Company registration number SC313681 (Scotland)

DISCOVERY EDUCATION PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

DISCOVERY EDUCATION PLC

COMPANY INFORMATION

Directors	RJ Emmott	
	S McGhee	*(Appointed 15 May 2023)*
	J S Gordon	(Appointed 30 June 2023)
Secretary	Resolis Limited	
Company number	SC313681	
Registered office	Exchange Tower 11th Floor 19 Canning Street Edinburgh Scotland EH3 8EG	
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	

DISCOVERY EDUCATION PLC

CONTENTS

DISCOVERY EDUCATION PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

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

Principal Activities
The principal activity of the company during the year was the provision and maintenance of six primary schools and two secondary schools in Dundee under the Government's Private Finance Initiative Scheme.

Review of Business
On 27 February 2007 Discovery Education plc entered into a contract with Dundee City Council to design, construct, finance and operate six primary schools and two secondary schools in Dundee under the Government's Private Finance Initiative Scheme. Construction of the final two schools was completed in April 2009.

At 31 March 2023 the company had retained losses of £4,658,142 (2022: £96,589 retained earnings). In the current year the Company made a loss of £4,754,731 (2022: Loss of £87,694) primarily as a result of higher RPI inflation increasing both the valuation of the index-linked bond and related interest payments.

The company uses Key Performance Indicators to provide analysis of the development, performance and position of the company.

There were service deductions of £7,287 (2022: £21,354) during the year. These were passed on in full to the facilities management provider.

Principal risks and uncertainties
The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has established risk management policies for managing each of these risks and they are summarised below:

Interest rate risk and Inflation risk
The company mitigated its interest rate risk at the inception of the project by ensuring that the majority of its debt is at a fixed rate or a fixed rate uplifted by RPI increases. The company's exposure to interest and inflationary fluctuations will continue to be monitored. The company's project revenue and most of its costs were linked to inflation at the inception of the project.

Contract Performance risk
The company's contract performance risk is mostly mitigated as facilities management services and lifecycle risk has been subcontracted to a third party provider. The performance of the subcontractor is being monitored every month to ensure that it stays at the required standard.

Cash Flow and Liquidity risk
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. The nature of the project is such that the cash flows are reasonably predictable. Surplus cash is placed on deposit with institutions of a suitable credit quality.

Credit risk
Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers. The company receives its revenue from Dundee City Council. The directors monitor amounts due carefully and do not consider there to be a significant credit risk. The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities. Board approval is required for the use of any new financial instruments.

Key Performance Indicators
The performance of the company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio, which is the ratio of the company's net cash inflows available for debt service relative to actual debt service payments. At the year end this ratio was 1.13 (2022: 1.13). The company has been performing well and has been compliant with the covenants laid out in the group loan agreement.

DISCOVERY EDUCATION PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Financial Instruments
The company's principal financial instruments comprise index linked bonds, which are listed on the London Stock Exchange main market, subordinated debt, cash at bank and short term deposits and the finance debtor. The main purpose of these financial instruments is to ensure, via the terms of the various financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the concession contract.

The company has issued £86,800,000 of 1.948% Guaranteed Secured Index-Linked Bonds. The bonds are repayable in instalments from 2010 until the final repayment in 2037.

Statement in respect of section 172 of the Companies Act 2006
The following disclosures describes how the Board has had regard to the matters set out in section 172 (1)(a) to (f) and forms the Directors' Statement required under section 414CZA of the Companies Act 2006.

The likely consequences of any decision in the long term
The purpose of the company is to design, build, finance and operate six primary schools and two secondary schools under the Government's Private Finance Initiative scheme over a concession period of 30 years. The company's aim is to work in partnership with Dundee City Council to provide effective infrastructure of a high quality standard. This shapes the company's values and objectives and defines long term success. Decisions are taken in the context of this ethos of working in partnership. The detailed PFI contracts set out the relationships with Dundee City Council, debt funders, maintenance and operations contractors. These parties are the company's main stakeholders. Debt Funders are provided with operational and financial reports on a quarterly basis. The operational management teams works closely with Dundee City Council and the maintenance and operations contractors to plan any works on the Schools. The company ensures the schools are maintained to the required standards.

