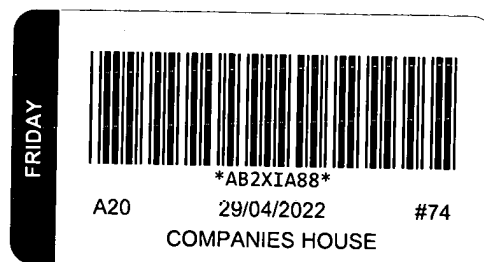


Registered number 11727093 (England and Wales)

Tes Topco Limited
Annual report and consolidated financial statements
for the year ended 31 August 2021



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 2021
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Tes Topco Limited

Directors and advisers

Directors

Mr R Williams

Mr E Hughes (resigned 2 February 2022)

Mr D Leigh (resigned 2 February 2022)

Mr D Rammal (resigned 2 February 2022)

Mr P Simpson

Mr J Johnson (resigned 2 February 2022)

Mr A Tisdale (appointed 22 February 2021, resigned 2 February 2022)

Mr N Wright (appointed 2 February 2022)

Mr A Faure (appointed 2 February 2022)

Company Secretary

Mr P Simpson

Registered Number

11727093

Registered Office

26 Red Lion Square

London

England

WC1R 4HQ

Independent Auditor

Deloitte LLP

Statutory Auditor

1 City Square

Leeds

LS1 2AL

Tes Topco Limited

Strategic report

Introduction

Tes Topco Limited ("TTCL") is the parent undertaking for the trading activities of Tes Global Limited and its subsidiaries (together "Tes"). Tes is a global digital education technology business, employing over 500 staff in four countries, helping schools and teachers succeed by providing a range of 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

During the year ended 31 August 2021, Tes has made significant progress in its strategic, financial and operational goals including:

- A new senior leadership team has implemented a revised organisational structure with single functional responsibilities across the whole of Tes
- Developed and invested in product, sales and technology capabilities consistent with our strategic objectives. This included the first steps towards single sales structures capable of selling the full range of Tes services to schools
- Successfully grew our software-based services and recurring staff management revenue
- Significant strategic development through the disposal of the former Tes Supply businesses in December 2020 and the acquisition of SchoolCloud Systems, a market leading provider of software services to schools, in February 2021

In parallel with these changes, we have updated our revenue reporting to reflect the product and solution focus. In previous years, revenue was categorised as Attract (recruitment services), Train (teach training services and safeguarding) and Empower (technology tools for schools and online resource marketplace). The updated categories are as follows:

- Staff Management: Recruitment services and staff wellbeing tools
- Pupil and Learning Management: Software-based classroom management, learning plan and timetabling tools
- Safeguarding: Software-based safeguarding and duty of care training and compliance services
- Tes Institute: Teacher training and professional studies; and
- Other: teaching resources, Tes magazine and events

Alongside these market leading, revenue generating offerings, we remain the preeminent source for the latest news and information covering schools and the wider education sector, having published news and opinion for over 100 years.

Our strategy is to continue to invest in developing new software-based solutions alongside the acquisition of complementary businesses with market-leading offerings. We continue to see significant opportunity to grow our business both organically and through acquisition within both the UK and international markets. In February 2021, SchoolCloud Systems Limited ("SchoolCloud") joined the Tes Group. SchoolCloud offers a range of software services to schools encompassing remote parents evenings and clubs & events management. SchoolCloud has performed strongly since the date of acquisition and continues our successful track record from acquiring Edval, Edukey and Educare. 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)

Change of ownership

On 5 December 2021, Caribou Bidco Limited, a Company owned and controlled by Onex Partners agreed to purchase the entire share capital of TTCL and its subsidiaries from Tes Holdings Sarl, a company owned and controlled by Providence Equity Partners LLP. Following this initial exchange of contracts, the purchase was subsequently completed on 2 February 2022.

On completion of the sale to Onex, the Group's liabilities to the bank and its previous shareholders of £177,000k and £30,000k respectively, we settled in full. A new bank loan facility of £340,000k was drawn by Caribou Bidco Limited at completion.

Business development

Disposal of the Tes supply businesses

On 21 December 2020, Tes sold Tes Supply Limited and its subsidiaries (Tes Bidco Limited, Vision for Education Limited, ABC Teachers Limited and of Smart Education Limited) to Lloyds Development Capital Limited for a total consideration of £27.0m. Consideration comprised up-front and received cash of £13.1m, with additional cash due in June 2022 of £1,250k. Additional, potential deferred consideration determined by post-sale performance of £6,625k, profit share from the National Teaching Programme of up to 80% and loan notes issued of £6,625k. We have recognised a receivable of £7,235k in respect of amounts not received at completion.

Acquisition of SchoolCloud Systems Ltd ("SchoolCloud")

On 28 February 2021, Tes acquired SchoolCloud for an up-front cash consideration of £43.6m with a potential further deferred payment of £4.9m due to the previous owners based on post-acquisition performance. This acquisition continues our strategy of strengthening our software-based service offering with complementary capability and skills. SchoolCloud is a market leading provider of online parents evening software used by schools to run parents evening and other bookings online.

Impact of COVID-19

The Group continue to monitor and adapt to guidance and regulations regarding the ongoing COVID-19 pandemic. During periods of lockdown, our colleagues were able to work from home, with access to offices becoming available in line with Government advice. Remote working and meetings with stakeholders external to the business continued throughout the year.

In the year there was a short period of UK school closures from January to March. During this period, transactional advertising revenue (adverts placed outside of a subscription contract) was lower than expected, however, advertising subscription revenue and software subscriptions across the Group performed well and, in some areas, outperformed expectations. As schools began to re-open from March, we saw transactional advertising return to anticipated levels.

The impact of the pandemic in Australia was seen throughout the financial year, with continued international and intra-state travel restrictions. As a result of this, activity in Smart Australia Pty Ltd has been lower than pre-COVID-19 levels. As a result of this, the value of intangible assets attributable to Smart Australia Pty Limited were impaired by £6,009k in the year (note 10).

Business overview and financial highlights

For the year ended 31 August 2021, Tes (excluding the impact of disposals) reported revenue of £94,835k (2020: £87,436k) on a pre-consolidation revenue adjustment (see reconciliation on page 6), a Management Adjusted EBITDA of £47,856k (2020: £41,228k) and a loss for the year of £33,656k (2020: £42,008k). SchoolCloud contributed £2,868k of revenue, £1,790k of profit after taxation and £2,211k of Management Adjusted EBITDA to the Group in the 6 months of trading, post-acquisition.

The 10% growth in Management Adjusted EBITDA is primarily driven by the acquisition of SchoolCloud, contributing a pro-forma EBITDA of £3,259k to Group performance, more than compensating for the loss of EBITDA following the sale of Supply (£2,421k), with strong performance from sales in staff management and pupil and learning management contributing to the remainder of the growth. The revenue performance is discussed in further detail on page 5.

Tes Topco Limited

Strategic report (continued)

Business overview and financial highlights (continued)

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. A reconciliation of Management Adjusted EBITDA to operating profit and loss before tax, is provided on page 6.

Management Adjusted, proforma, EBITDA is a measure monitored within the business and is relevant in reporting our compliance with the financial covenants relevant to our financing arrangements.

Reported revenue grew 11% to £91,151k (2020: £79,597k), driven by the acquisition of SchoolCloud (as per the above paragraph) and strong revenue growth in Pupil and Learning Management and Safeguarding, explained in further detail on page 5.

The group generated an operating profit of £178k (2020: loss £13,633k) in the year, with the growth from 2020 driven primarily by a lower impairment charge in the year (note 10), leading to an improved loss after tax on continuing operations, of £35,0329k (2020: £43,243k).

These results are summarised as:

	Year ended 31 August 2021 £'000	Restated Year ended 31 August 2020 £'000	% change
Staff Management	59,029	58,185	
Pupil and learning management	15,992	9,003	
Safeguarding	5,533	4,341	
Tes Institute	7,546	9,716	
Other	6,768	6,191	
Revenue pre consolidation adjustment	94,868	87,436	10%
Consolidated deferred revenue release ⁽¹⁾	(3,717)	(7,839)	
Reported revenue	91,151	79,597	
Other income	311	725	
Management Adjusted EBITDA	47,856	41,228	10%
	50%	52%	

⁽¹⁾ The consolidated deferred revenue release relates to the release of the fair value adjustments to deferred revenue on acquisition of companies

As reported earlier, a change in business focus has led to a new way of reporting the business' revenue streams, below is a table showing how the 2020 reported revenue maps into our new offering. An amount of £7,839k was recognised as a prior year restatement in consideration of amounts recognised on acquisition that should have subsequently been released to P&L:

Previous revenue segmentation		Revised revenue segmentation				
	Year ended 31 August 2020 £'000	Staff Management £'000	Pupil & Learning Management £'000	Safe- guarding £'000	Tes Institute £'000	Other £'000
Attract	58,185	58,185	-	-	-	-
Train	14,057	-	-	4,341	9,716	-
Empower	15,194	-	9,003	-	-	6,191
Consolidated deferred revenue release	(7,839)	(2,935)	(2,871)	(1,959)	(74)	-
Net revenue	79,597	55,250	6,132	2,382	9,642	6,191

Tes Topco Limited

Strategic report (continued)

Business overview and financial highlights (continued)

The Group reported a growth in revenue, before consolidation adjustment for acquired deferred revenue, from continuing operations of 5% to £91,868k (2020: £87,436k) and a growth in Management Adjusted EBITDA of 10% to £47,856k (2020: £41,228k), despite continuing challenges faced by the global pandemic and a short period of school closures in early 2021.

Key performance highlights were as follows:

- Staff Management grew 1% in the year to £59,029k (2020: £58,185k). Revenue for the year was adversely impacted during UK school closures in January and February with transactional advertising below our initial expectations. Subscription advertising performance was impacted less due its contracted nature although there was a corresponding slowdown in new business in the school closure period. Our concierge recruitment product performed well with successful upselling of transactional leadership opportunities to attraction campaigns;
- Pupil and Learning Management saw growth of 78% in the year to £15,992k (2020: £9,003k). The acquisition of SchoolCloud in February 2021 contributed £2,868k, 41% of the growth in revenue in the year. Additionally, Edval had the benefit of a full years' revenue delivery, contributing 30% of revenue growth. The remaining growth comes from a successful year for Edukey product lines;
- Safeguarding revenue grew 27% to £5,533k (2020: £4,341k) driven by strong subscription sales and the launch of Tes Develop, combining safeguarding packages with professional studies modules;
- Tes Institute was the only CGU where we saw a decline year on year, falling 22% to £7,546k (2020: £9,716k) resulting from a reduction in Department for Education funding for the Subject Knowledge Enhancement courses; and
- Other revenue streams achieved growth of 9%, primarily driven by a successful year for our online marketplace platform.

