

Company Registration No. 03343749 (England and Wales)

**EDUCATIONCITY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2017**

# EDUCATIONCITY LIMITED

## COMPANY INFORMATION

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<b>Director</b>	Mr J R Stewart	(Appointed 17 June 2016)
<b>Secretary</b>	Mr J R Stewart	
<b>Company number</b>	03343749	
<b>Registered office</b>	Unit 8 Saddlers Court Saddlers Court Barleythorpe Oakham LE15 7GH	
<b>Auditor</b>	Magma Audit LLP 340 Melton Road Leicester LE4 7SL	

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# EDUCATIONCITY LIMITED

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# EDUCATIONCITY LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 JANUARY 2017

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The director presents the strategic report for the year ended 31 January 2017.

#### **Fair review of the business**

Our key financial indicators are Invoiced Sales, Revenue, and EBITDA. The business has a slight seasonal pattern, with Q2 being strong, linked to the budget year for the majority of schools, and the remaining quarters being of broadly similar size. Our product is sold on a subscription basis, with some multi-year subscriptions. We rely significantly on our ability to achieve renewals of subscriptions, as well as sales to new customers.

When comparing the 12 months to January 2017 with that of the same period of the prior year the business had an overall 8% decline in revenue. Our International revenue grew strongly from a small base, but was more than offset by the reduction in UK revenue. Administrative expenses were on a pro-rata basis held broadly level with the prior year. We continue to invest in product development, adding content to provide greater UK and US curriculum coverage for our current subject offering, developing new features for the product platform, as well as looking to ensure our products remain compatible with the widening range of devices used by schools and individual users.

Other operating income fell 21% when drawing comparison with the 12 months to January 2016, and mainly comprises royalties receivable on sales of our product in the USA by Edmentum. We have developed a significant amount of content for a new product released in early 2017 by Edmentum, on which we anticipate receiving a new and growing royalty income starting in the next financial year.

As a result of the movements mentioned above, Operating profit decreased by 39% when compared to the 12 months profit to January 2016.

Interest receivable and Other interest receivable and similar income increased pro- rata, with the majority being unrealised foreign exchange gains reflecting the weakening of sterling during the period.

An agreement entered into on 9 June 2015 by our directors restricts repayments of loans by US group companies. An impairment provision against the book value of intercompany loans receivable from US entities within the group has been included as a prior period adjustment and updated accordingly in the current year.

We continue to finance our business primarily through cash flow from operations, supported where required by financing from Edmentum.

Looking ahead, in addition to the opportunities for growth that exist for our product in international markets, we anticipate growth opportunities arising from the sales of other Edmentum products in international markets.

#### **Principal risks and uncertainties**

The current economic outlook remains very challenging, although the low cost nature of our product and its very comprehensive and engaging content should enable us to continue to grow the overall business. We continue to target significant growth opportunities in International markets, whilst looking to maintain our market leading position in the UK market. Our products continue to benefit from the wide range of new features and additional content added in the twice a year major product releases.

On behalf of the board

Mr J R Stewart  
**Director**  
30 October 2017

# EDUCATIONCITY LIMITED

## DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31 JANUARY 2017

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The director presents his annual report and financial statements for the year ended 31 January 2017.

#### Principal activities

The company continues to be a leading provider of educational content and provides online educational software targeted at children aged 3 - 12 years. The product covers English, Maths, Science, Modern Foreign Languages and Computing.

#### Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr R J Rueckl  
Mr J R Stewart

(Resigned 23 June 2017)  
(Appointed 17 June 2016)

#### Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

#### Auditor

The auditor, Magma Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Statement of director's responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

# **EDUCATIONCITY LIMITED**

## **DIRECTOR'S REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 JANUARY 2017***

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On behalf of the board

Mr J R Stewart

**Director**

30 October 2017

# **EDUCATIONCITY LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF EDUCATIONCITY LIMITED**

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We have audited the financial statements of Educationcity Limited for the year ended 31 January 2017 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

#### **Respective responsibilities of director and auditor**

As explained more fully in the Director's Responsibilities Statement set out on pages 2 - 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- • give a true and fair view of the state of the company's affairs as at 31 January 2017 and of its profit for the year then ended;
- • have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- • have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

## **EDUCATIONCITY LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF EDUCATIONCITY LIMITED**

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Director's Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- • the 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.

