

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020
FOR
EDUCATIONCITY LIMITED**

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

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for the year ended 31 January 2020

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EDUCATIONCITY LIMITED
COMPANY INFORMATION
for the year ended 31 January 2020

DIRECTORS:

J A Candee
P Alphonse
R A Hamwee
H Kirkpatrick Iii
R Vig
M Lavelle

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 2020

The directors present their strategic report for the year ended 31 January 2020.

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 most 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 just under a 10% decline in overall revenue in the business. UK revenue fell compared to prior year, negatively impacted by school closures in March when 70% of the company's renewals are typically secured. The revenue shortfall was partially offset by an increase in International revenue. Administrative expenses were up compared with the prior year as we continue to invest in product development, adding content to provide greater UK and US curriculum coverage for subject offerings in addition to providing international sales support to grow US offerings globally.

Other operating income grew 19%, 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 £684k.

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 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 and through support of 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 have started to reconfigure go-to-market in the UK. We also anticipate continuing growth in royalties receivable on sales made in the USA by Edmentum of relevant products.

PRINCIPAL RISKS AND UNCERTAINTIES

At the present date, the COVID-19 outbreak has escalated worldwide. Any long-term impact it has on our industry is yet unclear but guidance from the Government is that the issue itself will be time limited. As at the date of signing this report, we believe that we are well placed and supported by the growth in the US by Edmentum.

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:

J A Candee - Director

29 January 2021

REPORT OF THE DIRECTORS
for the year ended 31 January 2020

The directors present their report with the financial statements of the company for the year ended 31 January 2020.

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 2020.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTOR

E Doan held office from 1 February 2019 until after 31 January 2020 but prior to the date of this report.

J A Candee, P Alphonse, R A Hamwee, H Kirkpatrick III, M Lavelle and R Vig were appointed as directors after 31 January 2020 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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;
- 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are 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 each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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:

J A Candee - Director

29 January 2021

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 2020 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 2020 and of its loss 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt
- about the 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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, 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 Directors 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 Directors 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 Directors.

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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EDUCATIONCITY LIMITED

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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

29 January 2021

INCOME STATEMENT
for the year ended 31 January 2020

	Notes	2020 £	2019 £
TURNOVER	3	3,742,229	4,142,794
Administrative expenses		<u>(5,348,909)</u>	<u>(4,883,724)</u>
		(1,606,680)	(740,930)
Other operating income	4	<u>1,136,989</u>	954,780
OPERATING (LOSS)/PROFIT	6	(469,691)	213,850
Interest receivable and similar income	8	<u>334,164</u>	860,071
		(135,527)	1,073,921
Amounts written off investments	9	<u>(241,033)</u>	<u>(213,161)</u>
(LOSS)/PROFIT BEFORE TAXATION		(376,560)	860,760
Tax on (loss)/profit	10	<u>(3,301)</u>	<u>(40,583)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(379,861)	820,177

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
for the year ended 31 January 2020

	Notes	2020 £	2019 £
(LOSS)/PROFIT FOR THE YEAR		(379,861)	820,177
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(379,861)</u>	<u>820,177</u>

BALANCE SHEET
31 January 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible assets	12	60,246	58,652
CURRENT ASSETS			
Debtors	13	9,862,941	10,726,809
Cash at bank and in hand		2,462,781	325,718
		<u>12,325,722</u>	<u>11,052,527</u>
CREDITORS			
Amounts falling due within one year	14	(5,405,929)	(3,547,243)
NET CURRENT ASSETS		<u>6,919,793</u>	<u>7,505,284</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,980,039	7,563,936
CREDITORS			
Amounts falling due after more than one year	15	(1,469,234)	(1,675,519)
PROVISIONS FOR LIABILITIES	18	(5,449)	(3,200)
NET ASSETS		<u>5,505,356</u>	<u>5,885,217</u>
CAPITAL AND RESERVES			
Called up share capital	19	100	100
Retained earnings		5,505,256	5,885,117
SHAREHOLDERS' FUNDS		<u>5,505,356</u>	<u>5,885,217</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 January 2021 and were signed on its behalf by:

J A Candee - Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 January 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 February 2018	100	5,064,940	5,065,040
Changes in equity			
Total comprehensive income	-	820,177	820,177
Balance at 31 January 2019	<u>100</u>	<u>5,885,117</u>	<u>5,885,217</u>
Changes in equity			
Total comprehensive income	-	(379,861)	(379,861)
Balance at 31 January 2020	<u>100</u>	<u>5,505,256</u>	<u>5,505,356</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2020

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.