Tes Topco Limited

Strategic report (continued)

Business overview and financial highlights (continued)

A reconciliation of net loss to management adjusted EBITDA is provided as follows:

	2021 £'000	Restated 2020 £'000
Loss for the year from continuing operations	(35,032)	(43,243)
Income tax expense (note 7)	6,959	1,846
Finance income (note 6)	(215)	(29)
Finance cost (note 6)	28,466	27,793
Operating profit/(loss)	178	(13,633)
Depreciation and amortisation (note 3)	18,100	18,424
EBITDA	18,278	4,791
Non-recurring and separately reported costs (note 3)	19,624	6,854
Costs incurred related to COVID-19	-	755
Impairment of goodwill and intangibles (notes 3 & 10)	6,009	21,186
Central costs incurred ⁽¹⁾	171	175
Deferred revenue on consolidation release	3,717	7,839
Discontinued operations costs below EBITDA	-	(463)
Exclusion of benefit of IFRS16 accounting	(999)	(56)
Reported Management Adjusted EBITDA	46,800	41,081
EBITDA pro-forma adjustment for Edval/Tutor In ⁽²⁾	-	147
EBITDA pro-forma adjustment for SchoolCloud ⁽²⁾	1,056	-
Proforma Management Adjusted EBITDA	47,856	41,228

Note EBITDA is a further measure of financial performance which takes management adjusted EBITDA and adds back central costs, and a pro-forma adjustment for acquisitions and disposals undertaken during the year. EBITDA, Management Adjusted EBITDA and Proforma Management Adjusted EBITDA, are not measures of financial performance under IFRS, but are 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 costs incurred in Group Holding companies are added back as a non-operating cost.

(2) The pro-forma results (full year impact of acquisitions) are an allowable adjustment in arriving at Management Adjusted EBITDA, in accordance with the senior loan facility. These amounts are added/deducted to reflect full year impact of the acquisition.

Reported Management Adjusted EBITDA represents the results of the Group based on ownership status. As per point 3 above, we are permitted to present Pro-forma Management Adjusted EBITDA for covenant reporting purposes and therefore for 2021 we have included as a pro-forma adjustment, the EBITDA of SchoolCloud for the period 1 September – 28 February. A pro-forma number has not been reflected for 2020.

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:

	2021 £'000	2020 £'000
Management Adjusted EBITDA	47,856	41,228
Costs incurred in Tes Topco Limited company	(159)	(148)
Management Adjusted EBITDA for Group up to Tes Acquisition Limited	47,697	41,080

The net liabilities of the Group at 31 August 2021 can be summarised as follows:

	31 August 2021 £'000	31 August 2020 £'000
Non-current assets	320,311	322,265
Current assets and liabilities	(68,808)	(48,893)
Lease liabilities	(4,841)	(6,072)
Net deferred consideration	(1,343)	(4,812)
Deferred tax	(40,362)	(34,235)
Shareholder loans	(30,000)	-
Preference shares	(129,943)	(129,943)
Total before net external debt	45,014	98,310
Net debt:		
Senior loan facility	(177,000)	(195,000)
Debt issue costs	3,478	5,093
Revolving credit facility	-	(25,000)
Total borrowings	(173,522)	(214,907)
Less: cash	21,229	40,270
Net debt⁽¹⁾	(152,293)	(174,637)
Net liabilities	(107,279)	(76,327)

⁽¹⁾ Net debt is calculated as amounts due to external lenders (banks) less cash held

Key performance indicators

We review a range of financial and non-financial performance indicators. Key performance indicators include the following:

	31 August 2021	31 August 2020
<i>Financial KPIs</i>		
Day sales outstanding in trade receivables ("DSO")	38	37
Subscription revenue as a % of total revenue	70%	70%
Closing Annualised Recognised Revenue ("ARR")	£71.5m	£60.5m
<i>Non financial KPIs</i>		
Number of resources downloaded (free and paid)	47.4m	49.8m
Number of safeguarding courses delivered	1.1m	1.7m

All amounts are presented on a proforma basis, adjusted for the impact of acquisitions and disposals

Tes Topco Limited

Strategic report (continued)

Key performance indicators (continued)

Day sales outstanding (DSO)

An increase of 1 day to 38 (2020: 37) is primarily driven by the integration of the trade and assets of Edukey Education Ltd into Tes Global Ltd in July 2021, resulting in a small delay in invoicing and consequently, cash collection was delayed until September 2021.

Subscription revenue as a % of total revenue

There was no change in the proportion of subscription of overall revenue between 2020 and 2021. Whilst we would expect this to have increased with the strategy to migrate more customers to subscription contracts, a strong year for transactional revenue means the KPI has measured at a stable level.

Annualised Recognised Revenue (ARR)

Growth of £11.0m to £71.5m (2020: £60.5m) is driven by continued efforts to convert customers to subscription contracts as opposed to transactional (one-off) advertising. In addition, there has been high growth in pupil and learning management products (class charts, provision maps and SchoolCloud).

Resources downloads

The number of resources downloaded fell 2.4m to 47.4m (2020: 49.8m) in the year driven by a fall in traffic generated by Google searches. This primarily impacted free downloads.

Safeguarding courses

The number of courses delivered decreased by 0.6m in the year to 1.1m (2020: 1.7m) as a result of increased interest from teachers to complete CPD throughout the start of the pandemic, in parallel with school closures. There were also a number of courses offered free as part of coronavirus support packages.

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 ("RCF") of £25m, of which £nil (2020: £25m) was drawn down at the year end. The cash balance at the end of the year was £21.2m (2020: £40.3m).

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.

Following the recent change of ownership, we have entered into new funding arrangements. These revised sources of funds remain sufficient to fund our debt servicing requirements.

Net cash generated from operating activities

Net cash generated from operating activities amounted to £35.2m for the year ended 31 August 2021 (2020: £43.0m). Reported Management Adjusted EBITDA to operating cash flow conversion was 74% in the year (2020: 94%).

Tes Topco Limited

Strategic report (continued)

Liquidity and Capital Resources (continued)

Net cash used in investing activities

The net cash outflow in relation to investing activities was £31.9m (2020: £22.8m) for the year ended 31 August 2021 as follows:

- £1.0m of plant, property and equipment purchased (2020: £0.3m)
- £3.8m of intangible assets acquired (2020: £6.4m)
- net cash invested in respect of acquisitions and disposals was £27.3m (2020: £16.1m). This included a net cash outflow in respect of the acquisition of SchoolCloud (£38.6m) and proceeds from the sale of Supply (£11.3m); and
- £0.2m interest receivable.

Net cash used in financing activities

Net cash from financing activities was a £22.4m outflow for the year ended 31 August 2021 (2020: £8.1m outflow). Comprising a net repayment of £25.0m from the RCF facility, being £10m drawn down in the year and £35m repaid (2020: £20.0m), interest repaid on the senior loan facility in the year of £6.0m (2020: £11.6m) and £0.2m (2020: £0.3m) of interest on lease liabilities, as well as cash outflows in respect of lease liabilities of £1.9m (2020: £2.6m).

Material Contractual Commitments

The table below sets forth our contractual obligations and commercial commitments as at 31 August 2021 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 and preference shares that we would be required to make. The table also excludes any amount that would be available under the RCF Agreement if it were to be utilised. The information presented in this table reflects our estimates of the contractual payment streams of our current obligations, which may differ significantly from the actual payments made under these obligations.

£'m	Payments due by period			
	Less than 1 year	1 - 5 years	More than 5 years	Total
Term loan ⁽¹⁾	-	177.0	-	177.0
Shareholder bridge funding ⁽²⁾	-	30.0	-	30.0
Lease liabilities ⁽³⁾	2.1	2.2	0.5	4.8
Put/call option exercise price ⁽⁴⁾	4.6	-	-	4.6
Preference shares ⁽⁵⁾	-	129.9	-	129.9
Total	6.7	339.1	0.5	346.3

(1) Represents the aggregate principal amount of the Term Loan

(2) Represents the amount loaned from Providence to fund the acquisition of SchoolCloud

(3) Represents the rent on our corporate headquarters and other leased office space

(4) Relates to the price to exercise the option to acquire the remaining 6% interest in EduKey

(5) Represents the value of allotted preference shares

Tes Topco Limited

Strategic report (continued)

Liquidity and Capital Resources (continued)

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. In December 2020, following the sale of the Supply business, £18m of the term loan was repaid.

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.

Shareholder loan funding

On 24 February 2021 shareholder loan funding was provided to support the funding for the acquisition of SchoolCloud Systems Ltd. Interest accrues at 1.9% plus LIBOR, payable at the request of shareholders.

Following completion of sale to Onex Partners on 2 February 2022, this loan has been settled.

Preference shares

Preference shares were issued on 31 January 2019. Interest accrues at 10.5%, compounding annually on 31 January each year. Following the sale of the Group to Onex Partners, the preference shares were settled in full.

Edukey put call option

As at 31 August 2021, 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.

Working Capital

Our successful progress in driving adoption of advertising subscription packages has resulted in an improved working capital profile. 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.

Tes Topco Limited

Strategic report (continued)

Non-financial information

The Group has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the strategic report. This can be found as follows:

- Tes' business model is on page 2.
- Information regarding the following matters, including a description of relevant policies can be found on the following pages:
 - Environmental matters on page 12;
 - Employees on pages 10 to 11;
 - Social matters on page 11;
 - Respect for human rights on page 11; and
 - Anti-corruption and anti-bribery matters on page 13.
- Where principal risks have been identified in relation to any of the matters listed above, these can be found in the following section of this report, including a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.
- All key performance indicators of the Group, including those non-financial indicators, are on page 6.
- The Business Review section on pages 3 to 5 includes, where appropriate, references to, and additional explanations of, amounts included in the entity's annual accounts.