**Luke Turner ACA FCCA (Senior Statutory Auditor)**  
**for and on behalf of Magma Audit LLP**  
**Chartered Accountants**  
**Statutory Auditor**

340 Melton Road  
Leicester  
LE4 7SL

31 October 2017



# EDUCATIONCITY LIMITED

## STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 JANUARY 2017

		Year ended 31 January 2017	Period ended 31 January 2016 as restated
	Notes	£	£
<b>Turnover</b>	<b>3</b>	5,582,583	7,662,686
Administrative expenses		(4,951,741)	(6,015,219)
Other operating income		535,892	744,427
<b>Operating profit</b>	<b>4</b>	1,166,734	2,391,894
Interest receivable from group undertakings	<b>6</b>	166,381	120,384
Other interest receivable and similar income	<b>6</b>	726,764	672,575
Amounts written off investments	<b>7</b>	(91,735)	(6,114,734)
<b>Profit/(loss) before taxation</b>		1,968,144	(2,929,881)
Taxation	<b>8</b>	(331,743)	(600,775)
<b>Profit/(loss) for the financial year</b>		1,636,401	(3,530,656)
Retained earnings at 1 February 2016 as previously reported		10,251,028	7,054,732
Effect of prior period adjustments		(6,726,952)	-
As restated		3,524,076	7,054,732
Retained earnings at 31 January 2017		5,160,477	3,524,076

# EDUCATIONCITY LIMITED

## BALANCE SHEET

AS AT 31 JANUARY 2017

		2017		2016 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		189,015		129,076
<b>Current assets</b>					
Debtors	10	11,304,969		10,000,474	
Cash at bank and in hand		789,127		567,676	
		<u>12,094,096</u>		<u>10,568,150</u>	
<b>Creditors: amounts falling due within one year</b>					
Taxation and social security		641,289		519,523	
Other creditors	11	675,632		381,054	
Deferred income	14	3,757,574		4,072,832	
		<u>5,074,495</u>		<u>4,973,409</u>	
<b>Net current assets</b>			7,019,601		5,594,741
<b>Total assets less current liabilities</b>			<u>7,208,616</u>		<u>5,723,817</u>
<b>Provisions for liabilities</b>	12		(25,000)		(11,000)
<b>Deferred income</b>	14		(2,023,039)		(2,188,641)
<b>Net assets</b>			<u>5,160,577</u>		<u>3,524,176</u>
<b>Capital and reserves</b>					
Called up share capital	16		100		100
Profit and loss reserves			5,160,477		3,524,076
<b>Total equity</b>			<u>5,160,577</u>		<u>3,524,176</u>

The financial statements were approved by the board of directors and authorised for issue on 30 October 2017 and are signed on its behalf by:

Mr J R Stewart  
Director

Company Registration No. 03343749

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 JANUARY 2017**

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### 1 Accounting policies

#### Company information

Educationcity Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 8 Saddlers Court, Saddlers Court, Barleythorpe, Oakham, LE15 7GH.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 January 2017 are the first financial statements of Educationcity Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 November 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- • Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- • Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- • Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- • Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- • Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Archipelago Learning Holdings UK Ltd. These consolidated financial statements are available from its registered office, Unit 8 Saddlers Court, Barleythorpe, Oakham, LE15 7GH.

#### 1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

### 1 Accounting policies

(Continued)

#### 1.3 Turnover

Turnover in the financial statements is recognised on the accruals basis and represents amounts receivable for goods and services net of VAT and discounts. The company's income comprises the sale of licenses for a period of 12 months and in some cases longer, invoiced at inception of the agreement. Income relating to future periods is deferred based on the length of the license and released into the period to which it relates, usually on a monthly basis. Other operating income relates to royalties received, or receivable, from fellow group companies selling the company's software. Deferred income is disclosed separately in creditors in the financial statements.