The interest of the Company's employees
The company's activities are all outsourced through service agreements and therefore it does not have any employees. The company does however, pay due regard to the interests and safety of all those engaged by contractors to the company to perform services on its behalf.

The needs to foster the Company's business relationships with suppliers, customers and others
The Board is an experienced team with representatives of all shareholders. The Board members have experience of working with other key stakeholders, which enables them to identify the long term consequences of the principal decisions. The Board meet on a quarterly basis and information is provided at the meetings by the operational and financial management teams. This information will have regard to health and safety matters, the operational and financial performance of the project, planned major maintenance works and relationships with the client and the main subcontractors. The operational and financial management team make recommendations to the Board of directors. These are considered at the quarterly board meetings. These Board meetings are minuted and actions arising are monitored. Decisions made by the directors that have a financial impact are accounted for in a concession length forecast of financial performance.

The impact of the Company's operations on the community and environment
The company outsources all of its activities and has no direct energy consumption. Notwithstanding that the company is committed to minimising environmental disruption from its activities. The Board upholds the company's environmental policy in all its activities and require all parties to the arrangement to do the same. The Board recognises that the company is a key partner in the delivery of public infrastructure and encourages its partners in considering and delivering Environmental, Social and Governance (ESG) values and initiatives to achieve socially responsible investing.

The desirability of the company maintaining a reputation for high standards of business conduct
The company is committed, in its day to day operations and dealings with affiliates to uphold the high standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense, but are committed to understanding the culture of the manager and the service providers and raise any concerns in this regard if necessary.

The need to act fairly between members of the company
Principal decisions of the company are those that are key to the company's success. These include but are not limited to: decisions impacting upon the relationships between the parties, decisions impacting upon the availability and safety of the schools and decisions impacting financial returns to the shareholders.

The principal decisions made by the Board of directors during the year ended 31 March 2023 related in the main to major maintenance expenditure.

Major maintenance expenditure is planned following asset condition surveys, with the aim to maintain the asset at the required contractual standards and to ensure that the asset will meet the required contractual standards at the end of the concession. The delivery of these works is carefully planned with the maintenance and operation contractors and client, to ensure minimum disruption to the users of the Schools and the safety of the contractors' employees.

This report was approved by the Board of directors and signed on behalf of the board by:

Steven McGhee

....

S McGhee
Director

Date: 31-07-23

DISCOVERY EDUCATION PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the audited Annual Report and Financial Statements of Discovery Education plc ("the company") for the year ended 31 March 2023.

Principal activities
The principal activity of the company during the year was the provision and maintenance of six primary schools and two secondary schools in Dundee under the Government's Private Finance Initiative Scheme.

Results and dividends
The results for the year are set out on page 14.

The directors do not recommend the payment of a dividend.

Performance Review
The loss for the year, after taxation, amounted to £4,754,731 (2022: Loss of £87,694) and the company had net liabilities as at 31 March 2023 of £4,184,142 (2022: Net assets of £570,589). The customer, Dundee City Council, continued to make unitary payments as they fell due during the year. A review of the company performance is set out in the Strategic Report.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

RJ Emmott	
PK Johnstone	(Resigned 30 June 2023)
R W Christie	(Resigned 15 May 2023)
S McGhee	(Appointed 15 May 2023)
J S Gordon	(Appointed 30 June 2023)

Financial instruments
Details of the financial instruments are noted in the Strategic Report.

Future developments
No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

Qualifying Indemnity Provision
The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

DISCOVERY EDUCATION PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Auditor
A Resolution to reappoint Johnston Carmichael LLP as auditor will be proposed at the Annual General Meeting.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going Concern
The company prepares a detailed financial model semi-annually which forecasts cashflows, financial results and the financial position of the company through to the end of the concession. In preparing these financial models, the directors include assumptions based upon expected future economic conditions, including forecast inflation and interest rates, and include costs profiled on known and expected expenditure. The company's operating cash flows are largely dependent upon unitary charge receipts from Dundee City Council and the directors expect these amounts to be recovered even under the most severe economic conditions.

