-	-	(296)
At 31 August 2020	**131,450**	**21,546**	**160,920**	**69,255**	**2,557**	**385,728**
Accumulated amortisation						
At 1 September 2019	(7,349)	(4,019)	(15,895)	(7,288)	-	(34,551)
Charge for the year	-	(5,742)	(5,910)	(4,993)	-	(16,645)
Eliminated on disposal	-	14	-	-	-	14
Impairment	(9,136)	-	(8,607)	(3,443)	-	(21,186)
At 31 August 2020	**(16,485)**	**(9,747)**	**(30,412)**	**(15,724)**	**-**	**(72,368)**
Net book value						
At 31 August 2020	**114,965**	**11,799**	**130,508**	**53,531**	**2,557**	**313,360**
At 31 August 2019	120,406	13,154	138,163	58,835	118	330,676

Assets under construction of £2,557k *(2019: £118k)* as at 31 August 2020, relate to ongoing software development projects, which are not yet being amortised.

An impairment review was undertaken by the Directors at the year end and the carrying values of Tutor In Limited and Hibernia College UK Limited, were deemed to be in excess of its recoverable value, giving rise to an impairment of £21,186k of the sub-Group's recoverable value of the allocated intangible assets *(2019: £23,975k relating to Tes Supply Limited).*

The Directors do not consider a further impairment to intangibles assets as a result of the impact of COVID-19.

9 Intangible assets (continued)

The Group continues to research new products to take to market. The total research and development expenses in the year have been capitalised in line with IAS 38.

Management perform an annual impairment review for any intangible asset which is considered to have an indefinite life. This review compares the carrying amount of goodwill, intangible assets and other directly attributable assets and liabilities in the cash generating unit ('CGU') with their recoverable amounts. The recoverable amount of TES Global group has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period, using a pre-tax discount factor in the range of 10% to 14% and terminal growth increase of 2.2%.

The carrying value of goodwill by relevant CGU is shown below:

Cash Generating Unit	Goodwill £'000
Tes Global Limited	85,394
Hibernia College UK Limited	3,620
Tes Supply Ltd and subsidiaries	8,220
Edukey Education Limited	4,699
Smart Teachers Australia Pty Limited	2,250
Educare Learning Ltd	4,788
Edval Holdings Pty Limited	5,994
At 31 August 2020	**114,965**

Sensitivity analysis
The value-in-use calculations, post impairment of Hibernia College Limited and Tutor In Limited, indicates significant headroom and low sensitivity to changes in the assumptions. If the cash generated had been less than 73% of the pre-tax cash flow projections, the Group would have recognised a further impairment of goodwill.

The calculations use cash flow projections based on financial budgets approved by management covering the next financial period. These are based on its expectations of prices, volumes and margins obtained from current products and services. Cash flows after this period have been extrapolated using estimated growth rates based on growth initiatives and/or existing projections. Discount rates have been calculated for each CGU and are considered to reflect the risks specific to the asset as well as the time value of money.

Managements key assumptions are based on their past experience and future expectations of the market over the longer term. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to sales and associated costs.

The total impairment charge of £21,186k is split across the CGU's as follows; £19,127k against Hibernia College UK Limited and £2,059k against Tutor In Limited *(2019: £23,975k against Tes Supply Ltd and subsidiaries)*.

The Directors do not expect that the impact of COVID-19 to give rise to a further impairment of intangible assets due to the forecasts already including a level of prudence in relation to this matter.

Company
The Company had no intangible assets during the year under review.

Notes to the financial statements for the year ended 31 August 2020 (continued)

10 Investments

Company	Investments in subsidiaries £'000	Total £'000
Cost		
At 1 September 2019	130,390	130,390
Additions	668	668
At 31 August 2020	**131,058**	**131,058**
Net book value		
At 31 August 2020	**131,058**	**131,058**
At 31 August 2019	130,390	130,390

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment.

In the Company, investments represent investment in Tes Midco Limited of £130,100k *(2019: £130,100k)* and management incentives in the Group of £958k *(2019: £290k)*. The Directors believe that the carrying value of the investments is supported by their underlying net assets and therefore no impairment of the assets is required.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

10 Investments (continued)

At 31 August 2020 the Company held the equity of the following subsidiary undertakings:

Subsidiaries

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
Tes Midco Limited (UK) *	Holding company	Ordinary shares of £0.10 each (100% held)
Tes Global Finance Limited (UK)	Holding company	Ordinary shares of £0.10 each (100% held)
Tes Acquisition Limited (UK)	Holding company	Ordinary shares of £0.10 each (100% held)
Tes Finance Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
TSL Education SPV 2 Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
Tes Global Limited (UK)	Advertising services	Ordinary shares of £1 each (100% held)
The Times Educational Supplement Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
The Times Higher Education Supplement Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
Educational Exhibitions Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
TSL Education Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
Tes Supply Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
Tes Bidco Limited (UK)	Holding company	Ordinary shares of £0.01 and £1.40 each (100% held)
Vision for Education Limited (UK)	Supply teachers	Ordinary shares of £1 each (100% held)
Englishteaching.co.uk Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