Section 172 statement

The Board always aims to act in the best interests of the Company and to be fair and balanced in its approach. The needs of different stakeholders are always considered as well as the consequence of any decision in the long-term and the importance of our internally published high standards of business conduct. This was especially pertinent given the sale of the business to Onex in February 2022. More specific information is given below.

Long term decision making

The Board delegates day to day management and decision making to its senior management team but maintains oversight of the Company's performance and reserves certain specific matters for Board approval. The Board regularly reviews strategic progress and holds detailed discussion on specific strategic matters whilst reviewing appropriate relevant information.

Stakeholders – Employees

Please refer to page 13 of the Directors Report.

Stakeholders – Customers, Suppliers, Others

Please refer to page 14 of the Directors Report.

Stakeholders – Community and Environment

Please refer to pages 13 and 14 of the Directors Report

Reputations of high standards of business conduct

The Board is responsible for developing a culture that promotes integrity and transparency. Appropriate corporate policies are regularly reviewed and published for all Employees to access on the Company Intranet. The Company has also a published and widely communicated mission and value statement.

Tes Topco Limited

Strategic report (continued)

Section 172 statement (continued)

Acting fairly between members of the Company

The Board always acts in the best interests of its shareholder and has frequent dialogue to cover performance, operational and financial, whilst ensuring that there is alignment of objectives with the shareholder.

Statement of Employee Engagement

Please refer to Page 13 of the directors Report

Statement on Business relationships

Our strategy is to grow organically through the cross sell of our range of products and services to our customers which we will supplement with targeted acquisitions. Development of strong customer relationships is fundamental to the success of this strategy.

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, we continue to monitor the ongoing situation and remain in line with evolving Government Guidelines. Whilst there is a risk of future school closures, we consider the main risk is to our transactional advertising products.

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.

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 2021, there was no facility drawn.

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.

Tes Topco Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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.

Approved for issue on behalf of the board on 8 March 2022



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 2021.

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 2021 (*period ended 2020: £nil*).

Political donations

The Group did not make any political donations during the year (*period ended 2020: £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 Williams	CEO	
Mr E Hughes	Shareholder Director	Resigned 2 February 2022
Mr D Leigh	Non-Executive Director	Resigned 2 February 2022
Mr D Rammal	Shareholder Director	Resigned 2 February 2022
Mr P Simpson	CFO	
Mr P Wilde	Shareholder Director	Resigned 17 February 2021
Mr J Johnson	Non-Executive Director	Resigned 2 February 2022
Mr A Tisdale	Senior Managing Director	Appointed 22 February 2021, resigned 2 February 2022
Mr N Wright	Shareholder Director	Appointed 2 February 2022
Mr A Faure	Shareholder Director	Appointed 2 February 2022

Rod Williams is the CEO of Tes Global Limited having joined the Company in July 2020. Previously, Rod was the CEO of Autodata Limited. Prior to Autodata, he was the CEO of Adfero, 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 Ernst & Young LLP in the UK and PricewaterhouseCoopers LLP in the UK and Italy. He qualified as a chartered accountant with Price Waterhouse LLP 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.

Tes Topco Limited

Directors' report (continued)

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.

There are a number of schemes to incentivise employees in contributing towards the Group's performance. Sales personnel are incentive through sales achievement commission schemes and Group budget holders through Group financial performance related bonus schemes. Group performance is regularly shared with all personnel through Group-wide broadcasts.

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.

Tes Topco Limited

Directors' report (continued)

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.

Anti-corruption and anti-bribery

The Group upholds its legal and ethical obligations as well as its reputation for honesty and integrity in all business dealings and making or receiving bribes (inducement or facilitation of payments, excessive gifts or hospitality) is strictly prohibited. All gifts accepted or offered are documented and monitored internally.

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 2021	UK based 2020
Energy consumption used to calculate emissions:			
Gas	kWh	75,790	63,278
Electricity	kWh	163,226	269,804
Transport fuel	kWh	37,598	312,227
Total	kWh	276,614	645,309
Emissions from combustion of gas kg CO2e (Scope 1)	kg CO2e	13,935	12,186
Emissions from combustion of fuel for transport purpose kg CO2e (Scope 1)	kg CO2e	8,651	73,968
Emissions from purchased electricity kg CO2e (Scope 2 location-based)	kg CO2e	38,055	62,258
Total gross kg CO2e based on above	kg CO2e	60,641	148,412
Intensity ratio			
Total full time employees (FTE)		439	818
Total kg CO2e per employee		138	181
Total UK revenue £'000	£'000	74,746	69,156
Total kg CO2e per £'000 of revenue		0.8113	2.1460

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

Tes Topco Limited

Directors' report (continued)

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 2021, the Group spent £5.7m (2020: £6.4m) on research and development, of this £3.7m (2020: £4.0m) was development spend which has been capitalised as part of the software and software development additions in the year (see note 9). Key projects in the year included build of new staff management product (£0.5m) and Tes Develop content (£0.4m).

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 continue to adhere to Government guidelines and actively monitor the impact of the COVID-19 pandemic on the Group.

Directors' and Officers' indemnity

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

Going concern

Following completion of the sale of the Group to Onex Partners V, the Group's borrowings were settled in full. A new bank facility of £340m was drawn at completion by Caribou Bidco Limited, with a revolving credit facility of £25m and acquisition facility of £75m available to the Group, maturing February 2029. The new bank facility includes loan covenants which are factored into management's forecasting process and headroom on these covenants is forecast in managements downside cashflow forecast scenarios.

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 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 and the change in demand of the Groups products. The Directors have reflected this in the Group's forecasting process. Where transactional recruitment products are negatively impacted by school closure, software products have seen an increase in demand from the pandemic and continue to do so as restrictions have eased. Since the lifting of COVID-19 restrictions in July 2021 in the UK, there have been no nationwide school closures and at the date of this report, no concerns that this may be the case in the future. Schools in Australia re-opened in October 2021 and the slower recovery in Australian subsidiaries has been reflected in the Directors forecasts for the going concern period.

The Board has taken significant confidence from the manner in which the Group traded in 2021, despite a short period of school closures in both the UK and Australia. Whilst there was a period of low transactional revenues during school closures, subscription revenue and renewals demonstrated robustness and forecasts for the mix of products for 2022 are positive, based on 2022 results to date.

A letter of support had been obtained from Caribou Bidco Limited who have confirmed that they will continue to support the Company and provide any further funds, if required, for a period of a least 12 months from the date of approval of these financial statements. The Directors have reviewed the ability and likelihood of Caribou Bidco Limited to provide the aforementioned financial support and have noted that the support is available if it is needed by the Company.

After making enquires and considering the above factors, 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.

Tes Topco Limited

Directors' report (continued)

Events after the reporting year

On 5 December 2021, Caribou Bidco Limited, a Company owned and controlled by Onex Partners agreed to purchase the entire share capital of TTCL and its subsidiaries from Teś Holdings Sarl, a company owned and controlled by Providence Equity Partners LLP. Following this initial exchange of contracts, the purchase was subsequently completed on 2 February 2022.

On completion of the sale to Onex, the Group's liabilities to the bank and its previous shareholders of £177,000k and £30,000k respectively, were settled in full. A new bank loan facility of £340,000k was drawn at completion.

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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Tes Topco Limited

Directors' report (continued)

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

In June 2021 the Directors appointed Deloitte LLP as the external auditors. The auditors will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 8 March 2022 and signed on its behalf.



Mr P Simpson
Director

Tes Topco Limited

Independent auditor's report to the members of Tes Topco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Tes Topco Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Tes Topco Limited

Independent auditor's report to the members of Tes Topco Limited

Report on the audit of the financial statements (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Tes Topco Limited

Independent auditor's report to the members of Tes Topco Limited

Report on the audit of the financial statements (continued)

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, and relevant pensions and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the UK Bribery Act, the Data Protection Act and UK employment and health and safety law.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Revenue recognition – Edukey deferred income. Prior to July 2021, Edukey's revenue recognition model was performed on manual spreadsheets increasing the risk of error or fraud. In response to this risk, we assessed the processes and relevant controls around this risk and tested a sample of deferred income entries by agreement to the invoice, cash and contract for each item and agreed that revenue was recognised appropriately based on performance obligations at the year end date for the sample selection; and
- Capitalisation of development costs. The group capitalises into intangible assets internal time costs spent developing the group's products which are sold to customers. Capitalising more development costs would increase profit and there is therefore an incentive exists to commit fraud to report better than expected financial results by capitalising an inappropriately high amount of development costs into intangible assets. In response to this risk, we tested a sample of capitalised costs, and agreed the costs to employee salary information and we reviewed the percentage of time allocated for the employee by discussing these with relevant line managers and project managers for the products selected. We tested a sample of products and projects by discussing their use and benefit with the project manager and observed demonstrations of the capitalised project to confirm that the project could feasibly be completed and generate economic benefit for the group. We assessed the processes and relevant controls around this risk.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Tes Topco Limited

Independent auditor's report to the members of Tes Topco Limited

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

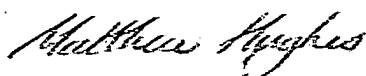
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Matthew Hughes BSc (Hons) ACA

(Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

8 March 2022

Tes Topco Limited

Consolidated income statement

For the year ended 31 August 2021

	Note	2021 £'000	2020 £'000 <i>Restated*</i>
Continuing operations			
Revenue	4,5	91,151	79,597
Cost of sales	4	(7,971)	(7,687)
Gross profit		83,180	71,910
Other income	4	311	725
Administrative expenses		(77,304)	(65,082)
Impairment of intangible assets	3	(6,009)	(21,186)
Operating profit/(loss)	3	178	(13,633)
Finance income	6	215	29
Finance costs	6	(28,466)	(27,793)
Loss before income tax		(28,073)	(41,397)
Income tax expense	7	(6,959)	(1,846)
Loss for the year from continuing operations		(35,032)	(43,243)
Profit from discontinued operations	31	1,376	1,235
Loss for the year		(33,656)	(42,008)
Loss attributable to:			
- The owners of TES Topco Limited		(33,821)	(41,826)
- Non-controlling interest (note 30)		165	(182)
		(33,656)	(42,008)

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 of the Company for the year was £15.9m (2020: loss of £14.5m).

* The comparative information has been restated as a result of the prior period error as discussed in note 2.