Based on these forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the remainder of the concession and continue to meet debt covenants and debt repayments as they fall due. In light of this, the directors continue to adopt the going concern basis of accounting in preparing the company's annual financial statements.

On behalf of the board

Steven McGhee
....
S McGhee
Director

31-07-23
Date: ....

DISCOVERY EDUCATION PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The directors are responsible for preparing the Strategic Report, Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and 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 the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DISCOVERY EDUCATION PLC

Opinion

We have audited the financial statements of Discovery Education plc (the 'company') for the year ended 31 March 2023 which comprises the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including 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 March 2023 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 Auditor 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 as applied to listed public interest entities, 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.

Our approach to the audit

We planned our audit by first obtaining an understanding of the company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by Resolis Limited (the "Management Service Provider") to whom the company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the project's financial model and the nature of the activities within the company, the involvement of the Management Service Provider, the accounting processes and controls, and the industry in which the company operates.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in the evaluation of the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We summarise below the key audit matter in arriving at our audit opinion above, together with how our audit addressed this matter and the results of our audit work in relation to this matter.

DISCOVERY EDUCATION PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF DISCOVERY EDUCATION PLC

Key audit matter	How our scope addressed this matter
Risk of incorrect recognition of revenue The company generated turnover of £8,896k (2022: £7,490k) which arises from a service concession arrangement with Dundee City Council (the 'Authority') for the provision and maintenance of six primary schools and two secondary schools in Dundee. Accounting for the service concession contract (notes 1.4 and 2 to the financial statements) requires the exercise of judgement resulting from allocation of the unitary charge and the estimation of service margins. Given the level of estimation and judgement required, we consider this to be the most significant assessed risk of material misstatement due to fraud and/or error	Central to our audit response was obtaining audit evidence and evaluating management's estimate and allocation of revenue recognised. Our audit response included: • reaffirming our understanding of the key contractual terms and establishing whether any contract revenue variations had arisen via inspection of the board minutes and latest operating model; • assessing whether performance of the underlying service concession is in line with the contract and establishing whether any performance issues had arisen; • enquiring of management, and corroborating responses, of any issues concerning revenue between the key contractual partners; • performing analytical procedures to identify any unusual or unexpected revenue relationships; • recalculating the unitary charge received by taking the base charge per the project agreement and uplifting for RPI; • agreeing a sample of monthly income receipts to invoice and bank statements; • performing an assessment on the service margins used in the year via recalculation from the current operating model by reference to actual service costs; and • ensuring calculations of revenue were performed accurately and recognised consistently based on historical margin comparisons. The procedures outlined above did not identify any material misstatements in the recognition of revenue.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the results of that work.

DISCOVERY EDUCATION PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF DISCOVERY EDUCATION PLC

Materiality Measure	Value
Materiality for the financial statements as a whole – we have set materiality as 0.95% (2022: 0.95%) of the gross assets of the company (at the planning stage of the audit) as we believe that gross assets is the primary performance measure used by the shareholders and is the key driver of the ability to service the debt of the company. We determined the measurement percentage to be commensurate with the risk and complexity of the audit and the company's listed status.	£946,000 (2022: £937,000)
Performance materiality – Performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the company's overall control environment and our past experience of the audit, that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 75% (2022: 75%) of our overall financial statement materiality.	£709,500 (2022: £703,000)
Specific materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. We have set a specific materiality in respect of related party transactions. We used our judgement in setting these thresholds and considered our past experience of the audit, the history of misstatements and industry benchmarks for specific materiality.	£10,000 (2022: £10,000)

DISCOVERY EDUCATION PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF DISCOVERY EDUCATION PLC

Communication of misstatements to the directors – We agreed with the directors that we would report to them all differences in excess of 5% (2022: 5%) of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£47,000 (2022: £46,000)

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- assessing the directors' assumptions of the company's financial position used in their base case forecast, taking account of severe but plausible downsides, against available financial information and our understanding of the business in the context of its ability to service future expenses and ability to meet current and future lending covenants;
- evaluating the directors' assessment of the Authority's ability to continue to meet its obligations under the Project Agreement;
- challenging the directors' assessment of potential operational impacts on the unitary charge, considering consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements; and
- assessing whether the going concern disclosures in the annual report and financial statements give an adequate description of the directors' assessment on going concern.