10 Investments (continued)

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
Electronic Blackboard Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
Tes Education Resources Limited (UK)	Information provider	Ordinary shares of £1 each (100% held)
TSL Education US Holdings Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
TSL Education US, Inc (USA)	Holding company	Common stock of US $0.01 each (100% held)
Tangient, LLC (USA)	Software company	Membership capital (100% held)
Tes Aus Global Pty Limited (Australia)	Information provider	Ordinary shares of Aus $1 each (100% held)
Hibernia College UK Limited (UK)	Training provider	Ordinary shares of £1 each (100% held)
Tes India Private Limited (IND) (in liquidation)	Information provider	Equity shares of Rs 10/- each (100% held)
ABC Teachers Limited (UK)	Supply teachers	Ordinary shares of £1 each (100% held)
Smart Education Limited (UK)	Supply teachers	Ordinary shares of £0.01 each (100% held)
Smart Teachers Limited (UK)	Dormant	Membership capital (100% held)
Smart Education (Australia) Pty Limited (Australia)	Recruitment agency	Ordinary shares of Aus $1 each (100% held)
Edukey Education Limited (UK)	Software company	Ordinary shares of £1 each (94% held)
Educare Learning Ltd (UK)	Software company	Ordinary shares of £1 each (100% held)
Tes Global Services Limited (UK)	Administrative services	Ordinary shares of £1 each (100% held)
Motivation Management Limited (UK)	Dormant	Ordinary shares of £1 each (100% held)
Tes Global Group Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)

Notes to the financial statements for the year ended 31 August 2020 (continued)

10 Investments (continued)

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
Tes Global Holdings Limited (UK)	Holding company	Ordinary shares of £1 each (100% held)
Tes Global Hong Kong Limited (HK)	Information provider	Ordinary shares of HK $1 each (100% held)
Edval Timetables Pty Limited (Australia)	Holding company	Ordinary shares of Aus $1 each (100% held)
Edval Holdings Pty Limited (Australia)	Holding company	Ordinary shares of Aus $1 each (100% held)
Edval Education Pty Limited (Australia)	Software company	Ordinary shares of Aus $1 each (100% held)
Edval Education Limited (UK)	Software company	Ordinary shares of £1 each (100% held)
Tutor In Limited (UK)	Software company	Ordinary shares of £1 each (100% held)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Company do not differ from the proportion of shares held.

* denotes subsidiaries held directly by the Company.

Notes to the financial statements for the year ended 31 August 2020 (continued)

10 Investments (continued)

All companies have a registered office of 26 Red Lion Square, London, England, imWC1R 4HQ with the exception of the following:

Company	Registered office
TSL Education US, Inc (USA)	National Registered Agents Inc, 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA
Tangient, LLC (USA)	National Registered Agents Inc, 818 West Seventh Street, Suite 930, Los Angeles, CA90017, USA
TES Aus Global Pty Limited (AUS)	250 Bay Street, Brighton, Vic, 3186, Australia
Smart Education (Australia) Pty Limited (AUS)	Level 18, 530 Collins Street, Melbourne VIC 300, Business - Level 3, 127 Creak Street, Brisbane, Australia
Tes Global Hong Kong Limited (HK)	18/F Edinburgh Tower, The Landmark, 15 Queens Road, Central, Hong Kong
Edval Holdings Pty Limited (AUS)	ABN: 19 622 420 802 | ASIC Record Suite 2, 83-97 Kippax St SURRY HILLS NSW 2010
Edval Education Pty Limited (AUS)	ABN: 19 622 420 802 | ASIC Record Suite 2, 83-97 Kippax St SURRY HILLS NSW 2010
Edval Education Limited (UK)	Floor 4 3 St Paul's Place, Norfolk Street, Sheffield, England, S1 2JE
Tutor In Limited (UK)	Floor 4 3 St Paul's Place, Norfolk Street, Sheffield, England, S1 2JE
Educare Learning Ltd (UK)	Floor 4 3 St Paul's Place, Norfolk Street, Sheffield, England, S1 2JE

Notes to the financial statements for the year ended 31 August 2020 (continued)

11 Trade and other receivables

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Trade receivables	7,799	-	10,307	-
Less: provision for impairment	(240)	-	(225)	-
Trade receivables - net	**7,559**	**-**	**10,082**	**-**
Prepayments	2,041	-	2,787	-
Other receivables	2,076	674	712	8
Total trade and other receivables	**11,676**	**674**	**13,581**	**8**

The fair values of trade and other receivables is equivalent to the carrying amounts.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
UK pounds	10,712	674	13,031	8
US dollars	30	-	36	-
Australian dollars	934	-	514	-
	11,676	**674**	**13,581**	**8**

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
At start of year	225	-	-	-
Arising on acquisition	-	-	208	-
Provision for receivables impairment	16	-	17	-
Receivables written off during the year as uncollectable	(1)	-	-	-
At end of year	**240**	**-**	**225**	**-**

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

11 Trade and other receivables (continued)

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated income statement. Amounts charged to the allowance account are generally written off where there is no expectation of recovery of additional cash.

Prepayments and other receivables do not contain impaired assets.