Going Concern

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

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2020

2. ACCOUNTING POLICIES - continued**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2020

2. ACCOUNTING POLICIES - continued**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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2020

2. ACCOUNTING POLICIES - continued**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.

3. TURNOVER

The turnover and loss (2019 - profit) before taxation are attributable to the one principal activity of the company.

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

	2020	2019
	£	£
Sale of subscriptions	<u>3,742,229</u>	<u>4,142,794</u>
	<u>3,742,229</u>	<u>4,142,794</u>

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	2,035,196	3,298,373
Europe	185,274	89,599
Rest of the World	<u>1,521,759</u>	<u>754,822</u>
	<u>3,742,229</u>	<u>4,142,794</u>

4. OTHER OPERATING INCOME

	2020	2019
	£	£
Royalties Receivable	<u>1,136,989</u>	<u>954,780</u>

5. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	3,024,335	3,133,879
Social security costs	336,914	288,602
Other pension costs	<u>128,015</u>	<u>97,387</u>
	<u>3,489,264</u>	<u>3,519,868</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2020

5. EMPLOYEES AND DIRECTORS - continued

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

	2020	2019
Directors	1	1
Sales	41	41
Content	50	48
Other	6	6
	<u>98</u>	<u>96</u>

	2020	2019
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

6. OPERATING (LOSS)/PROFIT

The operating loss (2019 - operating profit) is stated after charging/(crediting):

	2020	2019
	£	£
Hire of plant and machinery	50,504	50,467
Other operating leases	18,745	19,615
Depreciation - owned assets	48,635	99,162
(Profit)/loss on disposal of fixed assets	(1,160)	131
Foreign exchange differences	<u>(8,108)</u>	<u>(38,169)</u>

Exchange differences recognised in profit or loss during the year amounted to £12,053 gain (2019 - £566,531 gain).

7. AUDITORS' REMUNERATION

	2020	2019
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	<u>9,550</u>	<u>7,550</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£	£
Bank interest received	5,261	1,492
Exchange differences	(20,161)	528,362
Interest receivable from group companies	349,064	330,217
	<u>334,164</u>	<u>860,071</u>

9. AMOUNTS WRITTEN OFF INVESTMENTS

	2020	2019
	£	£
Amounts written off investments	<u>241,033</u>	<u>213,161</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2020

10. TAXATION**Analysis of the tax charge**

The tax charge on the loss for the year was as follows:

	2020 £	2019 £
Current tax:		
UK corporation tax	-	51,383
Adjustment to prior years	<u>1,051</u>	<u>-</u>
Total current tax	<u>1,051</u>	<u>51,383</u>
Deferred tax	<u>2,250</u>	<u>(10,800)</u>
Tax on (loss)/profit	<u><u>3,301</u></u>	<u><u>40,583</u></u>

UK corporation tax has been charged at 19% .

Reconciliation of total tax charge included in profit and loss

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

	2020 £	2019 £
(Loss)/profit before tax	<u>(376,560)</u>	<u>860,760</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	<u>(71,546)</u>	<u>163,544</u>
Effects of:		
Expenses not deductible for tax purposes	45,980	42,098
Capital allowances in excess of depreciation	(2,029)	-
Depreciation in excess of capital allowances	-	10,193
Adjustments to tax charge in respect of previous periods	27,492	(64)
Group relief	-	(121,259)
Other tax adjustments	1,154	(43,129)
Deferred tax charge	<u>2,250</u>	<u>(10,800)</u>
Total tax charge	<u><u>3,301</u></u>	<u><u>40,583</u></u>

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

	2020 £	2019 £
Charge to profit or loss in respect of defined contribution schemes	<u>128,015</u>	<u>97,387</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2020

