

D2L EUROPE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2023

D2L EUROPE LIMITED

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D2L EUROPE LIMITED

COMPANY INFORMATION

Director	J Baker
Company secretary	W Trick
Registered number	07542144
Registered office	5 New Street Square London EC4A 3TW
Independent auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH

D2L EUROPE LIMITED**BALANCE SHEET
AS AT 31 JANUARY 2023**

	Note	2023 £	2022 £
Fixed assets			
Investments	4	1	1
Current assets			
Debtors: amounts falling due after more than one year	5	1,095,802	998,662
Debtors: amounts falling due within one year	5	4,369,630	3,112,756
Cash at bank and in hand		8,606,577	3,580,392
		<u>14,072,009</u>	<u>7,691,810</u>
Creditors: amounts falling due within one year	6	(12,643,485)	(6,728,704)
Net current assets		<u>1,428,524</u>	<u>963,106</u>
Total assets less current liabilities		<u>1,428,525</u>	<u>963,107</u>
Net assets		<u><u>1,428,525</u></u>	<u><u>963,107</u></u>
Capital and reserves			
Called up share capital	7	100	100
Other reserves		290,526	129,724
Profit and loss account		1,137,899	833,283
Total equity		<u><u>1,428,525</u></u>	<u><u>963,107</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the profit and loss account in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved, authorised for issue and signed by the sole director.

J Baker
Director

Date: 11 January 2024

The notes on pages 3 to 10 form part of these financial statements.

D2L EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2023

1. General information

D2L Europe Ltd is a private company limited by shares incorporated in England and Wales. The address of its registered office is 5 New Street Square, London, EC4A 3TW.

The financial statements are presented in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The company, and the group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and group are considered eligible for the exemption to prepare consolidated accounts.

2.3 Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue associated with multiple element contracts is allocated based on the fair value of the services included within the contract.

Revenue for license fees are recognised on a straight line basis over the term of the contract. Unearned revenue is reported as deferred income on the balance sheet.

Revenue for the implementation stage and other services being provided, that is spread over two accounting periods, is recognised on a stage of completion basis.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Deferred commissions

The company capitalises commission costs that are incremental and directly related to the acquisition of customer contracts. Commission costs are accrued and capitalised upon execution of the sales contract by the customer. Deferred commissions are amortised over the expected life of the customer.

2. Accounting policies (continued)

2.7 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

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.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing 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 for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other 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 for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

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

2. Accounting policies (continued)**Financial instruments (continued)****Impairment of financial assets**

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

2.8 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.9 Deferred income

Deferred income consists of billings or payments received in advance of revenue recognition and is recognised as the revenue recognition criteria are met. The company generally invoices its customers annually. Accordingly, the deferred income balance does not represent the total contract value of multi-year, non-cancellable subscription agreements.

2. Accounting policies (continued)

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, within 'Administrative expenses'.

2. Accounting policies (continued)

2.14 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

The company has taken advantage of the exemption available in FRS102 from accounting for share based payments arrangements which were granted prior to 1 January 2016.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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3. Employees

The average monthly number of employees, including directors, during the year was 46 (2022 - 41).

4. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 February 2022 and 31 January 2023	<u>1</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Principal activity	Class of shares	Holding
D2L EU B.V.	Schiphol Boulevard 359 WTC Schiphol 1118BJ Netherlands	Sales and marketing support services	Ordinary	100 %

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2023

5. Debtors

	2023 £	2022 £
Due after more than one year		
Other debtors	<u>1,095,802</u>	<u>998,662</u>
	2023 £	2022 £
Due within one year		
Trade debtors	2,348,206	1,929,366
Amounts owed by group undertakings	1,186,020	480,087
Other debtors	640,766	501,150
Prepayments and accrued income	178,912	183,769
Deferred taxation	15,726	18,384
	<u>4,369,630</u>	<u>3,112,756</u>

6. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	57,744	143,796
Amounts owed to group undertakings	4,704,426	-
Corporation tax	110,466	31,212
Other taxation and social security	414,153	342,898
Other creditors	7,879	6,429
Accruals and deferred income	7,348,817	6,204,369
	<u>12,643,485</u>	<u>6,728,704</u>

7. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
100 (2022 - 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2023

8. Commitments under operating leases

At 31 January 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	<u>99,900</u>	<u>9,331</u>

9. Related party transactions

The company has taken advantage of the exemption contained in FRS102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

10. Controlling party

The smallest group for which consolidated financial statements are drawn up is headed by D2L Inc., a company incorporated in Canada whose registered office is 137 Glasgow Street, Suite 560, Kitchener, ON, Canada, N2G 4X8

11. Post balance sheet events

Subsequent to the year end, on 9 May 2023, the company acquired the entire share capital of Connected Shopping Ltd ("Connected Shopping"). Connected Shopping is a SaaS e-commerce and course catalogue company, and maker of Course Merchant.

The purchase price is approximately \$3,584,052, consisting of \$2,921,851 cash paid on closing and estimated contingent consideration of \$599,305. Additional cash may be paid by (or returned to) the Company due to a post-closing adjustment to the initial consideration.

12. Auditor's information

The auditor's report on the financial statements for the year ended 31 January 2023 was unqualified.

The audit report was signed on 17 January 2024 by Andrew Sanford (senior statutory auditor) on behalf of Blick Rothenberg Audit LLP.

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.