The ageing analysis of these trade receivables is as follows:

	2020	2019
	£'000	£'000
Not due	3,805	6,950
Up to 3 months past due	1,961	2,457
More than 3 months past due	1,793	675
	7,559	**10,082**

In determining the recoverability of a trade receivable, the Group 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 creation and release of a provision for impaired receivables have been included in administrative expenses in the income statement. Amounts are written off when there is no expectation of recovering cash.

The Group 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 Group 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 year 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.

The Group write off bad debts at the point there is a high degree of certainty that an amount cannot be recovered. This is reviewed and assessed periodically throughout the financial year.

12 Cash and cash equivalents

	2020	2019
Group	**£'000**	**£'000**
Cash at bank and on hand	40,270	12,042
Cash and cash equivalents	**40,270**	**12,042**

Company

The Company had no cash and cash equivalents during the year under review.

Notes to the financial statements for the year ended 31 August 2020 (continued)

13 Deferred income tax balance

Group	2020 £'000	2019 £'000
Deferred tax (assets) / liabilities		
Deferred tax asset to be recovered after more than 12 months	(1,293)	(838)
Deferred tax asset to be recovered within 12 months	(161)	(638)
Deferred tax liability to reverse after more than 12 months	36,967	34,946
Deferred tax liability	**35,513**	**33,470**

The gross movement on the deferred income tax account is as follows:

Group	2020 £'000
At 1 September 2019	**33,470**
Deferred tax on acquisition of Educare Learning Ltd (note 28)	**1,037**
Deferred tax on acquisition of Edval Holdings Pty Limited (note 28)	**1,235**
Reclassified as assets held for sale (note 31)	**19**
Income statement credit (note 6)	**(248)**
At 31 August 2020	**35,513**

Group	Decelerated capital allowances £'000	Other temporary differences £'000	Contract liabilities £'000	Intangible assets £'000	Total £'000
At 31 August 2019	**(875)**	**(602)**	**1,457**	**33,490**	**33,470**
Deferred tax an acquisition of Edval Holdings Pty Limited	-	-	373	862	1,235
Deferred tax an acquisition of Educare Learning Ltd	-	-	-	1,037	1,037
Reclassified as assets held for sale	19	-	-	-	19
Income statement credit	47	(42)	171	(424)	(248)
At 31 August 2020	**(809)**	**(644)**	**2,001**	**34,965**	**35,513**

Deferred tax assets have been recognised only to the extent that the directors consider it probable that future taxable profit will be available against which the assets can be utilised.

13 Deferred income tax liabilities (continued)

Deferred tax assets and liabilities are measured at tax rates that are expected to apply when the asset is realised, or the liability is settled, and which have been enacted or substantively enacted by the balance sheet date.

A change in the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred tax has been provided at the balance sheet date at 19% accordingly.

The Company has no unrecognised deferred tax assets or liabilities.

14 Share capital and share premium

	31 August 2020		31 August 2019	
Group and Company	**No of shares ('000's)**	**Share capital £'000**	No of shares ('000's)	Share capital £'000
A ordinary shares of 10p each	**744**	**74**	744	74
B ordinary shares of 10p each	**11**	**1**	6	1
C ordinary shares of 10p each	**250**	**25**	250	25
10.5% cumulative preference shares of £1 each	**129,948**	**129,943**	129,100	129,100
	130,953	**130,043**	130,100	129,200

Group and Company	**No of shares**	**Share capital £**	**Share premium £**	**Total £**
At 31 August 2019	**1,000,000**	**100,000**	**900,000**	**1,000,000**
At 31 August 2020	**1,004,666**	**100,467**	**904,208**	**1,004,676**

All ordinary shares rank pari passu in respect of voting rights, dividends and other distributions.

On 3 December 2019, 2,669 B ordinary shares were issued at nominal value £2,669 and a further 2,007 were issued on 19 August 2020 for £2,007.

On 3 December 2019, 497,330 preference shares were issued at nominal value £497,330 and a further issue of 345,493 at nominal value £345,493, took place on 19 August 2020.

Preference shares are classified as debt instruments and accumulate interest at a rate of 10.5% per annum on a cumulative basis, interest accrued and payable upon sale. The preference shares are allotted.

A dividend of £14,389k *(2019: £7,873k)* was charged to the income statement in the year to finance costs *(note 5)*.

Notes to the financial statements for the year ended 31 August 2020 (continued)

15 Share based payments

There were a number of share issues and forfeitures in the financial year as summarised below. These shares can be sold only upon cessation of employment, at cost, or on sale of the business. These shares fall under the definition of share based payments and are reported under IFRS 2.