#### 1.4 Research and development expenditure

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	Leasehold	Over the term of the lease
Fixtures, fittings & equipment		25% & 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

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### 1 Accounting policies

(Continued)

#### 1.7 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

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### 1 Accounting policies

(Continued)

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

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### 1 Accounting policies

(Continued)

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.13 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and note 1.5 for the useful economic lives for each class of assets.

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
<b>Turnover analysed by class of business</b>		
Sale of subscriptions	5,582,583	7,662,686
	<u>5,582,583</u>	<u>7,662,686</u>
	2017 £	2016 £
<b>Other significant revenue</b>		
Interest income	169,236	126,515
Royalty income	535,892	744,427
	<u>705,128</u>	<u>870,942</u>
	2017 £	2016 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	4,684,345	6,901,015
Europe	74,807	81,224
Rest of the World	823,431	680,447
	<u>5,582,583</u>	<u>7,662,686</u>

### 4 Operating profit

	2017 £	2016 £
Operating profit for the period is stated after charging/(crediting):		
Exchange gains	(251,428)	(235,945)
Research and development costs	139,952	317,103
Fees payable to the company's auditor for the audit of the company's financial statements	7,550	7,550
Depreciation of owned tangible fixed assets	112,413	107,960
Loss on disposal of tangible fixed assets	498	17
Operating lease charges	157,217	190,139
	<u>196,792</u>	<u>406,714</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £975,337 (2016 - £902,389).



# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Directors	2	2
Sales	42	41
Content	55	49
Other	7	7
	<u>106</u>	<u>99</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	3,623,536	3,909,932
Social security costs	261,628	381,659
Pension costs	105,147	154,688
	<u>3,990,311</u>	<u>4,446,279</u>

### 6 Interest receivable and similar income

	2017 £	2016 £
<b>Interest income</b>		
Interest on bank deposits	2,855	6,131
Interest receivable from group companies	<u>166,381</u>	<u>120,384</u>
Total interest revenue	169,236	126,515
<b>Other income from investments</b>		
Exchange differences	<u>723,909</u>	<u>666,444</u>
Total income	<u>893,145</u>	<u>792,959</u>
Disclosed on the profit and loss account as follows:		
Interest receivable from group undertakings	166,381	120,384
Other interest receivable and similar income	<u>726,764</u>	<u>672,575</u>

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

### 7 Amounts written off investments

	£	£
Amounts written off current loans (see note 20)	(91,735)	(6,114,734)

### 8 Taxation

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	317,743	584,344
Adjustments in respect of prior periods	-	15,431
Total current tax	317,743	599,775
<b>Deferred tax</b>		
Origination and reversal of timing differences	14,000	1,000
Total tax charge	331,743	600,775

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit/(loss) before taxation	1,968,144	(2,929,881)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.33%)	393,629	(595,645)
Tax effect of expenses that are not deductible in determining taxable profit	18,374	1,243,503
Group relief	(70,222)	(74,030)
Permanent capital allowances in excess of depreciation	(14,312)	(2,217)
Other tax adjustments	(9,726)	12,733
Deferred tax charge	14,000	1,000
Prior year tax adjustment	-	15,431
Taxation charge for the period	331,743	600,775

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

### 9 Tangible fixed assets

	Land and buildings Leasehold	Fixtures, fittings & equipment	Total
	£	£	£
<b>Cost</b>			
At 1 February 2016	62,669	583,600	646,269
Additions	-	172,849	172,849
Disposals	-	(44,395)	(44,395)
At 31 January 2017	62,669	712,054	774,723
<b>Depreciation and impairment</b>			
At 1 February 2016	57,228	459,965	517,193
Depreciation charged in the year	1,718	110,695	112,413
Eliminated in respect of disposals	-	(43,898)	(43,898)
At 31 January 2017	58,946	526,762	585,708
<b>Carrying amount</b>			
At 31 January 2017	3,723	185,292	189,015
At 31 January 2016	5,441	123,635	129,076

### 10 Debtors

	2017 £	2016 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,254,296	1,249,022
Amounts due from group undertakings	9,846,408	8,592,538
Other debtors	707	-
Prepayments and accrued income	203,558	158,914
	11,304,969	10,000,474

