

REGISTERED NUMBER: 03343749 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019
FOR
EDUCATIONCITY LIMITED**

Magma Audit LLP
Unit 2
Charnwood Edge Business Park
Syston Road
Leicester
LE7 4UZ

CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 January 2019

	Page
Company Information	1
Strategic Report	2
Report of the Director	3
Report of the Independent Auditors	4
Income Statement	6
Other Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

EDUCATIONCITY LIMITED
COMPANY INFORMATION
for the year ended 31 January 2019

DIRECTOR: E Doan

SECRETARY: E Doan

REGISTERED OFFICE: 8 Saddlers Court
Barleythorpe
Rutland
LE15 7GH

REGISTERED NUMBER: 03343749 (England and Wales)

AUDITORS: Magma Audit LLP
Unit 2
Charnwood Edge Business Park
Syston Road
Leicester
LE7 4UZ

STRATEGIC REPORT
for the year ended 31 January 2019

The director presents his strategic report for the year ended 31 January 2019.

REVIEW OF BUSINESS

Our key financial indicators are Invoiced Sales, Revenue, and EBITDA. The business has a slight seasonal pattern, with Q1 and Q3 being strong, linked to the budget year for the majority of UK schools and the start of the new academic year respectively, 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.

In the year, we had a 15% decline in overall revenue in the business. UK revenue fell compared to prior year, albeit this was partially offset by an increase in International revenue. Administrative expenses were 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 grew 41%, and mainly comprises royalties receivable from sales in the USA by Edmentum of our own product and products to which we have contributed content. We continue to develop a significant amount of content for a new product released by Edmentum in early 2017, and sales of this product have produced the royalty growth.

As a result of the movements mentioned above, Operating profit decreased by 68%.

Interest receivable and Other interest receivable and similar income mainly comprises unrealised foreign exchange losses on USD denominated loans and trading balances with Edmentum, reflecting the weakening of sterling during the year.

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 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, and we have started actively pursuing these opportunities in the current year, albeit these will take time to realise. We also anticipate continuing growth in royalties receivable on sales made in the USA by Edmentum of relevant products.

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.

We continue to monitor our potential exposure to risks arising from Brexit. Whilst we have limited exposure to the EU directly, there could be some level of impact via tariff changes on our non EU International business. This will be dependent upon the exact nature of the UK withdrawal from the EU.

ON BEHALF OF THE BOARD:

E Doan - Director

7 October 2019

REPORT OF THE DIRECTOR
for the year ended 31 January 2019

The director presents his report with the financial statements of the company for the year ended 31 January 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of providing educational content and online educational software targeted at children aged 3 - 12 years. The product covers English, Maths, Science, Modern Foreign Languages and Computing.

DIVIDENDS

No dividends will be distributed for the year ended 31 January 2019.

DIRECTORS

The directors who have held office during the period from 1 February 2018 to the date of this report are as follows:

J R Stewart - resigned 13 July 2018

E Doan - appointed 9 July 2018

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Magma Audit LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

E Doan - Director

7 October 2019

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EDUCATIONCITY LIMITED

Opinion

We have audited the financial statements of Educationcity Limited (the 'company') for the year ended 31 January 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2019 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.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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

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

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

Other information

The director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.

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 or the Report of the Director.

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EDUCATIONCITY LIMITED

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page three, the director is 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 director determines 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 director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Luke Turner (Senior Statutory Auditor)
for and on behalf of Magma Audit LLP
Unit 2
Chamwood Edge Business Park
Syston Road
Leicester
LE7 4UZ

31 October 2019

INCOME STATEMENT
for the year ended 31 January 2019

	Notes	2019 £	2018 £
TURNOVER	3	4,142,794	4,875,724
Administrative expenses		<u>(4,883,724)</u>	<u>(4,890,803)</u>
		(740,930)	(15,079)
Other operating income	4	<u>954,780</u>	675,244
OPERATING PROFIT	6	213,850	660,165
Interest receivable and similar income	7	<u>860,071</u>	(672,880)
		1,073,921	(12,715)
Amounts written off investments	8	<u>(213,161)</u>	(92,061)
PROFIT/(LOSS) BEFORE TAXATION		860,760	(104,776)
Tax on profit/(loss)	9	<u>(40,583)</u>	9,239
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>820,177</u>	<u>(95,537)</u>