The fair value of the shares have been calculated using the Monte Carlo model. The inputs to the model and fair value charge are:

Share price on issue	£13.90
Price paid	£1.00
Dividend yield	0%
Forecast maturity	2024
Volatility	28.2%
Fair value of shares	2,825,000

Shares as at 1 September 2019	178,750
Granted in the year	129,375
Forfeited	(83,750)
Outstanding 31 August 2020	**224,375**

The total share based payment cost charged to the income statement was £668,029 *(2019: £290,000).*

16 Trade and other payables

Current

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Trade payables	1,572	-	712	-
Social security and other taxes	8,475	-	3,370	-
Other liabilities	2,832	-	1,953	-
Contract liabilities – deferred revenue	6,580	-	3,333	-
Corporation tax liability	2,673	-	1,687	-
Deferred consideration	2,396	-	-	-
Accrued expenses	30,356	22,262	19,740	7,873
Intercompany loans (note 22)	-	-	-	40
Total current trade and other payables	**54,884**	**22,262**	**30,795**	**7,913**

The fair value of trade and other payables is equivalent to the carrying amounts.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

16 Trade and other payables (continued)

Included within social security and other taxes is £7,804k of deferred VAT payments (of the total VAT liability of £8,165k), £3,707k is due in respect of VAT for the quarter ended 29 February 2020 and £4,097k in respect of the quarter ended 31 May 2020, following Government initiatives in the wake of the COVID-19 pandemic. Based on current government guidance, the Group intends to opt into repaying this amount by instalments, the latest of which must be paid by March 2022.

Included within other liabilities is £1,793k of bursary funding payable and £605k of royalty liabilities.

Amounts owed to Group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum *(2019: 8%)*.

17 Borrowings

Group	**2020** **£'000**	**2019** **£'000**
Non-current		
Term Loan	195,000	195,000
Preference shares	129,943	129,100
Capitalised issue costs	(5,093)	(5,757)
	319,850	**318,343**
Current		
Revolving Facility	25,000	5,000
	25,000	**5,000**
	344,850	**323,343**

Term Loan
A term loan of £195,000k was provided on 31 January 2019 with a termination date of 31 January 2026. Interest accrues at a rate of 5% plus LIBOR and is payable on a semi-annual basis.

Revolving facility

On 31 January 2019, the Company, together with other members of the Group, entered into the Revolving Facilities Agreement, which provides for £25m of committed financing, all of which can be drawn by way of loans, ancillary facilities or letters of credit. As at 31 August 2020, the full facility was drawn down in the wake of the COVID-19 pandemic. However, cash performance throughout the year was better than downside scenario planning and as such the full amount was repaid in September 2020.

Notes to the financial statements for the year ended 31 August 2020 (continued)

17 Borrowings (continued)

Capitalised issue costs
Costs incurred in issuing the term loan totalled £6,050k. The costs are capitalised and allocated to the income statement over the terms of the related debt facility. At the year end, borrowings are stated net of unamortised issue costs of £5,093k *(2019: £5,757k)*.

The exposure of the Group's borrowings to interest payments is as follows:

	2020 £'000	2019 £'000
6 months or less	13,874	13,115
6-12 months	13,874	13,115
1-5 years	84,005	97,086
Total	**111,753**	**123,316**

The fair value of the borrowings is equivalent to the carrying amounts.

Group	Carrying value 2020 £'000	Fair value 2020 £'000	Carrying value 2019 £'000	Fair value 2019 £'000
Term Loan	195,000	195,000	195,000	195,000
Amortised loan issue fees	(5,093)	(5,093)	(5,757)	(5,757)
Preference shares	129,943	129,943	129,100	129,100
Revolving facility	25,000	25,000	5,000	5,000
Total	**344,850**	**344,850**	**323,343**	**323,343**

The Group and Company have access to a revolving credit facility of £25,000k *(2019: £25,000k)*. During the year ended 31 August 2020 the maximum balance outstanding on this facility was £25,000k *(2019: £5,000k)*.

Notes to the financial statements for the year ended 31 August 2020 (continued)

18 Lease liabilities

Group	2020 £'000	2019 £'000
Non-current		
Lease liabilities	4,282	7,279
	4,282	**7,279**
Current		
Lease liabilities	1,790	1,834
	1,790	**1,834**
Total lease liabilities	**6,072**	**9,113**

	2020 £'000	2019 £'000
Due within 1 year	1,790	1,834
Due between 1 – 5 years	3,360	5,780
Due after 5 years	922	1,499
	6,072	**9,113**

The lease liability is unwound in line with contractual rental payments, with an imputed interest rate of 3.5% *(2019: 3.5%)*.

19 Pension

The Group operates a defined contribution scheme in the form of a Group Personal Pension Plan for its employees. The assets of the Plan are held separately from those of the Group in an independently administered fund. The Group pays a fixed percentage contribution for each employee who is a member of the Group Personal Pension Plan. Contributions payable by the Group to the fund in respect of the year ended 31 August 2020 amounted to £1,385k *(2019: £837k)*. Of this amount, £289k was accrued at 31 August 2020 *(2019: £nil)*.

Notes to the financial statements for the year ended 31 August 2020 (continued)

20 Auditors' remuneration

During the year the Group obtained the following services from the Company's auditors:

Group	2020 £'000	2019 £'000
Fees payable to the Company's auditors for the audit of all Group	**378**	**437**
Fees payable to the Company's auditors for other services:		
- Non-audit related assurance services	**9**	**269**
	387	**706**

Of the audit fees payable to the Company's auditors, £124k was for the audit of the Company's subsidiaries *(2019: £99k)*.

£nil of the audit fees this year related to the audit of one off items such as acquisition accounting *(2019: £200k)*.

Included within non-audit fees are £nil of fees related to transaction related services, all of which have been treated as non-recurring costs *(2019: £260k)*.