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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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.

DISCOVERY EDUCATION PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF DISCOVERY EDUCATION PLC

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report 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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the company, 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.

Responsibilities of directors
As explained more fully in the directors' Responsibilities Statement set out on page 6, 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 is 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.

DISCOVERY EDUCATION PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF DISCOVERY EDUCATION PLC

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 an auditor's report 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Generally Accepted Accounting Practice, including FRS 102;
- Listing rules continuing obligations (Chapters 17);
- Financial Conduct Authority (FCA) rules; and
- UK Companies Act 2006.

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to revenue recognition (audit procedures performed in response to this risk are set out in the section on key audit matters above) and management override of controls (procedures in response to this risk are included below).

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006 and the Listing Rules;
- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services and;
- Agreement of the financial statement disclosures to supporting documentation

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures described above and the further 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.

Other matters which we are required to address

We were appointed by the directors of Discovery Education plc on 18 May 2017 to audit the financial statements for the year ended 31 March 2017 and subsequent financial periods. The period of our total uninterrupted engagement is 7 years, covering the years ended 31 March 2017 to 31 March 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain *independent of the company in conducting our audit.*

Our audit opinion is consistent with the additional report to the directors.

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Allison Dalton (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

Date: 31 July 2023

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

DISCOVERY EDUCATION PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	8,896,188	7,489,536
Cost of sales		(5,090,357)	(4,472,850)
Gross profit		3,805,831	3,016,686
Administrative expenses		(721,974)	(722,829)
Operating profit	4	3,083,857	2,293,857
Interest receivable and similar income	6	3,334,654	3,324,743
Interest payable and similar expenses	7	(12,758,153)	(5,726,864)
Loss before taxation		(6,339,642)	(108,264)
Tax on loss	8	1,584,911	20,570
Loss for the financial year		(4,754,731)	(87,694)

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

DISCOVERY EDUCATION PLC

BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Current assets					
Debtors falling due after more than one year	9	63,927,474		65,424,095	
Debtors falling due within one year	9	25,592,964		18,191,687	
Cash at bank and in hand		10,083,255		15,147,585	
		99,603,693		98,763,367	
Creditors: amounts falling due within one year	10	(16,002,383)		(13,666,495)	
Net current assets			83,601,310		85,096,872
Creditors: amounts falling due after more than one year	11		(87,785,452)		(84,526,283)
Net (liabilities)/assets			(4,184,142)		570,589
Capital and reserves					
Called up share capital	14		474,000		474,000
Profit and loss reserves			(4,658,142)		96,589
Total equity			(4,184,142)		570,589

The financial statements were approved by the board of directors and authorised for issue on 31-07-23 .... and are signed on its behalf by:

Steven McGhee
....
S McGhee
Director

Company Registration No. SC313681

DISCOVERY EDUCATION PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2021	474,000	184,283	658,283
Year ended 31 March 2022:			
Loss and total comprehensive expenditure for the year	-	(87,694)	(87,694)
Balance at 31 March 2022	474,000	96,589	570,589
Year ended 31 March 2023:			
Loss and total comprehensive expenditure for the year	-	(4,754,731)	(4,754,731)
Balance at 31 March 2023	474,000	(4,658,142)	(4,184,142)

1 Accounting policies

Company information

Discovery Education plc ("the company") is a public company limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is Exchange Tower, 11th Floor, 19 Canning Street, Edinburgh, Scotland, EH3 8EG.

The principal activity of the company during the year was the provision and maintenance 'of six primary schools and two secondary schools in Dundee under the Government's Private Finance Initiative Scheme.