The notes on pages 33 to 89 are an integral part of these consolidated financial statements.

Tes Topco Limited

Consolidated statement of comprehensive income

For the year ended 31 August 2021

	Note	2021 £'000	2020 £'000 <i>Restated*</i>
Loss for the year		(33,656)	(42,008)
Transactions with owners recorded directly in equity			
Contributions and distributions to owners			
Share based payments	15	-	-
Transactions with owners recorded directly in equity		-	-
Total other comprehensive income		-	-
Total comprehensive expense for the year		(33,656)	(42,008)
Total comprehensive expense attributable to:			
- The owners of TES Topco Limited		(33,821)	(41,826)
- Non-controlling interest		165	(182)
		(33,656)	(42,008)

Items disclosed in other comprehensive income will not subsequently be reclassified to profit or loss.

* The comparative information has been restated as a result of the prior period error and misclassification as discussed in note 2.

The notes on pages 33 to 89 are an integral part of these consolidated financial statements.

Tes Topco Limited

Registered number 11727093

Consolidated balance sheet

As at 31 August 2021

	Note	2021 £'000	2020 £'000 <i>Restated*</i>	2019 £'000
Assets				
Non-current assets				
Property, plant and equipment	8	2,463	3,564	5,078
Right of use asset	9	3,105	5,341	8,258
Intangible assets	10	314,743	313,360	330,676
		320,311	322,265	344,012
Current assets				
Trade and other receivables	12	19,785	11,676	13,581
Deferred tax asset	14	1,673	1,454	1,476
Cash and cash equivalents	13	21,229	40,270	12,042
		42,687	53,400	27,099
Total assets		362,998	375,665	371,111
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	15	100	100	100
Share premium	15	904	904	900
Accumulated losses		(108,720)	(77,605)	(36,447)
Non-controlling interest	30	437	272	454
Total deficit		(107,279)	(76,329)	(34,993)

Tes Topco Limited

Registered number 11727093

Consolidated balance sheet (continued)

As at 31 August 2021

		2021	2020	2019
	Note	£'000	£'000	£'000
		<i>Restated*</i>		
Liabilities				
Non-current liabilities				
Borrowings	18	333,465	319,850	318,343
Lease liabilities	19	2,747	4,282	7,279
Financial liabilities at fair value through profit and loss	28	-	2,416	-
Deferred income tax liabilities	14	42,035	35,689	34,946
		378,247	362,237	360,568
Current liabilities				
Borrowings	18	-	25,000	5,000
Trade and other payables	17	84,982	62,723	30,795
Available for sale liabilities	32	-	244	-
Financial liabilities at fair value through profit and loss	28	4,954	-	7,907
Lease liabilities	19	2,094	1,790	1,834
		92,030	89,757	45,536
Total liabilities		470,277	451,994	406,104
Total equity and liabilities		362,998	375,665	371,111

* The comparative information has been restated as a result of the prior period error as discussed in note 2.

The notes on pages 33 to 89 are an integral part of these consolidated financial statements.

The financial statements on 24 to 89 were authorised for issue by the board of directors on 8 March 2022 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 2021

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Non-controlling interest £'000	Total deficit £'000
Balance at 1 September 2020 restated	100	904	(77,603)	272	(76,327)
(Loss) for the year	-	-	(33,821)	165	(33,656)
Total comprehensive expense	-	-	(33,821)	165	(33,656)
Share based payments (note 16)	-	-	2,704	-	2,704
Balance at 31 August 2021	100	904	(108,720)	437	(107,279)

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Non-controlling interest £'000	Total deficit £'000
Balance at 1 September 2019	100	900	(36,447)	454	(34,993)
Issue of share premium	-	4	-	-	4
Loss for the period restated	-	-	(41,826)	(182)	(42,008)
Total comprehensive expense for the period restated	-	-	(41,826)	(182)	(42,008)
Share based payments (note 16)	-	-	668	-	668
Balance at 31 August 2020 restated	100	904	(77,605)	272	(76,329)

The notes on pages 33 to 89 are an integral part of these consolidated financial statements.

Tes Topco Limited

Registered number 11727093

Company balance sheet

As at 31 August 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investments	11	133,762	131,058
		133,762	131,058
Current assets			
Trade and other receivables	12	528	674
		528	674
Total assets		134,290	131,732
Equity and liabilities			
Equity attributable to owners of the company			
Share capital	15	100	100
Share premium	15	904	904
Accumulated losses		(34,670)	(21,477)
Total deficit		(33,666)	(20,473)
Liabilities			
Non-current liabilities			
Preference share capital	15	129,943	129,943
		129,943	129,943
Current liabilities			
Trade and other payables	17	38,013	22,262
		38,013	22,262
Total liabilities		167,956	152,205
Total equity and liabilities		134,290	131,732

The notes on pages 33 to 89 are an integral part of these consolidated financial statements.

The loss for the Company for the year was £15.9m (2020: £14.5m).

The financial statements on pages 24 to 89 were authorised for issue by the board of directors on 8 March 2022 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 2021

	Share capital	Share premium	Accumulated losses	Total deficit
	£'000	£'000	£'000	£'000
As at 1 September 2020	100	904	(21,477)	(20,473)
Loss for the year	-	-	(15,897)	(15,897)
Total comprehensive expense for the year	-	-	(15,897)	(15,897)
Share based payments (note 16)	-	-	2,704	2,704
Transactions with owners in their capacity as owners	-	-	2,704	2,704
Balance at 31 August 2021	100	904	(34,670)	(33,666)

	Share capital	Share premium	Accumulated losses	Total deficit
	£'000	£'000	£'000	£'000
Balance at 1 September 2019	100	900	(7,615)	(6,615)
Issue of share premium	-	4	-	4
Loss for the year	-	-	(14,530)	(14,530)
Total comprehensive expense for the year	-	-	(14,530)	(14,530)
Share based payments (note 16)	-	-	668	668
Transactions with owners in their capacity as owners	-	-	668	668
Balance at 31 August 2020	100	904	(21,477)	(20,473)

The notes on pages 33 to 89 are an integral part of these consolidated financial statements.

Tes Topco Limited

Consolidated statement of cash flows

For the year ended 31 August 2021

Group

	Note	Year ended 31 August 2021 £'000	Restated* Year ended 31 August 2020 £'000
Cash flows from operating activities			
Cash generated from operations	24	39,655	45,828
Income tax paid		(6,592)	(2,852)
Net cash generated from operating activities		33,063	42,976
Cash flows used in investing activities			
Purchase of property, plant and equipment	8	(242)	(287)
Intangible asset additions	10	(3,762)	(6,441)
Interest receivable	6	215	29
Acquisition of non-controlling interest	28	-	(7,207)
Cash received on sale of subsidiaries	31	11,297	-
Cash paid for acquisitions (net of cash acquired)	29	(38,619)	(8,921)
Net cash used in investing activities		(31,111)	(22,827)
Cash flows used in financing activities			
Issue of preference shares		-	347
RCF drawn down	25	10,000	25,000
RCF repaid	25	(35,000)	(5,000)
Interest paid	25	(6,078)	(12,227)
Term loan repaid	25	(18,000)	-
Shareholder loan funding received	25	30,000	-
Net investment in right of use assets		-	2,602
Payment of lease liabilities	25	(1,915)	(2,643)
Net cash generated (used in)/from financing activities		(20,993)	8,079

Tes Topco Limited

Consolidated statement of cash flows (continued)

For the year ended 31 August 2021

	Note	Year ended 31 August 2021 £'000	Restated* Year ended 31 August 2020 £'000
Net (decrease)/increase in cash and cash		(19,041)	28,228
Cash and cash equivalents at beginning of the year		40,270	12,042
Cash and cash equivalents at end of the year	13	21,229	40,270

* The comparative information has been restated as a result of the prior period error as discussed in note 2.

The notes on pages 33 to 89 are an integral part of these consolidated financial statements.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021

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 company limited by shares incorporated in the United Kingdom and domiciled in England and Wales. 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

Following completion of the sale of the Group to Onex Partners V, the Group's borrowings were settled in full. A new bank facility of £340m was drawn at completion by Caribou Bidco Limited, with a revolving credit facility of £25m and acquisition facility of £75m available to the Group, maturing February 2029. The new bank facility includes loan covenants which are factored which are factored into management's forecasting process and headroom on these covenants is forecast in management's downside cashflow forecast scenarios.

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 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 and the change in demand of the Group's products. The Directors have reflected this in the Group's forecasting process. Where transactional recruitment products are negatively impacted by school closure, software products have seen an increase in demand from the pandemic and continue to do so as restrictions have eased. Since the lifting of COVID-19 restrictions in July 2021 in the UK, there have been no nationwide school closures and at the date of this report, no concerns that this may be the case in the future. Schools in Australia re-opened in October 2021 and the slower recovery in Australian subsidiaries has been reflected in the Directors' forecasts for the going concern period.

The Board has taken significant confidence from the manner in which the Group traded in 2021, despite a short period of school closures in both the UK and Australia. Whilst there was a period of low transactional revenues during school closures, subscription revenue and renewals demonstrated robustness and forecasts for the mix of products for 2022 are positive, based on 2022 results to date.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021

1 Significant accounting policies

1.2 Going concern (continued)

A letter of support had been obtained from Caribou Bidco Limited who have confirmed that they will continue to support the Company and provide any further funds, if required, for a period of a least 12 months from the date of approval of these financial statements. The Directors have reviewed the ability and likelihood of Caribou Bidco Limited to provide the aforementioned financial support and have noted that the support is available if it is needed by the Company.

After making enquires and considering the above factors, 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.

After making enquires and considering the above factors, 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

The following amendments were adopted for the reporting year commencing 1 September 2020:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, AIS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

1.4 New accounting standards not yet adopted

The following new accounting standard and interpretations have been published that are not mandatory for reporting periods ending 31 August 2021 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:

- IFRS 17 *Insurance Contracts*
- IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*
- Amendments to IFRS 3 *Reference to the Conceptual Framework*
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to IFRS Standards 2018 – 2020 *Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.*

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021

1 Significant accounting policies

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.

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 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

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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021

1 Significant accounting policies (continued)

1.7 Intangible assets (continued)

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.

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
Technology assets	Straight line over 10 years

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.

Internally developed software cost (continued)

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.

1.8 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.