21 Employee benefit expense

Group	2020 £'000	*As restated* 2019 £'000
Wages and salaries (2020 & 2019: net of £2.0m capitalised)	22,811	11,759
Social security costs	2,138	1,171
Other pension costs (note 19)	1,192	731
	26,141	**13,661**

Included within payroll costs are receipts from HMRC of £805k *(2019: £nil)* relating to the Coronavirus Job Retention Scheme (CJRS).

Termination benefits paid in the year, including directors', total £1,269k.

Notes to the financial statements for the year ended 31 August 2020 (continued)

21 Employee benefit expense (continued)

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

Group	2020 No.	2019 No.
Editorial	69	52
Sales and marketing	438	268
Technology	131	91
Operations	90	104
Administration	90	98
	818	**613**

The Company had no employees for the year ended 31 August 2020 *(2019: nil)*.

Directors' remuneration	**2020**	**2019**
Group	**£'000**	**£'000**
Aggregate emoluments (excluding pension contributions)	1,233	452
Company contributions to defined contribution schemes	-	-
	1,233	**452**

Directors are considered the only key management individuals and therefore no separate disclosure of key management remuneration is required.

The above disclosure relates to the emoluments of R Williams, R Grimshaw, P Simpson, J Johnson and D Leigh. J Johnson and D Leigh are remunerated by the Company, with the other remunerated by Tes Acquisition Limited. The emoluments of the other Directors were paid by Providence Equity LLP, a related party of the Company. As their services to the Company are of a negligible value their emoluments are deemed to be wholly attributable to their services to Providence Equity LLP. Therefore, no amounts have been recharged to the Company *(2019: no recharges)*.

Termination benefits paid in the year to previous directors' totals £378k.

Highest paid director:	**2020**	**2019**
	£'000	**£'000**
Total emoluments	**728**	**236**

No shares were received or receivable by the highest paid director in respect of qualifying services under a long-term incentive scheme.

Notes to the financial statements for the year ended 31 August 2020 (continued)

22 Related party disclosures

Group

The ultimate parent undertaking of the Group is Tes Holdings S.à.r.l., a company registered in Luxembourg. The Directors consider that the ultimate controlling party of the Group is Providence Equity Partners LLC, headquartered in the US, on behalf of the funds under its management.

Loans from group undertakings

Company	2020 £'000
At 1 September 2019	40
Salary recharges from Tes Global Limited	148
Intercompany interest charged by Tes Global Limited	9
Repayments	(197)
At 31 August 2020 (note 16)	**-**

Amounts owed from group undertakings are unsecured, repayable on demand and bear interest at a rate of 8% per annum *(2019: 8%)*.

23 Cash generated from operations

Group	2020 £'000	2019 £'000
Loss before income tax on continuing operations	(33,558)	(41,666)
Profit before income tax on discontinued operations (note 30)	1,545	2,578
Adjustments for:		
Depreciation on plant, property and equipment (note 7)	1,464	807
Depreciation on right of use assets (note 8)	315	671
Amortisation charges (note 9)	16,645	10,576
Impairment of goodwill and intangibles (note 9)	21,186	23,975
Share based payments (note 15)	668	290
Finance income (note 5)	(29)	(17)
Finance costs (note 5)	27,793	15,292
Profit on disposal of assets (notes 7,9)	402	-
Changes in working capital:		
Decrease in trade and other receivables	1,002	9,657
Increase/(decrease) in trade and other payables	8,395	(1,620)
Cash generated from operations	**45,828**	**20,543**

Cash flows related to discontinued operations are presented in note 30.

23 Cash generated from operations (continued)

Company	2020 £'000	2019 £'000
Loss before income tax	(14,563)	(7,913)
Adjustments for:		
Finance costs – net	14,397	7,873
Changes in working capital:		
Increase in trade and other receivables	(26)	-
Decrease in trade and other payables	(155)	40
Cash generated from operations	**(347)**	**-**

24 Change in liabilities arising from financing activities

	At 1 September 2019 £'000	Cash flow £'000	Non-cash flow £'000	At 31 August 2020 £'000
Bank loans	200,000	20,000	-	220,000
Borrowing costs	(5,757)	-	664	(5,093)
Interest accruals[3]	8,790	(12,227)	26,821	23,384
Preference shares	129,100	347	496	129,943
Lease liabilities (net of investment in sub-lease)	9,113	(41)	(3,000)	6,072
	341,246	**8,079**	**24,981**	**374,306**

	At 13 December 2018 £'000	Cash flow £'000	Non-cash flow £'000	At 31 August 2019 £'000
Bank loans[1]	-	5,000	195,000	200,000
Borrowing costs[2]	-	-	(5,757)	(5,757)
Interest accruals[3]	-	(6,042)	14,832	8,790
Preference shares[1]	-	-	129,100	129,100
Lease liabilities[4]	-	(531)	9,644	9,113
	-	**(1,573)**	**342,819**	**341,246**

Non-cash items include:
[1] New bank loans and preference shares where cash was paid directly to settle old indebtedness.
[2] Loan issue costs paid by the company offset by amortisation of these costs
[3] Movement in accrued interest on bank and preference shares
[4] Lease liabilities taken on as part of the acquisition

25 Commitments

Group

There are no financial commitments which have not been provided for *(2019: none).*

Company

At 31 August 2020, the Company had £nil financial commitments under non-cancellable operating leases *(2019: £nil).*

26 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Foreign exchange risk

The Group advances intercompany loans to its operating entities denominated in Sterling. While there is no material effect on Group level, currency fluctuations might result in significant adjustments at individual statutory account level.

