

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2023
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 2023

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EDUCATIONCITY LIMITED
COMPANY INFORMATION
for the year ended 31 January 2023

DIRECTORS:

J A Candee
P Alphonse
R A Hamwee
M Lavelle
R Vig
J Jackson
A S Duncan
M E Trimarchi

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 2023

The directors present their strategic report for the year ended 31 January 2023.

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 a 14.8% decline in overall revenue in the business. UK revenue fell 33.5% compared to prior year, as our main focus was on multi-year deals and continuing to grow the international revenue, which increased by 0.9%. Administrative expenses were down compared with the prior year due to exchange fluctuations. 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 decreased 27.6% primarily due to exchange fluctuations. This income 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 new content and new features for existing platforms.

As a result of the movements mentioned above, operating profit reduced to £418k.

Interest receivable and Other interest receivable has increased due to the AFR rate increase in the US on loan balances.

We continue to finance our business primarily through cash flow from operations and through support of Edmentum.

PRINCIPAL RISKS AND UNCERTAINTIES

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. We also anticipate continuing growth in royalties' receivable on sales made in the USA by Edmentum of relevant products. The principle risk the company faces is the exchange rate risk. The weakening of sterling against the dollar impacts loan balances and royalties receivable.

ON BEHALF OF THE BOARD:

M E Trimarchi - Director

23 October 2023

REPORT OF THE DIRECTORS
for the year ended 31 January 2023

The directors present their report with the financial statements of the company for the year ended 31 January 2023.

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 and Science.

DIVIDENDS

No dividends will be distributed for the year ended 31 January 2023.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 February 2022 to the date of this report.

J A Candee
P Alphonse
R A Hamwee
M Lavelle
R Vig

Other changes in directors holding office are as follows:

H Kirkpatrick III - resigned 1 June 2022
J Jackson - appointed 2 May 2022

A S Duncan and M E Trimarchi were appointed as directors after 31 January 2023 but prior to the date of this report.

F W Jalufka ceased to be a director after 31 January 2023 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.

REPORT OF THE DIRECTORS
for the year ended 31 January 2023

AUDITORS

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

ON BEHALF OF THE BOARD:

M E Trimarchi - Director

23 October 2023

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 2023 which comprise the Statement of 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 2023 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

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

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

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

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company and the industry, we have identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and breaches with the General Data Protection Regulation, and we have considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries, and management bias in accounting estimates. Audit procedures performed included:

- Enquiries with management for consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions made by management in their accounting estimates, in particular in relation to recognising revenue, debtor provisions and accruals;
- Identifying and testing material journal entries, in particular those journal entries posted with unusual account combinations, journal entries crediting revenue, journal entries crediting cash and journal entries with specific defined descriptions.

There are inherent limitations in the audit procedures described above. The more removed non-compliance with laws and regulations is, from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by forgery or intentional misrepresentation, for example, or through collusion.

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

30 October 2023

**STATEMENT OF COMPREHENSIVE
INCOME**
for the year ended 31 January 2023

	Notes	2023 £	2022 £
TURNOVER	4	2,785,299	3,268,079
Cost of sales		<u>(436,161)</u>	<u>(344,442)</u>
GROSS PROFIT		2,349,138	2,923,637
Administrative expenses		<u>(3,592,616)</u>	<u>(3,837,118)</u>
		(1,243,478)	(913,481)
Other operating income	5	<u>1,660,999</u>	2,294,057
OPERATING PROFIT	7	417,521	1,380,576
Interest receivable and similar income	9	<u>319,438</u>	77,114
PROFIT BEFORE TAXATION		736,959	1,457,690
Tax on profit	10	<u>(59,623)</u>	<u>(211,379)</u>
PROFIT FOR THE FINANCIAL YEAR		677,336	1,246,311
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		677,336	1,246,311

