

Company Registration No. 03343749 (England and Wales)

REGISTRAR'S COPY

EDUCATIONCITY LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2014

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EDUCATIONCITY LIMITED

COMPANY INFORMATION

Directors	Mr V P Riera Mr R J Rueckl
Secretary	Mr R J Rueckl
Company number	03343749
Registered office	Unit 8 Saddlers Court Saddlers Court Barleythorpe Oakham LE15 7GH
Auditors	Clear & Lane Limited 340 Melton Road Leicester LE4 7SL

EDUCATIONCITY LIMITED

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EDUCATIONCITY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2014

The directors present the strategic report and financial statements for the year ended 31 October 2014.

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.

The year saw continued revenue growth in the business, increasing 4.5% from £6,017k to £6,289k. The main driver of growth is our International sales, with invoiced sales growing significantly over prior year. Administrative expenses increased by 2% in the year, the main increases being consultancy costs related to the release of the new version of our product in August 2014, and ongoing development of new and upgraded content. We continue to add content to provide greater UK and US curriculum coverage for our current subject offering, as well as looking to ensure our products are compatible with the widening range of devices used by schools and individual users.

Other operating income rose 2%, with lower royalty income on sales of our US product by fellow group companies more than offset by unrealised foreign exchange gains arising on translation of USD denominated loan balances.

As a result of the movements mentioned above, Operating profit increased by 8% to £2,147k

We continue to finance our business through cash flow from operations.

Risks and uncertainties

The current economic outlook remains challenging, although the low cost nature of our product and its very comprehensive and engaging content should enable us to continue to grow in the UK and international markets. The recent launch of a new version of our product, including a Computing module, and continued investment in further improving our UK and US product will continue to support growth in all markets.

On behalf of the board



Mr R J Rueckl

Director

13 July 2015

EDUCATIONCITY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2014

The directors present their report and financial statements for the year ended 31 October 2014.

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.

Results and dividends

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

Directors

The following directors have held office since 1 November 2013:

Mr V P Riera
Mr R J Rueckl

Auditors

The auditors, Clear & Lane Limited, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' 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.

EDUCATIONCITY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors 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 auditors are aware of that information.

On behalf of the board



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Mr R J Rueckl

Director

13 July 2015

EDUCATIONCITY LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EDUCATIONCITY LIMITED

We have audited the financial statements of Educationcity Limited for the year ended 31 October 2014 set out on pages 6 to 16. 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).

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 auditors' 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 3, the directors are 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 directors; 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 October 2014 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

EDUCATIONCITY LIMITED

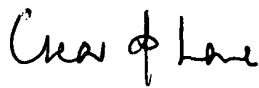
INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF EDUCATIONCITY LIMITED

Matters on which we are required to report by exception

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.



David Hope BSc FCA (Senior Statutory Auditor)

for and on behalf of Clear & Lane Limited

Chartered Accountants

Statutory Auditor

340 Melton Road

Leicester

LE4 7SL

22/07/2015

EDUCATIONCITY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2014

	Notes	2014 £	2013 £
Turnover	2	6,288,808	6,016,798
Administrative expenses		(4,727,961)	(4,746,449)
Other operating income		586,382	716,782
Operating profit	3	2,147,229	1,987,131
Investment income	4	63,573	(25,913)
Other interest receivable and similar income	4	12,410	14,072
Profit on ordinary activities before taxation		2,223,212	1,975,290
Tax on profit on ordinary activities	5	(419,125)	(452,941)
Profit for the year	14	1,804,087	1,522,349