Exchange differences arising on the retranslation of foreign currency borrowings during the current year are recognised in other comprehensive income.

Both foreign operations and foreign intercompany loans to date are immaterial and no further market risk sensitivity analysis was performed.

Interest rate risk

The Group manages its interest rate risk by regularly reviewing its existing position, refinancing or alternative financing to ensure the Group seeks to borrow at competitive rates. The Group also calculates the impact on loss in the statement of comprehensive income of a defined interest rate shift.

The Group's interest rate risk arises from the Term Loan and any utilisations of the revolving credit facility, which both attract interest at a rate of 3.5% plus LIBOR. As a condition of the Term Loan, the Company is required to maintain a hedge against the interest charged on the loan at all times.

Changes in interest rates affect the finance income or expense of variable interest financial instruments, financial instruments with fixed interest rates have no impact for financial instruments carried at amortised cost. The Group's main exposure to interest rate risk arises from senior secured floating rate notes.

The Group does not consider the interest rate risk for cash and cash equivalents, trade and other receivables, trade and other payables and deferred consideration material as these are considered current and present fair value and initial recognition and subsequent amortised costs and not susceptible to further rate changes.

Other market risks

Changes in the fair values of financial liabilities at fair value through profit or loss are estimated by discounting the future cash flows to net present values using rates prevailing at the year end.

The Group does not consider the other market risks material, except for the impact on the put/call options from controlling interest in EduKey.

26 Financial risk management (continued)

Market risk (continued)

Market risk sensitivity analysis
The following analysis is intended to illustrate the sensitivity of the Group's financial instruments at year end to changes in interest rates. The Group is using a sensitivity analysis technique that measures the estimated impact on the consolidated loss for the financial year of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening in estimates for each class of financial instruments with all other variables remaining constant.

The sensitivity analysis excludes the impact of market risks on corporate tax payable. This analysis is for illustrative purposes only, as in practice interest and foreign exchange rates rarely change in isolation.

The sensitivity analysis is based on all losses for the financial year sensitivities also impact equity.

	Other market risk		**Interest rate**	
	Reflected in loss		**Reflected in loss**	
	Favourable changes £'000	Unfavourable changes £'000	Favourable changes £'000	Unfavourable changes £'000
Term loan	-	-	1,950	(1,950)
Put/call options	261	(261)	-	-
At 31 August 2020	**261**	**(261)**	**1,950**	**(1,950)**
Term loan	-	-	1,950	(1,950)
Put/call options	791	(791)	-	-
At 31 August 2019	**791**	**(791)**	**1,950**	**(1,950)**

Management assessed their market risks exposure as limited with no material effect during the year ended 31 August 2020.

Credit risk
Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a high credit-rating are accepted. The Group's main banking facilities are provided by Barclays bank, which has a long term credit rating of A2 from Moody's. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and clients. Refer to trade and other receivables (note 11) for further detail on credit risk analysis.

Notes to the financial statements for the year ended 31 August 2020 (continued)

26 Financial risk management (continued)

Liquidity risk
Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group finance. Group finance invests surplus cash in interest bearing current financial statements, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held cash and cash equivalents of £40,270k that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Trade and other payables	54,884	-	-	-
Borrowings	25,000	-	319,850	-
Lease liabilities	895	895	3,360	922
Put/call option	-	-	2,416	-
At 31 August 2020	**80,779**	**895**	**325,626**	**922**
Trade and other payables	30,868	-	-	-
Borrowings	5,000	-	324,100	-
Lease liabilities	917	917	5,780	1,499
Put/call option	-	7,907	-	-
At 31 August 2019	**36,785**	**8,824**	**329,880**	**1,499**

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the financial statements for the year ended 31 August 2020 (continued)

26 Financial risk management (continued)

Capital risk management (continued)
Consistent with others in the industry, the Group monitors its financial indebtedness on the basis of its net debt to management adjusted EBITDA ratio. This ratio is calculated as net debt divided by management adjusted EBITDA for the last twelve months ("LTM"). Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statements of financial position) with financial institutes, excluding preference shares, less cash and cash equivalents. Management adjusted EBITDA is calculated as profit or loss for the year before tax on ordinary activities, net interest payable and receivable, amortisation, depreciation, non-recurring costs, non-recurring contingent consideration, parent company costs and share of operating profit/(loss) in joint ventures and associates.