1.9 Financial assets

1.9.1 Classification

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

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

1 Significant accounting policies (continued)

1.9 Financial assets

1.9.1 Classification (continued)

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.

1.10 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.

1.11.4 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.

1.12 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.

1.13 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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

1 Significant accounting policies (continued)

1.14 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.

1.15 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 additional information provided in Note 2 of these non-recurring items helps to provide an enhanced understanding of the Group's financial statements.

1.16 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 substantively 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.

1.17 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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

1 Significant accounting policies (continued)

1.18 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 generated from recruitment adverts placed outside of a recruitment subscription. Revenue is recognised over the period in which the advert is 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;
- 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.

1.19 Cost of sales

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

1.20 Staff costs

Staff costs comprise salary, employment related taxes, pension costs, commission and bonus. Staff costs are included in administrative expenses.

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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

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 2021 or period ending 31 August 2020.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

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 subsequently 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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (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.

Key judgements comprise:

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.

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.

Consideration for sale of Tes Supply Limited and subsidiaries

Deferred consideration in respect of the sale of Tes Supply Limited comprises deferred cash consideration, an earn-out payment based on post-sale results, profit share from the National Teaching Programme and Vendor loan notes, including interest receivable on this instrument.

In order to determine recoverability of the deferred element of consideration, management has considered and recognised a reduction in the amount recoverable, based on known post sale performance for the earn-out period and assumed recoverability of the loan notes and associated interest income based on a 5 year ownership cycle by LDC.

Key estimates are summarised as follows:

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.

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 plan 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 2021 (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 Prior period error

It was noted that in the financial statements for the year ended 31 August 2020, that fair value adjustments in respect of deferred revenue recognised on acquisition of the Tes Group by Providence and subsequent acquisitions of the Group, had not been released on consolidation, thereby misstating the book value of contract liabilities held. As a result, a prior year restatement has been recognised to reflect the true position as at 31 August 2020 and subsequently (adjustment A).

Additionally, it was noted that in the 2020 financial statements, the transactions with shareholders in respect of IFRS2, share based payments, were incorrectly shown as in other comprehensive income. This now been corrected and shown directly in the statement of changes in equity (adjustment B).

The prior year cash flow statement presented the cash flows from acquisition of subsidiaries on a gross basis, this should have been presented net and therefore a restatement has been made to the prior year to correctly present this in the cash flow statement (adjustment C).

The following table summarises the impact of the prior period error in relation to on the financial statements of the Group:

	2020 £'000
Consolidated statement of profit or loss	
Release of deferred revenue fair value on consolidation	
<i>Revenue</i>	
Decrease in profit for the financial year (A)	(7,839)
<i>Deferred tax</i>	
Increase in profit for the financial year (A)	1,278
Total impact on profit	(6,561)

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

2 Prior period error (continued)

	2020 £'000
Consolidated other comprehensive income	
Share-based payments	
Decrease in profit for the financial year (B)	(668)
Total impact on other comprehensive income	(668)
Consolidated statement of changes in equity	
<i>Total comprehensive income</i>	
Increase loss for the year (A)	(7,839)
Decrease in share based payments (B)	(668)
<i>Transactions with shareholders</i>	
Increase in share based payments (B)	668
Total impact on shareholder deficit	(7,839)
Consolidated statement of financial position	
<i>Trade and other payables</i>	
Increase in contract liability held at 31 August 2020 (A)	(7,839)
<i>Deferred tax liability</i>	
Decrease in deferred tax liability held at 31 August 2020 in respect of deferred revenue (A)	1,278
Total impact on net liabilities	(6,561)

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

2 Prior period error (continued)

	2020 £'000
Consolidated statement of Cash Flows	
<i>Cash flow from operating activities</i>	
Increase in loss before income tax on continuing operations (A)	(7,839)
Increase of release of deferred revenue on consolidation (A)	7,839
<i>Cash flows used in investing activities</i>	
Cash paid for acquisitions (C)	(10,148)
Cash acquired on acquisition (C)	1,227
Cash paid for acquisitions (net of cash acquired) (C)	(8,921)
Total cash flow	

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

2 Prior period error (continued)

This adjustment has no impact on Management adjusted EBITDA, as a fair value accounting adjustment is disclosed below EBITDA and therefore there is no change to the reported adjusted EBITDA number (£41,228k):

	2020 £'000	2020 £'000
	Original	Restated
Loss for the year from continuing operations	(36,682)	(43,243)
Income tax expense (note 6)	3,124	1,846
Finance income (note 5)	(29)	(29)
Finance cost (note 5)	27,793	27,793
Operating profit	(5,794)	(13,633)
Depreciation and amortisation (note 3)	18,424	18,424
EBITDA	12,630	4,791
Non-recurring and separately reported costs (note 2)	6,854	6,854
Costs incurred related to COVID-19	755	755
Impairment of goodwill and intangibles (notes 2 & 9)	21,186	21,186
Fair value adjustment consolidated deferred revenue	-	7,839
Central costs incurred ⁽¹⁾	175	175
EBITDA pro-forma adjustment for Edval/Tutor In	147	147
EBITDA pro-forma adjustment for SchoolCloud	-	-
Discontinued operations costs below EBITDA	(463)	(463)
Exclusion of benefit of IFRS16 accounting	(56)	(56)
Management adjusted EBITDA	43,649	41,228
Reported revenue	87,436	79,597
Fair value release	-	7,839
Revenue generated	87,436	87,436

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

3 Operating profit/(loss)

Group	2021	<i>Restated</i> 2020
	£'000	£'000
Depreciation and amortisation		
Depreciation of property, plant and equipment (note 8)	1,344	1,464
Depreciation on right of use assets (note 9)	1,057	315
Amortisation of intangible assets (note 10)	15,699	16,645
	18,100	18,424
Impairment		
Impairment of intangible assets (note 10)	6,009	21,186
	6,009	21,186
Fair value accounting		
Release of deferred revenue on consolidation	3,684	7,839
	3,684	7,839
Other operating expenses		
Foreign exchange (gains)/losses	8	13
Loss/(gain) on sale of tangible assets (note 8)	10	120
Loss/(gain) on sale of intangible assets (note 10)	317	282
Research and development	3,050	2,439
	3,385	2,854
Separately reported costs		
M&A and disposal costs	4,347	1,361
Loss on disposal of Supply (Note 31)	7,858	-
Restructuring costs	1,713	2,295
Management incentive plan (Note 16)	2,704	668
COVID-19 costs	-	755
Other separately reported costs	454	622
Revaluation of put/call option	2,548	1,908
	19,624	7,609

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

3 Operating profit/(loss) (continued)

Impairment of intangible assets

Management reviewed the carrying values of intangibles held by each CGU at the year end and recognised £6,009k of impairment against the carrying value of assets held against Smart Australia Pty Ltd (2020: £21,186k relating to Hibernia College UK Limited and Tutor In Limited) see note 10.

Separately reported costs

Strategic restructuring costs incurred in the year comprise £1,713k (2020: £2,295k) 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 £2,704k (2020: £668k) (note 16).

The fair value of the exercise price to acquire the final 6% shareholding of Edukey Education Ltd was assessed by management and revalued, reflecting the improving performance of the business, to £4,954k resulting in a cost in the year of £2,548k (2020: £1,908k) (note 26). This option is exercisable in July 2022.

The Group incurred mergers and acquisitions related costs in the year of £12,205k (2020: £1,361k). Of this, the loss on disposal of Supply comprises £7,858k (see note 31). The remainder of costs of £4,347k comprise third party advisory fees incurred in respect of completed, potential and aborted acquisitions and disposals in the year.

Other separately reported costs of £454k (2020: £622k) comprise £144k of legal fees in respect of one-off advisory, £158k of onerous property costs (service charges and rates costs for buildings not in use) and £152k of one-off IT transformation and implementation costs, determined to be non-recurring by management.

4 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. In the year ended 31 August 2020 the business viewed the revenue generation as Attract (advertising solutions), Train (the provision of accredited training and development) and Empower (software solution for schools, resources for teachers). Following a change in business leadership and strategic direction, from 1 September 2020, the business began to measure revenue generation as the following: Staff Management (recruitment services and well-being tools), Pupil and Learning Management (classroom and learning plans and timetabling tools), Safeguarding (safeguarding, duty of care training and compliance services), Tes Institute (teacher training and professional studies) and Other (marketplace, magazine and events).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

4 Segmental analysis (continued)

As a result of the change in operational focus, the segmental analysis for the year ended 31 August 2020, revenue has been represented as follows:

Previous revenue segmentation		Revised revenue segmentation				
	Year ended 31 August 2020 £'000	Staff Management £'000	Pupil & Learning Management £'000	Safe- guarding £'000	Tes Institute £'000	Other £'000
Attract	58,185	58,185	-	-	-	-
Train	14,057	-	-	4,341	9,716	-
Empower	15,194	-	9,003	-	-	6,191
Consolidated deferred revenue release	(7,839)	(2,935)	(2,871)	(1,959)	(74)	-
Net revenue	79,597	55,250	6,132	2,382	9,642	6,191

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.

Tes Topco Limited

Notes to the financial statements for the year 31 August 2021 (continued)

4 Segmental analysis (continued)

Group segmental analysis:

	2021	2020
Group	£'000	£'000
Staff management	57,574	55,250
Pupil & learning management	13,862	6,132
Safeguarding	5,438	2,382
Tes Institute	7,509	9,642
Other	6,768	6,191
Total revenue	91,151	79,597
Cost of sales	(7,971)	(7,687)
Total margin	83,180	71,910
Other income	311	725
Staff costs (note 22)	(28,825)	(26,141)
Other administrative costs	(48,479)	(38,941)
Impairment charges	(6,009)	(21,186)
Total administrative expenses	(83,313)	(86,268)
Depreciation and amortisation (Note 3)	18,100	18,424
EBITDA	18,278	4,791
Separately reported costs (Note 3)	19,624	7,609
Impairment charges (Note 3)	6,009	21,186
Fair value on consolidated deferred revenue (Note 5)	3,717	7,839
Group central costs	171	175
Pro-forma adjustment for acquired subsidiaries	1,056	147
Reverse impact of IFRS 16 accounting	(999)	(56)
Discontinued operation costs below EBITDA	-	(463)
Total management adjusted EBITDA	47,856	41,228

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.