1.1 Accounting convention

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 £.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

This 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 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures.

The company has also taken advantage of the exemption for Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Discovery Education (Holdings) Limited. These consolidated financial statements are available from its registered office, Exchange Tower, 11th Floor, 19 Canning Street, Edinburgh, EH3 8EG.

1 Accounting policies **(Continued)**

1.2 Going concern

The company prepares a detailed financial model semi-annually which forecasts cashflows, financial results and the financial position of the company through to the end of the concession. In preparing these financial models, the directors include assumptions based upon expected future economic conditions, including forecast inflation and interest rates, and include costs profiled on known and expected expenditure. The company's operating cash flows are largely dependent upon unitary charge receipts from Dundee City Council and the directors expect these amounts to be recovered even under the most severe economic conditions.

Based on these forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the remainder of the concession and continue to meet debt covenants and debt repayments as they fall due. In light of this, the directors continue to adopt the going concern basis of accounting in preparing the company's annual financial statements.

1.3 Finance debtor

The company has taken the transition exemption in FRS 102 section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

1.4 Revenue recognition

Turnover represents the services' share of the management services income received by the company for the provision of a PFI asset to the customer. This income is recognised, net of VAT, over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

1.5 Cash and cash equivalents

Cash and cash equivalents 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.

The company is obligated to keep cash reserves as at the balance sheet date and 30th September in respect of requirements in the company's funding agreements, some of which has been placed in fixed term deposit accounts. The restricted cash balance, which is shown on the balance sheet within "cash at bank and in hand" and "Other financial assets" within "Debtors falling due within one year" balances, amounts to £13,796,430 (2022: £13,243,937) as at the balance sheet date.

1.6 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.

Basic financial instruments, such as trade debtors and trade creditors, are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate approach on inflation linked debt is to reflect only accrued inflation for the period up to the reporting date.

1 Accounting policies **(Continued)**

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Balance Sheet. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

1.7 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in Other Income or directly in equity. In this case tax is also recognised in Other Income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

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.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

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 is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability. Deferred tax is not discounted.

1 Accounting policies **(Continued)**

1.8 Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

1.9 Lifecycle

The company is responsible for the lifecycle costs associated with its principal activity, however risk here is mitigated by passing on lifecycle risk to a third party facilities management company. Lifecycle costs are accounted for on an accruals basis as disclosed in the indicative lifecycle works program or lifecycle tracker as used by all parties through the operating phase of the concession period, with any underspend included within accruals and creditors due less than one year.

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to the accounting estimates made are recognised in the period in which the estimate is revised, if the revision effects only that period, or in the period of revision and future periods if the revision offsets both current and future periods.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Accounting for service concession arrangements

Accounting for service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract. These were forecast initially within the operating model at financial close and are updated on a six monthly basis throughout the duration of the project.

3 Turnover

	2023	2022
	£	£
Turnover analysed by class of business		
Service Fee	8,806,519	7,406,644
Other income	89,669	82,892
	8,896,188	7,489,536

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

4 Operating profit

	2023	2022
Operating profit for the year is stated after charging:	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	16,740	14,670

4 Operating profit **(Continued)**

Included in the fee above are costs borne for the audit of the immediate parent entity Discovery Education (Holdings) Limited. Auditor's remuneration is payable to Johnston Carmichael LLP.

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was: nil (2022: nil).

Particulars of Employees and Directors
The directors did not receive any remuneration directly from the company during the year (2022: £nil). There were no employees in the financial year other than the directors (2022: nil).

Elgin Infrastructure Limited, one of the shareholders received fees of £14,189 (2022: £13,117) from the company during the year in respect of management services by the directors.

Crimson Project Investments Limited, one of the shareholders received fees of £14,189 (2022: £13,117) from the company during the year in respect of management services by the directors.