### 11 Other creditors falling due within one year

	2017 £	2016 £
Trade creditors	118,253	239,668
Other creditors	338	-
Accruals	557,041	141,386
	675,632	381,054

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

### 12 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	13	25,000	11,000

### 13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2017 £	Liabilities 2016 £
<b>Balances:</b>		
Accelerated capital allowances	25,000	11,000
<b>Movements in the year:</b>		2017 £
Liability at 1 February 2016		11,000
Charge to profit or loss		14,000
Liability at 31 January 2017		25,000

The movement in deferred tax for the following period, based on current rates and information, is estimated to be a £17,500 credit to the profit and loss account. This (primarily) relates to the reversal of timing differences on capital allowances.

### 14 Deferred income

	2017 £	2016 £
Sale of subscriptions	5,780,613	6,261,473
Deferred income is included in the financial statements as follows:		
Current liabilities	3,757,574	4,072,832
Shown as deferred income on the face of the balance sheet	2,023,039	2,188,641
	5,780,613	6,261,473

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

### 15 Retirement benefit schemes

	2017	2016
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	105,147	154,688

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 16 Share capital

	2017	2016
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
100 Ordinary shares of £1 each	100	100

The Ordinary shares have full rights in the company with respect to voting, dividends and distributions.

### 17 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£	£
Within one year	140,407	143,382
Between two and five years	149,263	276,800
	289,670	420,182

### 18 Related party transactions

The following material transactions have been carried out with non-consolidated group companies during the year :

	Transactions during the year		Amounts due from/(to) at year end	
	£	£	£	£
	current period	prior period	current period	prior period
<b>Educationcity Inc.</b>				
Amounts due from them included group debtors			141,251	124,048
<b>Archipelago Learning Inc.</b>				
Interest received	29,131	18,192		
Impairment of loan receivable balance	31,173	1,010,228		
Amounts due from them included in group debtors			4,945,913	4,147,555

# EDUCATIONCITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

### 18 Related party transactions

(Continued)

#### Edmentum Inc.

Recharged costs from them	305,626	342,297
Royalties received	508,694	698,068
Interest received	45,175	25,603
Impairment of loan receivable balance	60,562	5,104,506

### 19 Controlling party

The immediate parent undertaking is Archipelago Learning Holdings UK Limited, a company incorporated in the United Kingdom. Consolidated accounts are available from Educationcity Limited's registered office.

The ultimate parent undertaking at 31 January 2017 was Edmentum Ultimate Holdings LLC, a company incorporated in the United States of America.

### 20 Prior period adjustment

The impact of an agreement that the directors entered into on 9 June 2015 which limits the repayment of loans by US group companies to Educationcity Limited was not considered. Had it been considered the loans receivable in Educationcity Limited should have been impaired by the amounts detailed in the note below. The associated tax adjustments are also detailed below.

The agreement also details that the loans are repayable on demand and therefore have been restated as due within one year.

#### Changes to the balance sheet

	At 31 January 2016		
	As previously reported	Adjustment	As restated
	£	£	£
<b>Current assets</b>			
Debtors due after one year	15,174,537	(15,174,537)	-
Debtors due within one year	1,407,936	8,592,538	10,000,474
<b>Creditors due within one year</b>			
Taxation	(374,570)	(144,953)	(519,523)
	<u>10,251,128</u>	<u>(6,726,952)</u>	<u>3,518,207</u>
<b>Capital and reserves</b>			
Profit and loss	10,251,028	(6,726,952)	3,524,076
	<u>10,251,028</u>	<u>(6,726,952)</u>	<u>3,524,076</u>

## EDUCATIONCITY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2017

20 Prior period adjustment

(Continued)

Changes to the profit and loss account

	Period ended 31 January 2016		
	As previously reported	Adjustment	As restated
	£	£	£
Interest receivable and similar income	1,260,224	(467,265)	792,959
Amounts written off investments	-	(6,114,734)	(6,114,734)
Taxation	(455,822)	(144,953)	(600,775)
	<u>          </u>	<u>          </u>	<u>          </u>
Profit/(loss) for the financial period	<u>3,196,296</u>	<u>(6,726,952)</u>	<u>(3,530,656)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.