Other income includes £229k (2020: £277k) of income generated from the recharge of ancillary services to sub-lessors of RLS, including service charges, insurance and utilities. In addition income from a transitional services agreement entered into with Supply upon disposal of the business, generated income of £81K (2020: £nil).

Tes Topco Limited

Notes to the financial statements for the year 31 August 2021 (continued)

5 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:

	Revenue generated	Fair value release	Reported revenue	Over specified contract	At a point in time
Year ended 31 August 2021	£'000	£'000	£'000	£'000	£'000
Staff management	59,029	(1,455)	57,574	55,093	2,481
Pupil and Learning	15,993	(2,130)	13,863	13,128	735
Safeguarding	5,533	(95)	5,438	5,249	189
Tes Institute	7,546	(37)	7,509	7,509	-
Other	6,767	-	6,767	2,459	4,308
Revenue	94,868	(3,717)	91,151	83,438	7,713

	Revenue generated	Fair value release	Reported revenue	Over specified contract	At a point in time
Year ended 31 August 2020	£'000	£'000	£'000	£'000	£'000
Staff management	58,185	(2,935)	55,250	52,373	2,877
Pupil and Learning	9,003	(2,871)	6,132	5,847	285
Safeguarding	4,341	(1,959)	2,382	2,193	189
Tes Institute	9,716	(74)	9,642	9,642	-
Other	6,191	-	6,191	2,432	3,759
Revenue	87,436	(7,839)	79,597	72,487	7,110

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) and Australia. Group revenue is generated worldwide and presented below is a split by customer location:

	2021 £'000	2020 £'000
		<i>Restated</i>
United Kingdom	70,758	61,316
Europe	2,437	2,896
Rest of the world	17,956	15,384
Revenue	91,151	79,596

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

5 Revenue from contracts with customers (continued)

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

	Opening value as restated	Book value liability	Fair value adjustment b/fwd	Fair value adjustment on acquisition	Fair value release	Fair value 31 August 2021
Year ended 31 August 2021	£'000	£'000	£'000	£'000	£'000	£'000
Staff management	4,457	7,719	(1,919)	-	1,455	7,255
Pupil and Learning management	6,191	11,994	(594)	(2,685)	2,130	10,845
Safeguarding	2,453	3,016	(128)	-	95	2,983
Tes Institute	612	690	(50)	-	37	677
Other	706	838	-	-	-	838
Contract liability	14,419	24,257	(2,691)	(2,685)	3,717	22,598

	Opening value	Book value liability	Fair value adjustment b/fwd	Fair value adjustment on acquisition	Fair value release	Fair value 31 August 2020
Year ended 31 August 2020	£'000	£'000	£'000	£'000	£'000	£'000
Staff management	1,151	6,376	(4,854)	-	2,935	4,457
Pupil and Learning management	1,515	6,785	(1,500)	(1,965)	2,871	6,191
Safeguarding	225	2,581	(2,087)	-	1,959	2,453
Tes Institute	169	662	(124)	-	74	612
Other	273	706	-	-	-	706
Contract liability as restated	3,333	17,110	(8,565)	(1,965)	7,839	14,419

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

6 Finance income and finance costs

Group	2021 £'000	2020 £'000
Finance costs:		
Term loan	10,253	11,648
RCF loan	33	645
Amortisation of loan issue costs	1,614	664
Lease interest (note 8)	173	253
RCF non-utilisation fees	278	138
Preference share dividends (note 14)	15,779	14,389
Shareholder loan funding	244	-
Other bank interest	92	56
Finance costs	28,466	27,793
Finance income:		
Interest income on cash at bank	(215)	(29)
Finance income	(215)	(29)
Net finance costs	28,251	27,764

7 Income tax expense

Group	2021 £'000	2020 £'000
		<i>Restated</i>
Current tax:		
Current tax on profits for the year	4,502	4,450
Adjustments in respect of previous periods	(94)	(768)
Total current tax	4,408	3,682
Deferred income tax (note 14):		
Origination and reversal of temporary differences	(6,676)	(5,666)
Adjustments in respect of previous periods	966	582
Effect of change in UK rate of corporation tax	8,589	3,558
Total deferred income tax	2,879	(1,526)
Income tax expense	7,287	2,156

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

7 Income tax expense (continued)

Income tax expense is attributable to:

	2021 £'000	2020 £'000
Group		<i>Restated</i>
Continuing operations	6,959	1,846
Discontinued operations (note 31)	328	310
Income tax expense	7,287	2,156

Factors affecting current tax charge for the year

The main rate of UK corporation tax was 19% throughout the year ending 31 August 2021.

The tax charge in the income statement is higher (2020: *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:

	2021 £'000	2020 £'000
		<i>Restated</i>
Loss before income tax	(28,073)	(41,397)
Tax calculated at the standard rate of corporation tax in the UK of 19% (2020: 19%)	(5,334)	(7,866)
Tax effects of:		
Permanent differences arising in respect of fixed assets	106	1,737
Expenses not deductible for tax purposes	(1,613)	4,259
Non-taxable gain on sale of Supply	1,493	-
Non-deductible preference shares	2,998	-
Unrecognised losses	29	37
Impact of corporation tax rate change	8,589	3,558
Differences in overseas tax rates	(181)	307
Adjustments in respect of prior year	872	(186)
Total income tax expense	6,959	1,846

There is no tax effect on items presented within other comprehensive income.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

8 Property, plant and equipment

Group	Computer equipment £'000	Furniture and office equipment £'000	Total £'000
Cost			
At 1 September 2020	970	4,191	5,161
Acquired on acquisition	11	-	11
Additions	18	224	242
Disposals	(6)	(13)	(19)
At 31 August 2021	993	4,402	5,395
Accumulated depreciation			
At 1 September 2020	(599)	(998)	(1,597)
Depreciation charge	(312)	(1,032)	(1,344)
Eliminated on disposal	-	9	9
At 31 August 2021	(911)	(2,021)	(2,932)
Net book value			
At 31 August 2021	82	2,381	2,463
At 31 August 2020	371	3,193	3,564

Depreciation expense of £1,344k (2020: £1,464k) has been charged to administrative expenses in the consolidated income statement.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

8 Property, plant and equipment (continued)

	Computer equipment	Furniture and office equipment	Assets under construction	Total
Group	£'000	£'000	£'000	£'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

Company

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

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

9 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 2020	5,723
Additions	765
Reclassification of sub-lease from depreciation	734
Reclassification to debtors	(1,944)
At 31 August 2021	5,278
Accumulated depreciation	
At 1 September 2020	(382)
Depreciation charge	(1,057)
Reclassification of sub-lease to cost	(734)
At 31 August 2021	(2,173)
Net book value	
At 31 August 2021	3,105
<i>At 31 August 2020</i>	<i>5,341</i>

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 £173k (2020: £253k) has been included in finance costs (note 5) and the depreciation charge of £1,057k (2020: £315k) in the year is included within administrative expenses (note 2).

The net investment in the sub-lease on Red Lion Square was reclassified to debtors in the year as the balance constitutes lease receivables.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

9 Right of use assets (continued)

<u>Group</u>	<u>£'000</u>
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
<i>At 31 August 2019</i>	<i>8,258</i>

Amounts recognised in the income statement

<u>Group</u>	<u>2021 £'000</u>	<u>2020 £'000</u>
Depreciation charge (note 2)	1,057	315
Interest expense (note 5)	173	253
	1,230	568

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

10 Intangible assets

Group	Goodwill £'000	Software and software development £'000	Trade names £'000	Customer relationships £'000	Technology assets £'000	Assets under construction £'000	Total £'000
Cost							
At 1 September 2020	131,450	21,546	160,920	69,255	-	2,557	385,728
Additions	-	712	-	-	-	3,050	3,762
Acquired on acquisition	28,754	-	1,757	8,775	3,870	-	43,156
Reclassifications	-	3,982	-	-	-	(3,982)	-
Disposals	(8,220)	(1,252)	(25,587)	(8,377)	-	-	(43,436)
At 31 August 2021	151,984	24,988	137,090	69,653	3,870	1,625	389,210
Accumulated impairment							
At 1 September 2020	(16,485)	(9,747)	(30,412)	(15,724)	-	-	(72,368)
Charge for the year	-	(5,784)	(5,184)	(4,537)	(194)	-	(15,699)
Eliminated on disposal	-	935	13,762	4,912	-	-	19,609
Impairment	(2,250)	-	(2,990)	(769)	-	-	(6,009)
At 31 August 2021	(18,735)	(14,596)	(24,824)	(16,118)	(194)	-	(74,467)
Net book value							
At 31 August 2021	133,249	10,392	112,266	53,535	3,676	1,625	314,743
At 31 August 2020	114,965	11,799	130,508	53,531	-	2,557	313,360

Assets under construction of £1,624k (2020: £2,557k) as at 31 August 2021, relate to ongoing software development projects, which are not yet being amortised.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

10 Intangible assets (continued)

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

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.

An impairment review was undertaken by the Directors at the year end and there was considered to be an impairment required regarding the intangible assets relating to SMTEA of £6,009k (2020: £21,186k relating to Tutor In Limited and Hibernia College UK Limited).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

10 Intangible assets (continued)

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 of 12% 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
Edukey Education Limited	4,699
Educare Learning Ltd	4,788
Edval Holdings Pty Limited	5,994
SchoolCloud Systems Ltd.	28,754
At 31 August 2021	133,249

Sensitivity analysis

The estimate of recoverable value is particularly sensitive to growth rate, discount rate and delay to operating cash flows. The table below shows the impact of reasonably possible changes in these assumptions and their impact on the recoverable value as stated above:

	Growth rate		Discount rate	
	+1%	-1%	+1%	-1%
Tes Global Limited (incl Educare and Edukey)	45	(40)	(51)	64
Hibernia College UK Limited	2	(2)	(3)	3
Smart Teachers Australia Pty Limited	-	-	-	-
Edval Holdings Pty Limited	5	(5)	(7)	8
SchoolCloud Systems Ltd.	7	(6)	(8)	10

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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

10 Intangible assets (continued)

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 £6,009k relates to the carrying value of assets held against Smart Australia Pty Ltd (2020: £19,127k against Hibernia College UK Limited and £2,059k against Tutor In Limited).