6 Interest receivable and similar income

	2023	2022
	£	£
Interest income		
Other interest income	3,334,654	3,324,743

7 Interest payable and similar expenses

	2023	2022
	£	£
Interest payable to group undertakings	575,467	720,951
Index-linked movement on bond	10,363,039	3,258,310
Other finance costs	41,983	41,983
Interest payable on index-linked bond	1,777,664	1,705,620
	12,758,153	5,726,864

8 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	-	(20,570)
Deferred tax		
Origination and reversal of timing differences	(1,584,911)	-
Total tax credit	(1,584,911)	(20,570)

8 Taxation (Continued)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
Loss before taxation	(6,339,642)	(108,264)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(1,204,532)	(20,570)
Effect of change in applicable future corporation tax rate	(380,379)	-
Taxation credit for the year	(1,584,911)	(20,570)

Subsequent to the year end, on 1 April 2023 the Corporation Tax rate in the United Kingdom changed from 19% to 25%. As disclosed in the Deferred Tax note, losses incurred in the current year are expected to reverse within 63 months of the year end when the higher 25% rate is effective.

9 Debtors

Amounts falling due within one year:	2023 £	2022 £
Other financial assets	5,790,000	-
Corporation tax recoverable	20,589	20,589
Finance debtor	3,081,533	2,942,078
Prepayments and accrued income	16,700,842	15,229,020
	25,592,964	18,191,687

Amounts falling due after more than one year:	2023 £	2022 £
Finance debtor	62,342,563	65,424,095
Deferred tax asset (note 13)	1,584,911	-
	63,927,474	65,424,095
Total debtors	89,520,438	83,615,782

Other financial assets include amounts held within deposit accounts with a maturity of greater than three months but less than eight months from the initial deposit date.

Included in prepayments and accrued income is £16,474,801 (2022: £15,098,051) relating to the unitary charge control account, of which £15,378,421 is forecast to be received within the next 12 months via Unitary Charge receipts with amounts received being offset by service concession accounting adjustments.

10 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Bank loans	12	6,359,521	5,178,919
Loans from group undertakings	12	904,000	685,059
Trade creditors		735,353	319,773
Taxation and social security		462,495	435,879
Accruals and deferred income		7,541,014	7,046,865
		16,002,383	13,666,495

Included within accruals and deferred income are amounts recognised in respect of future payments due on lifecycle underspends of £7,407,831 (2022: £6,743,514), the timings of which are uncertain.

11 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Bank loans and overdrafts	12	84,235,867	80,449,786
Loan issue costs		(545,763)	(587,746)
Loans from group undertakings	12	4,095,348	4,664,243
		87,785,452	84,526,283

The Index-Linked Senior Guaranteed Secured Bonds, which are listed on the London Stock Exchange main market, have a nominal value of £86,800,000 and mature on 31 March 2037. Capital repayments are such that they pay down a percentage of each bond note in issue rather than the individual bond notes in their entirety and at the year end £34,377,000 of the nominal value of the bonds issued had been repaid. The bonds are the subject of and have the benefit of a bond trust deed dated 27 February 2007 between the Company, Ambac Assurance UK Limited and Prudential Trustee Company Limited in its capacity as bond trustee. The bonds are index linked, assume a base RPI index of 198.5 and attract interest at 1.948% per annum. Repayment of the bond including indexation is half yearly and commenced on 31 March 2010. The bonds are held at amortised cost.

Included within creditors: amounts falling due after more than one year is an amount of £57,395,966 (2022: £60,256,691) in respect of liabilities payable or repayable otherwise than by instalments which fall due for payment after more than five years from the reporting date.

Prudential Trustee Company Limited has a floating charge over all the assets of the Company for all present or future, actual or contingent obligations.

Amounts owed to group undertakings comprises subordinated debt. The subordinated debt is unsecured and attracts an effective interest at 14% per annum payable half yearly. The debt will be fully repaid by 31 March 2038. The subordinated debt is held at amortised cost.