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

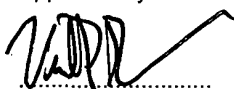
EDUCATIONCITY LIMITED

BALANCE SHEET

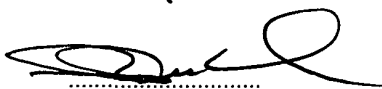
AS AT 31 OCTOBER 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	7		117,460		152,762
Current assets					
Debtors: amounts falling due within one year	8	964,491		1,077,014	
Debtors: amounts falling due after more than one year	8	11,321,973		8,771,618	
Cash at bank and in hand		2,055,741		3,185,120	
		14,342,205		13,033,752	
Creditors: amounts falling due within one year	9	(5,288,011)		(5,525,162)	
Net current assets			9,054,194		7,508,590
Total assets less current liabilities			9,171,654		7,661,352
Creditors: amounts falling due after more than one year	10		(2,106,822)		(2,399,607)
Provisions for Liabilities	11		(10,000)		(11,000)
			7,054,832		5,250,745
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		7,054,732		5,250,645
Shareholders' funds	15		7,054,832		5,250,745

Approved by the Board and authorised for issue on 13-July-2015



Mr V P Riera
Director



Mr R J Rueckl
Director

Company Registration No. 03343749

EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

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 Goodwill

Goodwill represents intellectual property acquired by the company. The company has adopted a policy of amortising goodwill over two years.

1.5 Patents

Patents represent a domain name acquired by the company and are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives. The company has adopted a policy of amortising patents over two years.

1.6 Research and development

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

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

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

1.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

1 Accounting policies

(Continued)

1.10 Deferred taxation

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.

1.11 Foreign currency translation

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.

1.12 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Archipelago Learning Holdings UK Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

2 Turnover

Geographical market

	Turnover	
	2014	2013
	£	£
United Kingdom	5,659,927	5,640,005
Europe	94,332	82,614
Rest of the World	534,549	294,179
	<u>6,288,808</u>	<u>6,016,798</u>

3 Operating profit

	2014	2013
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	96,800	102,903
Loss on disposal of tangible assets	482	565
Loss on foreign exchange transactions	-	56,748
Research and development	246,108	170,752
Operating lease rentals		
- Plant and machinery	18,115	33,165
- Other assets	146,661	144,776
Auditors' remuneration (including expenses and benefits in kind)	7,550	7,000
and after crediting:		
Profit on foreign exchange transactions	<u>(88,152)</u>	<u>-</u>

EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

4	Investment income	2014	2013
		£	£
	Interest receivable from group companies	63,573	(25,913)
	Bank interest	12,410	14,072
		<u>75,983</u>	<u>(11,841)</u>
5	Taxation	2014	2013
		£	£
	Domestic current year tax		
	U.K. corporation tax	420,125	427,916
	Adjustment for prior years	-	24,025
	Total current tax	<u>420,125</u>	<u>451,941</u>
	Deferred tax		
	Origination and reversal of timing differences	(1,000)	1,000
		<u>419,125</u>	<u>452,941</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>2,223,212</u>	<u>1,975,290</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.83% (2013 - 23.42%)	<u>485,327</u>	<u>462,613</u>
	Effects of:		
	Non deductible expenses	134	147
	Depreciation add back	21,131	24,100
	Capital allowances	(16,917)	(23,994)
	Tax losses utilised	(54,222)	(45,474)
	Adjustments to previous periods	-	24,025
	Other tax adjustments	(15,328)	10,524
		<u>(65,202)</u>	<u>(10,672)</u>
	Current tax charge for the year	<u>420,125</u>	<u>451,941</u>

EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

6 Intangible fixed assets

	Patents	Goodwill	Development Costs	Total
	£	£	£	£
Cost				
At 1 November 2013 & at 31 October 2014	1,500	15,000	546,801	563,301
Amortisation				
At 1 November 2013 & at 31 October 2014	1,500	15,000	546,801	563,301
Net book value				
At 31 October 2014	-	-	-	-
At 31 October 2013	-	-	-	-

7 Tangible fixed assets

	Land and buildings Leasehold	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 November 2013	56,082	493,131	549,213
Additions	-	61,985	61,985
Disposals	-	(7,693)	(7,693)
At 31 October 2014	56,082	547,423	603,505
Depreciation			
At 1 November 2013	44,901	351,550	396,451
On disposals	-	(7,206)	(7,206)
Charge for the year	11,181	85,619	96,800
At 31 October 2014	56,082	429,963	486,045
Net book value			
At 31 October 2014	-	117,460	117,460
At 31 October 2013	11,181	141,581	152,762

EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

8 Debtors	2014	2013
	£	£
Trade debtors	791,548	857,888
Amounts owed by parent and fellow subsidiary undertakings	11,321,973	8,771,618
Other debtors	-	3,065
Prepayments and accrued income	172,943	216,061
	<u>12,286,464</u>	<u>9,848,632</u>
Amounts falling due after more than one year and included in the debtors above are:		
	2014	2013
	£	£
Amounts owed by parent and fellow subsidiary undertakings	<u>11,321,973</u>	<u>8,771,618</u>
9 Creditors: amounts falling due within one year	2014	2013
	£	£
Trade creditors	147,151	149,297
Corporation tax	193,277	203,510
Other taxes and social security costs	201,225	254,529
Other creditors	-	14,825
Accruals and deferred income	4,746,358	4,903,001
	<u>5,288,011</u>	<u>5,525,162</u>
10 Creditors: amounts falling due after more than one year	2014	2013
	£	£
Deferred income	<u>2,106,822</u>	<u>2,399,607</u>

EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

11 Provisions for liabilities

Deferred tax liability

£

Balance at 1 November 2013	11,000
Profit and loss account	(1,000)
Balance at 31 October 2014	<u>10,000</u>

The deferred tax liability is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	<u>10,000</u>	<u>11,000</u>

12 Retirement Benefits

Defined contribution scheme

	2014 £	2013 £
Contributions payable by the company for the year	<u>171,918</u>	<u>147,015</u>

13 Share capital

Allotted, called up and fully paid
100 Ordinary shares of £1 each

2014 £	2013 £
100	100

14 Statement of movements on profit and loss account

Profit and loss account £

Balance at 1 November 2013	5,250,645
Profit for the year	1,804,087
Balance at 31 October 2014	<u>7,054,732</u>

EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

15	Reconciliation of movements in Shareholders' funds	2014	2013
		£	£
	Profit for the financial year	1,804,087	1,522,349
	Opening Shareholders' funds	5,250,745	3,728,396
		<hr/>	<hr/>
	Closing Shareholders' funds	7,054,832	5,250,745
		<hr/>	<hr/>

16 Financial commitments

At 31 October 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 October 2015:

	Land and buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Operating leases which expire:				
Within one year	-	63,108	850	88,974
Between two and five years	131,810	-	11,220	16,128
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	131,810	63,108	12,070	105,102
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EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2014 Number	2013 Number
Directors	2	2
Sales	41	40
Content	50	50
Administration	6	7
	<u>99</u>	<u>99</u>

Employment costs

	2014 £	2013 £
Wages and salaries	2,900,856	2,864,942
Social security costs	270,366	265,658
Other pension costs	171,918	147,015
	<u>3,343,140</u>	<u>3,277,615</u>

The directors received no remuneration for their services to the company.

18 Control

The intermediate 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 October 2014 was Project Porsche Holdings Corporation, a company incorporated in the United States of America.

EDUCATIONCITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2014

19 Related party relationships and transactions

The following material transactions have been carried out with group companies during the period:

	Transactions during the year		Amounts due from/(to) at year end	
	£ current period	£ prior year	£ current period	£ prior year
EducationCity Inc.				
Amounts due from them included in group debtors			110,508	110,137
Archipelago Learning Inc.				
Interest received	7,813	3,005		
Amounts due from them included in group debtors			1,160,887	884,317
Loan receivable included within group debtors			3,138,989	3,120,364
Edmentum Inc.				
Recharged costs	311,136	232,023		
Royalties received	551,382	658,490		
Interest received	6,344	997		
Loans receivable included within group debtors			2,945,936	748,420

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with its immediate parent company.