The gearing ratios at 31 August 2020 were as follows:

	2020 £'000	Full 12m 2019 £'000
Term loan	195,000	195,000
Revolving credit facility drawn	25,000	5,000
Total borrowings	**220,000**	**200,000**
Less cash and cash equivalents	(40,270)	(12,042)
Net debt	**179,730**	**187,958**
Management adjusted LTM EBITDA	43,614	41,237
Management adjusted EBITDA ratio	**4.1**	**4.6**

27 Financial liabilities at fair value through the profit and loss

	2020 £'000	2019 £'000
Liabilities as per consolidated balance sheet:		
Financial liabilities at fair value through the income statement		
Put/call option		
- EduKey Education Limited	2,416	7,907
	2,416	7,907
Less non-current portion		
Put/call option		
- EduKey Education Limited	(2,416)	-
Current portion	-	7,907

Put/call option
As at 31 August 2020, the Group owned 6% of the issued share capital of Edukey Education Limited. Management of Edukey have a put option to sell their remaining controlling interest to the Group. The Group has a purchased call option that accompanies the put option, on similar terms. This option is exercisable in July 2022.

27 Financial liabilities at fair value through the profit and loss (continued)

The option to acquire the remaining 6% shareholding was revalued at the year end to £2,416k with the £1,908k increase, being charged to the Consolidated Income Statement.

The Group's financial liabilities carried at fair value are classified within Level 3 of the fair value hierarchy (fair value is based on appropriate valuation techniques using non-market observable inputs). There were no transfers between levels during the year. The Group's finance department includes a team that performs the valuations of contingent consideration and put/call options required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO and the valuation team in line with the Group's quarterly reporting dates and with the AC on an annual basis.

Notes to the financial statements for the year ended 31 August 2020 (continued)

28 Business Combinations

Edval

On 3 December 2019 the group purchased 100% of the ordinary share capital of Edval Holdings Pty Limited for consideration of $22.0m (£11m). As a result of this, Edval Holdings Pty Limited ("Edval") and its subsidiaries are now consolidated in the group results.

The amounts recognised in respect of the identifiable assets and liabilities acquired are as set out in the table below:

	Book value	Revaluation	Fair value on acquisition
	£'000	£'000	£'000
Assets			
Intangible assets (note 9)	667	4,535	5,202
Property, plant and equipment (note 7)	64	-	64
Financial assets	444	-	444
Cash	1,225	-	1,225
	2,400	**4,535**	**6,935**
Liabilities			
Trade creditors and accruals	(578)	-	(578)
Contract liabilities – deferred revenue (note 4)	(2,059)	1,965	(94)
VAT	(4)	-	(4)
Deferred tax (note 13)	-	(1,235)	(1,235)
	(2,641)	**730**	**(1,911)**
Total identifiable net assets at fair value, net of cash acquired	**(241)**	**5,265**	**5,024**
Goodwill			5,994
Purchase consideration			**11,018**
Satisfied by:			
Cash			8,622
Deferred consideration			2,396
Total consideration			**11,018**

Based on management's fair value exercise, the goodwill, the goodwill resulting from the acquisition reflects the acquired work force as well as expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

Edval contributed £3,875k of revenue, £410k of profit after taxation and £1,091k of management adjusted EBITDA to the Group in the 9 months of trading, post-acquisition.

Notes to the financial statements for the year ended 31 August 2020 (continued)

28 Business Combinations (continued)

Tutor In Limited

On 3 December 2019 the group purchased 100% of the ordinary share capital of Tutor In Limited for consideration of £2,026k. As a result of this the results of this, Tutor in Limited ("Two Sigmas") are now consolidated in the group results.

The amounts recognised in respect of the identifiable assets and liabilities acquired are as set out in the table below:

	Book value	Revaluation	Fair value on acquisition
	£'000	£'000	£'000
Assets			
Property, plant and equipment (note 7)	4	-	4
Financial assets	20	-	20
Cash	2	-	2
	26	-	**26**
Liabilities			
Trade creditors and accruals	(59)	-	(59)
	(59)	-	**(59)**
Total identifiable net assets at fair value, net of cash acquired	**(33)**	-	**(33)**
Goodwill			2,059
Purchase consideration			**2,026**
Satisfied by:			
Cash			1,526
Loan notes			500
Total consideration			**2,026**

Based on management's fair value exercise, the goodwill, the goodwill resulting from the acquisition reflects the acquired work force as well as expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

Tutor In Limited contributed £122k of revenue, £13k of profit after taxation and £17k of management adjusted EBITDA to the Group in the 9 months of trading, post-acquisition.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

28 Business Combinations (continued)

Educare Learning Ltd

On 23 August 2019 the group purchased 100% of the ordinary share capital of Educare Learning Ltd for consideration of £12,199k. As a result of this Educare Learning Ltd ("Educare") is now consolidated in the group results.