The notes form part of these financial statements

BALANCE SHEET
31 January 2023

	Notes	2023 £	2022 £
FIXED ASSETS			
Intangible assets	11	5,000	11,667
Tangible assets	12	<u>82,309</u>	<u>63,948</u>
		<u>87,309</u>	<u>75,615</u>
CURRENT ASSETS			
Debtors	13	20,062,503	19,296,029
Cash at bank and in hand		<u>311,059</u>	<u>195,697</u>
		<u>20,373,562</u>	<u>19,491,726</u>
CREDITORS			
Amounts falling due within one year	14	<u>(2,695,132)</u>	<u>(3,075,709)</u>
NET CURRENT ASSETS		<u>17,678,430</u>	<u>16,416,017</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,765,739	16,491,632
CREDITORS			
Amounts falling due after more than one year	15	(2,338,044)	(1,751,073)
PROVISIONS FOR LIABILITIES	17	<u>(16,700)</u>	<u>(6,900)</u>
NET ASSETS		<u>15,410,995</u>	<u>14,733,659</u>
CAPITAL AND RESERVES			
Called up share capital	18	100	100
Retained earnings		<u>15,410,895</u>	<u>14,733,559</u>
SHAREHOLDERS' FUNDS		<u>15,410,995</u>	<u>14,733,659</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 October 2023 and were signed on its behalf by:

M E Trimarchi - Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 January 2023

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 February 2021	100	13,487,248	13,487,348
Changes in equity			
Total comprehensive income	-	1,246,311	1,246,311
Balance at 31 January 2022	100	14,733,559	14,733,659
Changes in equity			
Total comprehensive income	-	677,336	677,336
Balance at 31 January 2023	100	15,410,895	15,410,995

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2023

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.

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 includes royalties receivable. This 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.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is being amortised evenly over its estimated useful life of three years.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2023

2. ACCOUNTING POLICIES - continued**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

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.

Debtors

Basic financial assets, including trade and other debtors, are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents are represented by cash in hand, deposits held at call with financial institutions, and other short-term highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Basic financial liabilities, including trade and other creditors, loans from third parties and loans from related parties, 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. Such instruments are subsequently carried at amortised cost using the effective interest method, less any impairment.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2023

2. ACCOUNTING POLICIES - continued**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. 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.

Debtor recoverability

A general provision is made against trade debtors based on the average percentage from the prior two financial years.

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

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

	2023	2022
	£	£
Sale of subscriptions	<u>2,785,299</u>	<u>3,268,079</u>
	<u>2,785,299</u>	<u>3,268,079</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2023

4. TURNOVER - continued

An analysis of turnover by geographical market is given below:

	2023	2022
	£	£
United Kingdom	954,891	1,434,876
Europe	70,547	89,711
Rest of the World	1,759,861	1,743,492
	<u>2,785,299</u>	<u>3,268,079</u>

5. OTHER OPERATING INCOME

	2023	2022
	£	£
Royalties Receivable	1,607,751	2,294,057
Sundry receipts	53,248	-
	<u>1,660,999</u>	<u>2,294,057</u>

6. EMPLOYEES AND DIRECTORS

	2023	2022
	£	£
Wages and salaries	3,393,620	2,875,743
Social security costs	376,571	272,244
Other pension costs	141,836	113,523
	<u>3,912,027</u>	<u>3,261,510</u>

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

	2023	2022
Directors	7	7
Sales	31	29
Content	28	28
Other	16	14
	<u>82</u>	<u>78</u>

	2023	2022
	£	£
Directors' remuneration	-	-

7. OPERATING PROFIT

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

	2023	2022
£		
Hire of plant and machinery	8,761	9,576
Other operating leases	94,511	87,053
Depreciation - owned assets	48,190	53,478
Profit on disposal of fixed assets	(1,150)	(735)
Computer software amortisation	6,667	6,666
Foreign exchange differences	(1,414,657)	(333,959)
Royalties payable	<u>436,161</u>	<u>344,462</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2023

8. AUDITORS' REMUNERATION

	2023 £	2022 £
Fees payable to the company's auditors for the audit of the company's financial statements	<u>13,750</u>	<u>12,500</u>

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2023 £	2022 £
Bank interest received	393	28
Interest receivable from group companies	<u>319,045</u>	<u>77,086</u>
	<u>319,438</u>	<u>77,114</u>