Company

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

11 Investments

Company	Investments in subsidiaries £'000	Total £'000
Cost		
At 1 September 2020	131,058	131,058
Additions	2,704	2,704
At 31 August 2021	133,762	133,762
Net book value		
At 31 August 2021	133,762	133,762
At 31 August 2020	131,058	131,058

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 (2020: £130,100k) and share-based payments in the Group of £3,662k (2020: £958k). 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 2021 (continued)

11 Investments (continued)

At 31 August 2021 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)
TSL Education 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)

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

11 Investments (continued)

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class 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)
Tes Global Group Limited (UK)	Holding company	Ordinary shares of £1 each (100% 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)
School Cloud Systems Ltd	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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

11 Investments (continued)

All companies have a registered office of 26 Red Lion Square, London, England, WC1R 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 Creek 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
Educare Learning Ltd (UK)	Floor 4 3 St Paul's Place, Norfolk Street, Sheffield, England, S1 2JE
School Cloud Systems Ltd	The Albus, Brook Street, Glasgow, United Kingdom, G40 3AP

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

12 Trade and other receivables

	Group 2021	Company 2021	Group 2020	Company 2020
	£'000	£'000	£'000	£'000
Trade receivables	9,560	-	7,799	-
Less: provision for impairment	(192)	-	(240)	-
Trade receivables - net	9,368	-	7,559	-
Prepayments	2,279	-	2,041	-
Other receivables	7,079	33	2,076	34
Net investment in sub-lease	1,059	-	-	-
Amounts due from Group companies (note 23)	-	495	-	640
Total trade and other receivables	19,785	528	11,676	674

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 2021	Company 2021	Group 2020	Company 2020
	£'000	£'000	£'000	£'000
UK pounds	19,274	528	10,712	674
US dollars	-	-	30	-
Hong Kong dollars	6	-	-	-
Australian dollars	505	-	934	-
	19,785	528	11,676	674

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

	Group 2021	Company 2021	Group 2020	Company 2020
	£'000	£'000	£'000	£'000
At start of year	240	-	225	-
Provision for receivables impairment	-	-	16	-
Receivables written off during the year as uncollectable	(48)	-	(1)	-
At end of year	192	-	240	-

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

12 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:

	2021	2020
	£'000	£'000
Not due	6,295	3,805
Up to 3 months past due	2,730	1,961
More than 3 months past due	343	1,793
	9,368	7,559

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.

13 Cash and cash equivalents

	2021	2020
Group	£'000	£'000
Cash at bank and on hand	21,229	40,270
Cash and cash equivalents	21,229	40,270

Company

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

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

14 Deferred income tax balance

	2021 £'000	2020 £'000
Group		<i>Restated</i>
Deferred tax (assets) / liabilities		
Deferred tax asset to be recovered after more than 12 months	(1,590)	(1,293)
Deferred tax asset to be recovered within 12 months	(83)	(161)
Deferred tax liability to reverse after more than 12 months	42,035	35,688
Deferred tax liability	40,362	34,234

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

	2021 £'000
Group	
At 1 September 2020	35,513
Impact of prior year error	(1,278)
At 1 September as restated	34,235
Deferred tax on acquisition of School Cloud Systems Ltd (note 28)	3,248
Disposal of Supply	19
Income statement charge (note 6)	2,860
At 31 August 2021	40,362

Group	Decelerated capital allowances £'000	Other temporary differences £'000	Contract liabilities £'000	Intangible assets £'000	Total £'000
At 1 September 2020	(809)	(644)	2,001	34,965	35,513
Impact of prior year error	-	-	(1,278)	-	(1,278)
At 1 September 2020 as restated	(809)	(644)	723	34,965	34,235
Deferred tax on acquisition of School Cloud Systems Ltd	2	-	520	2,726	3,248
Disposal of supply	19				19
Income statement (credit)/charge	(200)	(41)	(791)	3,892	2,860
At 31 August 2021	(988)	(685)	452	41,583	40,362

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

14 Deferred income tax liabilities (continued)

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.

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 March 2021 budget, increasing the main rate of corporation tax from 19% to 25%, with effect from 1 April 2023. The Finance Act 2021 contains the provisions for the increase in rate to 25% and was substantively enacted on 24 May 2021. Accordingly deferred tax has been provided at either 19% or 25% depending on when the deferred tax liability/asset is expected to crystallise.

The Company has no unrecognised deferred tax assets or liabilities.

15 Share capital and share premium

	31 August 2021		31 August 2020	
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	11	1
C ordinary shares of 10p each	250	25	250	25
10.5% cumulative preference shares of £1 each	129,948	129,943	129,948	129,943
	130,953	130,043	130,953	130,043
Group and Company	No of shares	Share capital £	Share premium £	Total £
At 31 August 2020	1,004,666	100,467	904,208	1,004,676
At 31 August 2021	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.

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 £15,779k (2020: £14,389k) was charged to the income statement in the year to finance costs (note 5).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

16 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:

	2021	2020
Share price on issue	£19.16	£13.90
Price paid	£1.00	£1.00
Dividend yield	0%	0%
Forecast maturity	2021	2024
Volatility	28.2%	28.2%
Fair value of shares	13,935,000	2,825,000
Shares as at 1 September 2020	224,375	178,750
Granted in the year	36,250	129,375
Forfeited	(45,000)	(83,750)
Outstanding 31 August 2021	215,625	224,375

The total share-based payment cost charged to the income statement was £2,704,040 (2020: £668,029).

17 Trade and other payables

Current

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
			<i>Restated</i>	
Trade payables	1,823	-	1,572	-
Social security and other taxes	5,981	-	8,475	-
Other liabilities	2,007	-	2,832	-
Contract liabilities – deferred revenue	22,598	-	14,419	-
Corporation tax liability	193	-	2,673	-
Deferred consideration	3,623	-	2,396	-
Accrued expenses	48,757	38,041	30,356	22,262
Total current trade and other payables	84,982	38,041	62,723	22,262

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

17 Trade and other payables (continued)

Included within social security and other taxes is £5,052k of deferred VAT payments VAT for the quarters ended 29 February 2020 and 31 May 2020, following Government initiatives in the wake of the COVID-19 pandemic. Based on current government guidance, the Group are repaying this amount by instalments, the latest of which was repaid in full in January 2022.

Included within other liabilities is £507k of bursary funding payable (2020: £1,793k) and £759k of royalty liabilities (2020: £605k).

Amounts owed to Group undertakings are unsecured, repayable on demand and bear interest at a rate of 5% per annum (2020: 8%).

18 Borrowings

Group	2021 £'000	2020 £'000
Non-current		
Term Loan	177,000	195,000
Preference shares	129,943	129,943
Shareholder loan	30,000	-
Capitalised issue costs	(3,478)	(5,093)
	333,465	319,850
Current		
Revolving Facility	-	25,000
Term Loan	-	-
Preference shares	-	-
Shareholder loan	-	-
Capitalised issue costs	-	-
	-	25,000
	333,465	344,850

As a result of the post year end sale of the Group to Onex Partners all borrowings were settled on completion.

Term Loan

A term loan of £195,000k was provided on 31 January 2019 with a termination date of 31 January 2026. Following the disposal of the Supply business in December 2020, £18,000k of the term loan was repaid. 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 2021, there was no RCF drawn.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

18 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 £3,478k (2020: £5,093k).

Shareholder loan

Shareholder loan funding was provided on 24 February 2021 to support funding of the School Cloud Systems Ltd acquisition. The loan accrues interest at a rate of 1.9% plus LIBOR.

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

	2021	2020
	£'000	£'000
6 months or less	13,779	13,874
6-12 months	13,779	13,874
1-5 years	54,567	84,005
5 + years	130	-
Total	82,255	111,753

	Carrying value	Fair value	Carrying value	Fair value
	2021	2021	2020	2020
Group	£'000	£'000	£'000	£'000
Term Loan	177,000	177,000	195,000	195,000
Amortised loan issue fees	(3,478)	(3,478)	(5,093)	(5,093)
Preference shares	129,943	129,943	129,943	129,943
Shareholder loan funding	30,000	30,000	-	-
Revolving facility	-	-	25,000	25,000
Total	333,465	333,465	344,850	344,850

The Group and Company have access to a revolving credit facility of £25,000k (2020: £25,000k). During the year ended 31 August 2021 the maximum balance outstanding on this facility was £25,000k (2020: £25,000k).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

19 Lease liabilities

	2021	2020
Group	£'000	£'000
Non-current		
Lease liabilities	2,747	4,282
	2,747	4,282
Current		
Lease liabilities	2,094	1,790
	2,094	1,790
Total lease liabilities	4,841	6,072
	2021	2020
	£'000	£'000
Due within 1 year	2,094	1,790
Due between 1 – 5 years	2,172	3,360
Due after 5 years	575	922
	4,841	6,072

The lease liability is unwound in line with contractual rental payments, with an imputed interest rate of 3.5% (2020: 3.5%).

20 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 2021 amounted to £1,438k (2020: £1,192k). Of this amount, £277k was accrued at 31 August 2021 (2020: £289k).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

21 Auditor's remuneration

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

	2021	2020
Group	£'000	£'000
Fees payable to the Company's auditor for the audit of Group financial statements	295	378
Fees payable to the Company's auditor for other services:		
- Non-audit related assurance services	-	9
- Taxation services	94	-
	389	387

Of the audit fees payable to the Company's auditor, £124k was for the audit of the Company's subsidiaries (2020: £124k).

22 Employee benefit expense

	2021	2020
Group	£'000	£'000
Wages and salaries	26,526	24,507
Staff capitalisation	(1,641)	(1,696)
Wages and salaries (net of staff capitalisation)	24,885	22,811
Social security costs	2,502	2,138
Other pension costs (note 20)	1,438	1,192
	28,825	26,141

Included within payroll costs are receipts from HMRC of £9k (2020: £805k) relating to the Coronavirus Job Retention Scheme (CJRS).

Termination benefits paid in the year total £223k (2020: £1,296k).

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

Group	2021 No.	2020 No.
Editorial	47	69
Sales and marketing	261	438
Technology	139	131
Operations	45	90
Administration	95	90
	587	818

The Company had no employees for the year ended 31 August 2021 (2020: nil).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

22 Employee benefit expense (continued)

Directors' remuneration	2021	2020
Group	£'000	£'000
Short term employee benefits	1,405	819
Termination benefits	-	414
	1,405	1,233

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, P Simpson, J Johnson and D Leigh. J Johnson and D Leigh are remunerated by the Company, with the others 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 (2020: no recharges).