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
for the year ended 31 January 2019

	Notes	2019 £	2018 £
PROFIT/(LOSS) FOR THE YEAR		820,177	(95,537)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>820,177</u>	<u>(95,537)</u>

BALANCE SHEET

31 January 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible assets	11	58,652	122,660
CURRENT ASSETS			
Debtors	12	10,726,809	10,203,838
Cash at bank and in hand		325,718	248,495
		<u>11,052,527</u>	<u>10,452,333</u>
CREDITORS			
Amounts falling due within one year	13	(3,547,243)	(3,684,697)
NET CURRENT ASSETS		<u>7,505,284</u>	<u>6,767,636</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,563,936	6,890,296
CREDITORS			
Amounts falling due after more than one year	14	(1,675,519)	(1,811,256)
PROVISIONS FOR LIABILITIES	16	(3,200)	(14,000)
NET ASSETS		<u>5,885,217</u>	<u>5,065,040</u>
CAPITAL AND RESERVES			
Called up share capital	17	100	100
Retained earnings		5,885,117	5,064,940
SHAREHOLDERS' FUNDS		<u>5,885,217</u>	<u>5,065,040</u>

The financial statements were approved by the director on 7 October 2019 and were signed by:

E Doan - Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 January 2019

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 February 2017	100	5,160,477	5,160,577
Changes in equity			
Total comprehensive income	-	(95,537)	(95,537)
Balance at 31 January 2018	100	5,064,940	5,065,040
Changes in equity			
Total comprehensive income	-	820,177	820,177
Balance at 31 January 2019	100	5,885,117	5,885,217

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2019

1. STATUTORY INFORMATION

Educationcity Limited is a limited company, registered in England and Wales. Its registered office address and its registered number can be found on the company information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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.

The 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 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.

Critical accounting 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. For the carrying amount of the property plant and equipment, and the tangible assets see accounting policy for the useful economic lives for each class of assets.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2019

2. ACCOUNTING POLICIES - continued**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 sales of licenses for a period of 12 months and in some cases longer, invoiced at inception of the agreement. Income relating to the 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2019

2. ACCOUNTING POLICIES - continued**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.

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.

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.

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.

Derecognition of financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2019

2. ACCOUNTING POLICIES - continued**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 tax 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.

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Foreign currencies

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

Operating 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.

Pension costs and other post-retirement benefits

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

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.

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.

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.

3. TURNOVER

The turnover and profit (2018 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2019	2018
	£	£
Sale of subscriptions	<u>4,142,794</u>	<u>4,875,724</u>
	<u>4,142,794</u>	<u>4,875,724</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2019

3. TURNOVER - continued

An analysis of turnover by geographical market is given below:

	2019 £	2018 £
United Kingdom	3,298,373	4,107,235
Europe	89,599	172,494
Rest of the World	754,822	595,995
	<u>4,142,794</u>	<u>4,875,724</u>

4. OTHER OPERATING INCOME

	2019 £	2018 £
Royalties Receivable	<u>954,780</u>	<u>675,244</u>

5. EMPLOYEES AND DIRECTORS

	2019 £	2018 £
Wages and salaries	3,133,879	2,897,491
Social security costs	288,602	299,779
Other pension costs	97,387	98,874
	<u>3,519,868</u>	<u>3,296,144</u>

The average number of employees during the year was as follows:

	2019	2018
Directors	1	1
Sales	41	45
Content	48	47
Other	6	7
	<u>96</u>	<u>100</u>

	2019 £	2018 £
Directors' remuneration	<u>-</u>	<u>-</u>

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Hire of plant and machinery	50,467	37,676
Other operating leases	19,615	18,942
Depreciation - owned assets	99,162	105,117
Loss on disposal of fixed assets	131	461
Audit fees	7,550	7,550
Foreign exchange differences	<u>(38,169)</u>	<u>96,013</u>

Exchange differences recognised in profit or loss during the year amounted to (£971,710) (2017 - £975,337).