12 Loans and overdrafts

An analysis of the maturity of loans is given below:

	2023	2022
	£	£
Amounts falling due within one year or on demand:		
1.948% Index-linked guaranteed bonds 2037	6,401,504	5,220,902
Loan issue costs	(41,983)	(41,983)
Loans from group undertakings	904,000	685,059
	7,263,521	5,863,978
Amounts falling due between one and two years:		
1.948% Index-linked guaranteed bonds 2037	7,203,227	5,588,148
Loan issue costs	(41,983)	(41,983)
Loans from group undertakings	-	578,985
	7,161,244	6,125,150
Amounts falling due between two and five years:		
1.948% Index-linked guaranteed bonds 2037	23,354,191	18,270,391
Loan issue costs	(125,949)	(125,949)
	23,228,242	18,144,442
Amounts falling due after more than five years:		
Repayable by instalments		
1.948% Index-linked guaranteed bonds 2037	53,678,449	56,591,247
Loan issue costs	(377,831)	(419,814)
Loans from group undertakings	4,095,348	4,085,258
	57,395,966	60,256,691
The total cash repayable on the loan is as follows :		
1.948% Index-linked guaranteed bonds 2037	90,637,371	85,670,688
Loans from group undertakings	4,999,348	5,349,302
	95,636,719	91,019,990
Payable within one year	7,305,504	5,905,961
Payable after one year	88,331,215	85,114,029

DISCOVERY EDUCATION PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	**Assets 2023 £**	**Assets 2022 £**
Tax losses	1,584,911	-

Movements in the year:	**2023 £**
Liability at 1 April 2022	-
Credit to profit or loss	(1,584,911)
Asset at 31 March 2023	(1,584,911)

The deferred tax asset set out above is expected to reverse within 5-6 years and relates to the utilisation of tax losses against future expected profits of the same period.

14 Share capital

Ordinary share capital	**2023 Number**	**2022 Number**	**2023 £**	**2022 £**
Issued and fully paid				
Ordinary shares of £1 each	474,000	474,000	474,000	474,000

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

15 Reserves

Profit and Loss Reserves - This reserve records accumulated profits and losses.

16 Ultimate controlling party

The immediate parent undertaking is Discovery Education (Holdings) Limited, a company incorporated in Scotland.

The accounts of Discovery Education (Holdings) Limited can be obtained from Exchange Tower, 11th Floor, 19 Canning Street, Edinburgh, EH3 8EG.

At the year end Discovery Education (Holdings) Limited is owned 49.25% by Elgin Infrastructure Limited, which is a joint venture between Cobalt Project Investments Limited and Ednaston Project Investments Limited, and 49.25% by Crimson Project Investments Limited and 1.5% by Dundee City Council.

17 Related party transactions

Transactions with related parties
The directors consider the material transactions undertaken by the Company during the year with related parties were as follows:

The following disclosures are with entities in the group that are not wholly owned.

Discovery Education plc is owned 99.9% by Discovery Education (Holdings) Limited. During the year interest of £575,467 (2022: £720,951) was payable from the Company to Discovery Education (Holdings) Limited. Interest of £nil (2022: £349,954) was due to Discovery Education (Holdings) Limited at the year end.

During the year £nil (2022: £280,000) relating to subordinated debt principal was paid to Discovery Education (Holdings) Limited. Subordinated debt due to Discovery Education (Holdings) Limited at the year end was £4,999,348 (2022: £5,349,302).

Discovery Education (Holdings) Limited is owned 49.25% by Elgin Infrastructure Limited. The Company paid £14,189 (2022: £13,117) to Elgin Infrastructure Limited for the provision of directors. £nil (2022: £nil) remained outstanding at the year end.

Discovery Education (Holdings) Limited is owned 49.25% by Crimson Project Investments Limited. The Company paid £14,189 (2022: £13,117) to Crimson Project Investments Limited for the provision of directors. £nil (2022: £13,117) remained outstanding at the year end.

During the year Resolis Limited provided management services to Discovery Education plc. The Company paid £124,402 (2022: £132,457 to Infrastructure Managers Limited) to Resolis Limited for the provision of management services, £nil (2022: £10,872 to Infrastructure Managers Limited) remained outstanding at the year end.