Provisional amounts recognised in respect of the identifiable assets and liabilities acquired were recognised in the Group accounts for the period ended 31 August 2019. Subsequently, an exercise to determine identifiable intangible assets has been performed, giving rise to a reduction in goodwill acquired, summarised as follows:

	Book value	Revaluation	Fair value on acquisition
	£'000	£'000	£'000
Total identifiable net assets at fair value, net of cash acquired as at 31 August 2019	**1,259**	**1,731**	**2,990**
Intangible assets	-	5,458	5,458
Deferred tax (note 13)	-	(1,037)	(1,037)
Revised total identifiable net assets at fair value, net of cash acquired	**1,259**	**6,152**	**7,411**
Goodwill			4,788
Purchase consideration			**12,199**
Satisfied by:			
Cash			**12,199**
Total consideration			**12,199**
Goodwill attributable 31 August 2019			*9,146*
Change in fair value			*(4,358)*
Goodwill as at 31 August 2020			***4,788***

Notes to the financial statements for the year ended 31 August 2020 (continued)

29 Non-controlling interest

Non-controlling interests represent the share of net assets of Edukey Education Limited, of which 6% *(2019: 25%)* is held outside the Group. The movement in the year comprises the profit attributable to the entity:

Group	2020 £'000
At 1 September 2019	454
Non-controlling interest's share of the profit for the year	(182)
At 31 August 2020	**272**

30 Discontinued operations

During the year, the Group decided to explore opportunities to sell the Supply business and initiated a program to locate a buyer for Tes Supply Limited and its subsidiaries (Tes Bidco Limited, Vision for Education Limited, ABC Teachers Limited and Smart Education Limited) ("Supply Group"). The associated assets and liabilities were consequently presented as held for sale in the 2020 financial statements.

The Supply Group was sold on 21 December 2020 with immediate effect and is therefore reported in the 2020 financial statements as a discontinued operation. We have not recognised a post-tax gain or loss on the measurement to fair value less costs to sell on the discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

	12 mths 2020 £'000	7 mths 2019 £'000
Revenue	12,028	9,206
Expenses	(10,483)	(6,628)
Profit before tax	**1,545**	**2,578**
Income tax expense	(310)	(489)
Profit from discontinued operations	**1,235**	**2,089**
Management adjusted EBITDA:		
Profit before tax	1,545	2,578
Depreciation	445	353
Finance costs	20	50
Finance income	(11)	(5)
Separately reported costs	422	75
	2,421	**3,051**

Notes to the financial statements for the year ended 31 August 2020 (continued)

30 Discontinued operations (continued)

	12 mths 2020	7 mths 2019
	£'000	£'000
Net cash from operating activities	6,486	(4,800)
Net cash from investing activities	(154)	(1,829)
Net cash from financing activities	(1,126)	1,525
Net cash generated by discontinued operations	**5,206**	**(5,104)**

31 Available for sale assets and liabilities

The following assets and liabilities were reclassified as held for sale in relation to the sale of Tes Supply Limited and its subsidiaries, as per note 30, as at 31 August 2020:

	2020	2019
	£'000	£'000
Assets classified as held for sale		
Property, plant and equipment	285	-
Right of use assets	339	-
Trade receivables	984	-
Prepayments	220	-
Other debtors	164	-
Corporation tax	307	-
Deferred tax asset	19	-
Total assets of disposal group held for sale	**2,318**	**-**
Liabilities directly associated with assets classified as held for sale		
Trade payables	201	-
Contract liabilities	6	-
Social security and other taxes	1,070	-
Accruals	886	-
Lease liabilities	399	-
Total liabilities of disposal group held for sale	**2,562**	**-**
Total available for sale liability	**244**	

32 Events after the reporting year

The Group 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 Groups critical estimates and judgements disclosed in the accounting policies in relation to the year ended 31 August 2020.

On 21 December 2020, Tes Supply Limited and its subsidiaries (Tes Bidco Limited, Vision for Education Limited, ABC Teachers Limited and Smart Education Limited) were sold to LDC for consideration of £27.0m. Consideration comprised up-front cash of £12.5m, additional cash due June 2022 £1.3m, deferred consideration determined by post-sale performance of £6.3m and loan notes issued of £6.2m.

On 25 February 2021, Tes Global Limited acquired 100% of the issued share capital of School Cloud Systems Ltd for consideration of £43,624k.

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 Group.

33 Subsidiary companies audit exemptions

The Group has provided the following subsidiaries with a parental guarantee in accordance with section 479C of the Companies. As such, advantage has been taken by the audit exemption available for the below named subsidiaries, conferred by section 479A of the Companies Act, relating to the audit of individual financial statements.

The subsidiaries taking advantage of this exemption are:

- Tes Global Holdings Limited (06141077)
- Educare Learning Ltd (01741045)
- Tutor In Limited (08577728)
- Twosigmas Inc.
- TwoSigmas China Ltd
- Tangient LLC
- Tes Aus Global Pty Ltd
- Smart Education (Australia) Pty Ltd
- Edval Education Pty Ltd
- Edval Timetables Pty Ltd
- Edval Education Ltd (11034872)
- TSL Education SPV2 Limited (06141051)
- Tes Global Group Limited (08592544)
- Tes Global Finance Limited (11726791)
- Tes Finance Limited (09098342)
- TSL Education US Holdings Limited (08659768)
- Tes Midco Limited (11726755)

The directors acknowledge their responsibilities for:

- Ensuring the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
- Preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 August 2020 and of its profit or loss for the year then ended in accordance with the requirements of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

34 Ultimate Parent Company and Ultimate Controlling Party

The directors consider that the ultimate controlling party of the Company is Providence Equity Partners LLC, headquartered in the US, on behalf of the funds under its management. The immediate parent undertaking is TES Holdings S.a.r.L, a company registered in Luxembourg.

The smallest and largest consolidated financial statements produced for the Group are for TES Topco Limited, which are these financial statements.