Highest paid director:	2021	2020
	£'000	£'000
Total emoluments	774	728

The above emoluments include £nil (2020: £0.4m) of termination benefits.

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

23 Related party disclosures

Group

Prior to the sale to Onex Partners on 2 February 2022, 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.

In the year, £30,000k of funding was drawn through Providence, to support the acquisition of SchoolCloud (note 18). This was outstanding at 31 August 2021 and settled in full following sale of the Group to Onex.

Loans to group undertakings

Company	2021 £'000
At 1 September 2020	640
Salary recharges from Tes Global Limited	(159)
Intercompany interest charged	14
At 31 August 2021	495

Amounts owed from group undertakings are unsecured, repayable on demand and bear interest at a rate of 5% per annum (2020: 8%).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

24 Cash generated from operations

	2021	2020
	£'000	£'000
Group		<i>Restated</i>
Loss before income tax on continuing operations	(28,073)	(41,397)
Profit before income tax on discontinued operations (note 30)	1,704	1,545
Adjustments for:		
Depreciation on plant, property and equipment (note 3)	1,344	1,464
Depreciation on right of use assets (note 3)	1,057	315
Amortisation charges (note 3)	15,699	16,645
Impairment of goodwill and intangibles (note 3)	6,009	21,186
Release of deferred revenue on consolidation (note 3)	3,717	7,839
Share based payments (note 16)	2,704	668
Finance income (note 6)	(215)	(29)
Finance costs (note 6)	28,466	27,793
Profit on disposal of assets (notes 8,10)	327	402
Changes in working capital:		
Decrease in trade and other receivables	3,822	1,002
Increase in trade and other payables	3,094	8,395
Cash generated from operations	39,655	45,828

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

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

25 Changes in liabilities arising from financing activities

	At 1 September 2020	Cash flow	Non-cash flow	At 31 August 2021
	£'000	£'000	£'000	£'000
Bank loans	220,000	(43,000)	-	177,000
Borrowing costs	(5,093)	-	1,615	(3,478)
Shareholder loans	-	30,000	-	30,000
Interest accruals ⁽¹⁾	23,384	(6,045)	23,802	41,141
Preference shares	129,943	-	-	129,943
Lease liabilities	6,072	(1,915)	683	4,840
	374,306	(20,960)	26,100	379,446

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

Non-cash items include:

⁽¹⁾ Movement in accrued interest on bank and preference shares

26 Commitments

Group

There are no financial commitments which have not been provided for (2020: none).

Company

At 31 August 2021, the Company had £nil financial commitments under non-cancellable operating leases (2020: £nil).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

27 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.

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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

27 Financial risk management (continued)

Market risk (continued)

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	-	-	1,770	(1,770)
Put/call options	462	(462)	-	-
At 31 August 2021	462	(462)	1,770	(1,770)
Term loan	-	-	1,950	(1,950)
Put/call options	261	(261)	-	-
At 31 August 2020	261	(261)	1,950	(1,950)

Management assessed their market risks exposure as limited with no material effect during the year ended 31 August 2021.

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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

27 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 £21,230k 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	84,982	-	-	-
Borrowings	-	-	333,465	-
Lease liabilities	1,046	1,047	2,172	575
Put/call option	-	4,594	-	-
At 31 August 2021	86,028	5,641	335,637	575
Trade and other payables	62,723	-	-	-
Borrowings	25,000	-	319,850	-
Lease liabilities	895	895	3,360	922
Put/call option	-	-	2,416	-
At 31 August 2020	88,618	895	325,626	922

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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

27 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 as at 31 August 2021 were as follows:

	2021 £'000	2020 £'000
Term loan	177,000	195,000
Revolving credit facility drawn	-	25,000
Total borrowings	177,000	220,000
Less cash and cash equivalents	(21,230)	(40,270)
Net debt	155,770	179,730
Management adjusted LTM EBITDA	47,856	41,228
EBITDA discontinued operations	-	2,421
Proforma Management adjusted EBITDA ratio	3.3	4.1

28 Financial liabilities at fair value through the profit and loss

	2021 £'000	2020 £'000
Liabilities as per consolidated balance sheet:		
<i>Financial liabilities at fair value through the income statement</i>		
Put/call option		
- EduKey Education Limited	4,954	2,416
	4,954	2,416
Less non-current portion		
Put/call option		
- EduKey Education Limited	-	(2,416)
Current portion	4,954	-

Put/call option

As at 31 August 2021, 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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

28 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 £4,954k with the £2,538k 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.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

29 Business Combinations

SchoolCloud Systems Ltd

On 25 February 2021 the group purchased 100% of the ordinary share capital of SchoolCloud Systems Ltd for consideration of £48.6m. As a result of this, SchoolCloud Systems Ltd is 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	Fair value adjustment	Fair value on acquisition
	£'000	£'000	£'000
Assets			
Intangible assets (note 10)	-	14,402	14,402
Property, plant and equipment (note 8)	11	-	11
Financial assets	658	-	658
Cash	5,005	-	5,005
	5,674	14,402	20,076
Liabilities			
Trade creditors and accruals	(520)	-	(520)
Contract liabilities – deferred revenue (note 5)	(3,665)	2,685	(980)
VAT	(458)	-	(458)
Deferred tax (note 14)	(2)	(3,246)	(3,248)
	(4,645)	(561)	(5,206)
Total identifiable net assets at fair value, net of cash acquired	1,029	13,841	14,870
Goodwill			28,754
Purchase consideration			43,624
Satisfied by:			
Cash			43,624
Total consideration			43,624

Based on management's fair value exercise, 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.

SchoolCloud contributed £2,868k of revenue, £1,790k of profit after taxation and £2,211k of management adjusted EBITDA to the Group in the 6 months of trading, post-acquisition.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

29 Business Combinations (continued)

Cash flows on acquisition

	2021 £'000	2020 £'000
Cash paid to acquire business	(43,624)	(10,148)
Cash balance on acquisition	5,005	1,227
Cash paid for acquisitions, net of cash acquired	(38,619)	(8,921)

30 Non-controlling interest

Non-controlling interests represent the share of net assets of Edukey Education Limited, of which 6% (2020: 6%) is held outside the Group. The movement in the year comprises the profit attributable to the entity:

	2021 £'000
Group	
At 1 September 2020	272
Non-controlling interest's share of the profit for the year	165
At 31 August 2021	437

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

31 Discontinued operations

The Supply Group was sold on 21 December 2020 with immediate effect and as was the case in 2020, is reported in the 2021 financial statements as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

	To 21 December 2020 £'000	12 mths 2020 £'000
Revenue	5,178	12,028
Expenses	(3,474)	(10,483)
Profit before tax	1,704	1,545
Income tax expense	(328)	(310)
Profit from discontinued operations	1,376	1,235
Management adjusted EBITDA:		
Profit before tax	1,704	1,545
Depreciation	42	445
Finance costs	-	20
Finance income	-	(11)
Separately reported costs	-	422
	1,746	2,421
Net cash from operating activities	4,194	6,486
Net cash from investing activities	-	(154)
Net cash from financing activities	-	(1,126)
Net cash generated by discontinued operations	4,194	5,206

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

31 Discontinued operations (continued)

The net assets disposed of on 21 December were as follows:

	2021
	£'000
Property, plant and equipment	250
Right of use assets	339
Trade receivables	4,957
Bank and cash balances	1,772
Other debtors and prepayments	394
Deferred tax liability	19
Current tax liability	(40)
Trade payables	(93)
Other creditors and accruals	(2,548)
Lease liabilities	(398)
Attributable goodwill	8,220
Attributable trade name	11,824
Attributable customer relationships	3,465
Net assets disposed of	28,161
Loss on disposal (Note 3)	(7,858)
Total consideration	20,303
Satisfied by:	
Cash and cash equivalents	13,069
Deferred consideration	7,234
	20,303
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	13,069
Less: cash and cash equivalents disposed of	(1,772)
	11,297

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

31 Discontinued operations (continued)

Deferred consideration comprises the following:

	Expected Date	Book value £'000	Fair value £'000
Deferred cash consideration	July 2022	1,431	1,283
Vendor loan notes	January 2026	6,625	4,687
Vendor loan note interest	January 2026	1,091	985
Maximum earn-out potential	June 2022	6,625	153
National teaching program profit share	June 2022	140	126
		15,912	7,234

In light of Supply's current trading performance, the Directors took the decision to fair value the earn out potential to the amount payable, based on forecast outcome for the earn-out period. The SPA provides for a shortfall payment where the earn-out is lower than the maximum potential, however the certainty as to this is low and the Directors believe it to be prudent to assume no further amounts receivable at present.

The loss on disposal is included in separately reported costs (note 2).

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

32 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 31 August 2021:

	2021 £'000	2020 £'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

33 Events after the reporting year

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

On 5 December 2021, Caribou Bidco Limited, a Company owned and controlled by Onex Partners agreed to purchase the entire share capital of TTCL and its subsidiaries from Tes Holdings Sarl, a company owned and controlled by Providence Equity Partners LLP. Following this initial exchange of contracts, the purchase was subsequently completed on 2 February 2022.

On completion of the sale to Onex, the Group's liabilities to the bank and its previous shareholders of £177,000k and £30,000k respectively, were settled in full. A new bank loan facility of £340,000k was drawn at completion.

After the reporting date on 31 August 2021, there were no other events of special significance which may have a material effect on the financial position and performance of the Group.

Tes Topco Limited

Notes to the financial statements for the year ended 31 August 2021 (continued)

34 Subsidiary companies audit exemptions

The Group has provided the following subsidiaries with a parental guarantee in accordance with section 479C of the Companies Act. As such, advantage has been taken of the audit exemption available for the below named subsidiaries only, 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)
- 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)
- Tes Global Services Limited (10853445)
- School Cloud Systems Ltd (SC366647)

The directors acknowledge their responsibilities for the above-named companies, 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 2021 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.

35 Ultimate Parent Company and Ultimate Controlling Party

As at the year end the directors considered 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. As per note 33, following a change of ownership on 2 February 2022, the ultimate controlling party then became Onex Partners V and immediate parent company, Caribou Topco Jersey Ltd.

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