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2019

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Bank interest received	1,492	439
Exchange differences	528,362	(875,697)
Interest receivable from group companies	330,217	202,378
	<u>860,071</u>	<u>(672,880)</u>

8. AMOUNTS WRITTEN OFF INVESTMENTS

	2019	2018
	£	£
Amounts written off investments	<u>213,161</u>	<u>92,061</u>

9. TAXATION**Analysis of the tax charge/(credit)**

The tax charge/(credit) on the profit for the year was as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax	51,383	-
Adjustment to prior years	-	1,761
Total current tax	<u>51,383</u>	<u>1,761</u>
Deferred tax	<u>(10,800)</u>	<u>(11,000)</u>
Tax on profit/(loss)	<u>40,583</u>	<u>(9,239)</u>

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£	£
Profit/(loss) before tax	<u>860,760</u>	<u>(104,776)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	163,544	(19,907)
Effects of:		
Expenses not deductible for tax purposes	42,098	17,727
Depreciation in excess of capital allowances	10,193	10,648
Adjustments to tax charge in respect of previous periods	(64)	1,761
Group relief	(121,259)	(5,807)
Other tax adjustments	(43,129)	(2,661)
Deferred tax charge	<u>(10,800)</u>	<u>(11,000)</u>
Total tax charge/(credit)	<u>40,583</u>	<u>(9,239)</u>

10. RETIREMENT BENEFIT SCHEMES**Defined contribution schemes**

	2019	2018
	£	£
Charge to profit or loss in respect of defined contribution schemes	<u>98,875</u>	<u>105,147</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2019

11. TANGIBLE FIXED ASSETS

	Land & buildings leasehold £	Fixtures, fittings & equipment £	Totals £
COST			
At 1 February 2018	62,669	676,320	738,989
Additions	-	36,812	36,812
Disposals	-	(17,033)	(17,033)
At 31 January 2019	62,669	696,099	758,768
DEPRECIATION			
At 1 February 2018	60,664	555,665	616,329
Charge for year	1,718	97,444	99,162
Eliminated on disposal	-	(15,375)	(15,375)
At 31 January 2019	62,382	637,734	700,116
NET BOOK VALUE			
At 31 January 2019	287	58,365	58,652
At 31 January 2018	2,005	120,655	122,660

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	1,325,376	1,110,217
Amounts owed by group undertakings	9,259,064	8,942,021
Tax	-	27,294
Prepayments	142,369	124,306
	<u>10,726,809</u>	<u>10,203,838</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	45,497	80,756
Tax	24,089	-
Social security and other taxes	82,305	72,914
VAT	88,813	108,052
Deferred income	2,911,014	3,176,552
Accrued expenses	395,525	246,423
	<u>3,547,243</u>	<u>3,684,697</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Deferred income	<u>1,675,519</u>	<u>1,811,256</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2019

15. LEASING AGREEMENTS

Operating lease payments represent values payable by the company for certain of its properties, and vehicles. Leases are negotiated for various periods between 2-3 years.

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:

	2019	2018
£		
Within one year	25,590	138,179
Between one and five years	-	25,590
	<u>25,590</u>	<u>163,769</u>

16. PROVISIONS FOR LIABILITIES

	2019	2018
£		
Deferred tax	<u>3,200</u>	<u>14,000</u>
		Deferred tax
		£
Balance at 1 February 2018		14,000
Credit to Income Statement during year		(10,800)
Balance at 31 January 2019		<u>3,200</u>

The movement in deferred tax for the following period, based on current rates and information, is estimated to be a £3,200 credit to the profit and loss account. This (primarily) relates to the reversal of timing differences on capital allowances.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019	2018
Number:	Class:	Nominal value:	£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2019

18. RELATED PARTY DISCLOSURES

	Transactions during the year		Amounts due from/(to) at year end	
	current year	prior year	current year	prior year
Educationcity Inc.				
Amounts due from them included in group debtors			134,698	124,674
Archipelago Learning Inc.				
Interest received	83,030	46,679		
Impairment of loan receivable balance	83,562	36,088		
Amounts due from them included in group debtors			4,299,380	4,321,013
Edmentum Inc.				
Recharged costs from them	291,904	337,795		
Royalties received	974,815	664,494		
Royalties paid	21,885	5,875		
Interest received	128,776	72,397		
Impairment of loan receivable balance	129,601	55,973		

19. ULTIMATE 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 2019 was Edmentum Ultimate Holdings LLC, a company incorporated in the United States of America.

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.