12. TANGIBLE FIXED ASSETS

	Land & buildings leasehold £	Fixtures, fittings & equipment £	Totals £
COST			
At 1 February 2019	62,669	696,099	758,768
Additions	-	50,776	50,776
Disposals	-	(52,901)	(52,901)
At 31 January 2020	<u>62,669</u>	<u>693,974</u>	<u>756,643</u>
DEPRECIATION			
At 1 February 2019	62,382	637,734	700,116
Charge for year	287	48,348	48,635
Eliminated on disposal	-	(52,354)	(52,354)
At 31 January 2020	<u>62,669</u>	<u>633,728</u>	<u>696,397</u>
NET BOOK VALUE			
At 31 January 2020	<u>-</u>	<u>60,246</u>	<u>60,246</u>
At 31 January 2019	<u>287</u>	<u>58,365</u>	<u>58,652</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade debtors	1,571,041	1,325,376
Amounts owed by group undertakings	8,177,270	9,259,064
Prepayments	114,630	142,369
	<u>9,862,941</u>	<u>10,726,809</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Other loans (see note 16)	2,253,045	-
Trade creditors	41,583	45,497
Tax	-	24,089
Social security and other taxes	204,469	82,305
VAT	53,983	88,813
Deferred income	2,689,757	2,911,014
Accrued expenses	163,092	395,525
	<u>5,405,929</u>	<u>3,547,243</u>

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

	2020 £	2019 £
Deferred income	<u>1,469,234</u>	<u>1,675,519</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2020

16. LOANS

An analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year or on demand:		
Other loans	<u>2,253,045</u>	<u>-</u>

A loan was taken out in January 2020 from New Mountain Finance for £2,253,045. Interest payable on this amount is 10% per annum. The loan was due for repayment on 31 August 2020 but since the year end repayment was extended to 9 December 2021 and then subsequently the loan has been settled.

17. LEASING AGREEMENTS

Operating lease payments represent values payable by the company for certain of its properties and vehicles. Leases are negotiated for various periods up to 5 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:

	2020 £	2019 £
Within one year	99,976	25,590
Between one and five years	<u>275,710</u>	<u>-</u>
	<u>375,686</u>	<u>25,590</u>

18. PROVISIONS FOR LIABILITIES

	2020 £	2019 £
Deferred tax	<u>5,449</u>	<u>3,200</u>
		Deferred tax
		£
Balance at 1 February 2019		3,200
Provided during year		<u>2,249</u>
Balance at 31 January 2020		<u>5,449</u>

The movement in deferred tax for the following period, based on current rates and information, is estimated to be a £5,449 credit to the profit and loss account. This primarily relates to the reversal of timing differences on capital allowances.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2020 £	2019 £
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 2020

20. 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			134,490	134,698
Archipelago Learning Inc.				
Interest received	87,316	83,030		
Impairment of loan receivable balance	87,316	83,562		
Amounts due from them included in group debtors			4,527,822	5,622,127
Edmentum Inc.				
Recharged costs from them	209,801	291,904		
Royalties received	1,311,438	974,815		
Royalties paid	166,090	21,885		
Interest received	135,710	128,776		
Impairment of loan receivable balance	135,710	129,601		
Amounts due from them included in group debtors			6,325,972	6,212,811

The amounts owed by group companies are charged interest at market rate. No guarantees have been given or received.

21. POST BALANCE SHEET EVENTS**Covid-19**

Since the balance sheet date, the world has suffered a COVID-19 outbreak and there has been volatility in the markets as a result.

The directors have considered the effect that this may have on the company, and although unclear what impact this will have in the longer term, the company is hopeful and continues to expand its international presence. An estimate of the financial effect cannot therefore be made at this stage. The directors have assessed the above and consider the company to be a going concern.

Brexit

As of the 31st December 2020 the UK has withdrawn from the European Union (EU) and no longer participates in the European Union Customs Union or the European Single Market. At the time of writing, the new agreement between the UK and the EU is still being fully understood, however 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 detail within the agreement between the UK and EU.

Vistria Group Investment

In December 2020 it was confirmed that The Vistria Group had invested in Edmentum, the ultimate parent company of Educationcity Limited, in return for 50% of the shareholding.

Vistria's strategic investment strengthens the Group's position as a global leader in comprehensive K-Adult digital curriculum and assessments for learning and accelerates Edmentum's opportunities for continued growth.

22. 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 2020 was Edmentum Ultimate Holdings LLC, a company incorporated in the United States of America.

Post year end the ultimate parent company was replaced by Vistria Edmentum Holdings LLC, a company incorporated in the United States of America.

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