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

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

	2023 £	2022 £
Current tax:		
UK corporation tax	49,823	210,923
Adjustment to prior years	-	456
Total current tax	<u>49,823</u>	<u>211,379</u>
Deferred tax	9,800	-
Tax on profit	<u>59,623</u>	<u>211,379</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 lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2023 £	2022 £
Profit before tax	<u>736,959</u>	<u>1,457,690</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022 - 19%)	140,022	276,961
Effects of:		
Expenses not deductible for tax purposes	611	929
Capital allowances in excess of depreciation	(8,461)	(4,271)
Adjustments to tax charge in respect of previous periods	-	456
Group relief	(81,650)	(65,397)
Deferred tax charge	9,800	-
Provision tax adjustment	(479)	2,841
Profit on Disposal	(220)	(140)
Total tax charge	<u>59,623</u>	<u>211,379</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2023

11. INTANGIBLE FIXED ASSETS

	Computer software £
COST	
At 1 February 2022	
and 31 January 2023	<u>20,000</u>
AMORTISATION	
At 1 February 2022	8,333
Amortisation for year	<u>6,667</u>
At 31 January 2023	<u>15,000</u>
NET BOOK VALUE	
At 31 January 2023	<u>5,000</u>
At 31 January 2022	<u>11,667</u>

12. TANGIBLE FIXED ASSETS

	Land & buildings leasehold £	Fixtures, fittings & equipment £	Totals £
COST			
At 1 February 2022	62,669	714,738	777,407
Additions	-	66,551	66,551
Disposals	-	(30,651)	(30,651)
At 31 January 2023	<u>62,669</u>	<u>750,638</u>	<u>813,307</u>
DEPRECIATION			
At 1 February 2022	62,669	650,790	713,459
Charge for year	-	48,190	48,190
Eliminated on disposal	-	(30,651)	(30,651)
At 31 January 2023	<u>62,669</u>	<u>668,329</u>	<u>730,998</u>
NET BOOK VALUE			
At 31 January 2023	<u>-</u>	<u>82,309</u>	<u>82,309</u>
At 31 January 2022	<u>-</u>	<u>63,948</u>	<u>63,948</u>

13. DEBTORS

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	1,714,119	1,311,564
Amounts owed by group undertakings	17,135,325	17,157,628
Other debtors	748	67
Tax	30,898	-
Prepayments	141,732	161,484
	<u>19,022,822</u>	<u>18,630,743</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2023

13. DEBTORS - continued

	2023 £	2022 £
Amounts falling due after more than one year:		
Trade debtors	<u>1,039,681</u>	<u>665,286</u>
Aggregate amounts	<u>20,062,503</u>	<u>19,296,029</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Trade creditors	100,720	96,384
Amounts owed to group undertakings	41,569	-
Tax	-	210,923
Social security and other taxes	97,934	69,156
VAT	15,500	16,667
Other creditors	8,831	4,080
Deferred income	2,236,924	2,373,652
Accrued expenses	<u>193,654</u>	<u>304,847</u>
	<u>2,695,132</u>	<u>3,075,709</u>

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

	2023 £	2022 £
Deferred income	<u>2,338,044</u>	<u>1,751,073</u>

16. LEASING AGREEMENTS

Operating lease payments represent values payable by the group 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:

	2023 £	2022 £
Within one year	92,000	85,500
Between one and five years	<u>15,333</u>	<u>99,750</u>
	<u>107,333</u>	<u>185,250</u>

17. PROVISIONS FOR LIABILITIES

	2023 £	2022 £
Deferred tax	<u>16,700</u>	<u>6,900</u>

	Deferred tax £
Balance at 1 February 2022	6,900
Charge to Statement of Comprehensive Income during year	<u>9,800</u>
Balance at 31 January 2023	<u>16,700</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 January 2023

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2023 £ <u>100</u>	2022 £ <u>100</u>
100	Ordinary			

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

19. PENSION COMMITMENTS**Defined contribution schemes**

£	£	2023	2022
Charge to profit or loss in respect of defined contribution schemes		<u>141,836</u>	<u>113,523</u>

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			143,359	131,615
Archipelago Learning Inc.				
Interest received	77,579	6,276		
Amounts due from them included in group debtors			4,435,517	5,561,571
Edmentum Inc.				
Royalties received	1,607,751	2,294,057		
Royalties paid	416,934	344,442		
Interest received	120,321	9,735		
Amounts due from them included in group debtors			6,949,405	6,269,642
Project Porsche Holdings Corporation				
Amounts due from them included in group debtors			146,201	146,201

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

During the year, a total of key management personnel compensation of £337,954 (2022 - £353,462) was paid.

21. 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 2023 was Vistria Edmentum 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.